



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF INNOVATION AND TECHNOLOGY**

Compliance Examination  
 For the Two Years Ended June 30, 2022

Release Date: March 23, 2023

FINDINGS THIS AUDIT: 26	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1: <u>New</u> 2 <u>Repeat</u> 10 <u>Total</u> 12	2018	22-01, 22-02, 22-05, 22-06, 22-08, 22-09, 22-10, 22-11, 22-12	22-14, 22-17, 22-18, 22-19, 22-20, 22-21, 22-22, 22-23, 22-24, 22-25, 22-26	
Category 2: 1	2020	22-07	22-15, 22-16	
Category 3: 0				
<b>TOTAL</b> 3				
<b>FINDINGS LAST AUDIT: 28</b>				

**SYNOPSIS**

- (22-01) The Department failed to comply with the provisions of Executive Order 2016-01: Executive Order Consolidating Multiple Information Technology Functions Into A Single Department of Innovation and Technology.
- (22-02) The Department failed to maintain controls over its property and related records.
- (22-03) The Department failed to conduct risk assessments for all State agencies as required by the Illinois Information Security Improvement Act.
- (22-09) The Department had not adopted formal Departmental rules for the operation, administration, and accounting of the Department.
- (22-11) The Department failed to implement controls in place to control, track, and monitor end-user software use.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

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

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

**Department had not entered into IGAs with six and seven agencies for Fiscal Years 2021 and 2022**

During our testing, we noted 42 agencies had transferred their Information Technology (IT) functions to the Department. However, we noted the Department had not entered into Intergovernmental Agreements (IGA) with six (14%) and seven (17%) agencies for Fiscal Years 2021 and 2022, respectively.

**Department did not execute IGAs timely for agencies that were statutorily required to transfer to the Department**

Additionally, of the agencies statutorily required to transfer their IT functions to the Department, the IGAs were not executed in a timely manner during the examination period. Specifically,

- 35 of 36 (97%) Fiscal Year 2021 IGAs were not executed timely.
- 35 of 35 (100%) Fiscal Year 2022 IGAs were not executed timely.

The IGAs were executed 168 to 998 days after the effective date of the agreement. (Finding 1, pages 11 – 12) **This finding has been reported since 2018.**

We recommended the Department work with the agencies to ensure IGAs are timely executed and IGAs are entered into with all transferring agencies.

**Department management agreed with accountants**

The Department accepted the finding and recommendation and stated it had not completed the transfer of all personnel and property for agencies identified in the statute and continues to work with agencies to complete the transfer of personnel and property as required by the Executive Order and Department of Innovation and Technology Act (20 ILCS 1370). The Department further stated it had provided IGAs for client agency signature to all transferring agencies and follows up with the agencies to have agreements in place. Lastly, the Department stated they were funded via charging back agencies for costs and the significant delay in both the payment cycle and the deposit of cash into the Department's Technology Management Revolving Fund has prevented the full transfer of the remaining personnel to Department payroll.

## **FAILURE TO MAINTAIN CONTROLS OVER PROPERTY**

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

### Agency Report of State Property

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

- The Department did not provide evidence of review for 16 of 16 (100%) quarterly C-15 Reports required to be filed during Fiscal Years 2021 and 2022. As such, we were not able to determine whether these reports were reviewed prior to submission.
- The Department did not consistently classify equipment subject to theft. Equipment totaling \$5,627,655 and \$4,829,016 was not classified as subject to theft and not reported in the C-15 and Annual Inventory Certification reports in Fiscal Years 2021 and 2022, respectively. Additionally, equipment totaling \$128,915 and \$87,089 was not classified as subject to theft in Fiscal Years 2021 and 2022, respectively, although these properties were within the scope of the Department's high-theft property definition under Section 2.1b of the property control procedure.
- For the Fiscal Year 2021 C-15 Reports:
  - Equipment, totaling \$558,393,343 at June 30, 2021, did not agree with the Department's property listing. The discrepancy totaled \$6,526.
  - Property additions did not agree with the detailed list of additions provided by the Department. The discrepancies totaled \$1,586,204. Additionally, properties added to the ERP were overstated by \$186,051 and \$219,040 for the Technology Management Revolving Fund (Fund 0304) and Government Funds (General Fund (Funds 0001) and Capital Development Fund (Fund 0141)), respectively.
  - Property deletions did not agree with the detailed listing of deletions provided by the Department. The discrepancies totaled \$2,033,000. Additionally, properties removed from the ERP were understated by \$21,540.
  - Net transfers did not agree with the detailed list of net transfers provided by the Department. The discrepancies totaled \$1,709,947.

**Agency Report of State Property inaccurate**

**Property additions did not agree to detail, with discrepancies totaling \$1,586,204**

**Property deletions did not agree to detail, with discrepancies totaling \$2,033,000**

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

- For the Fiscal Year 2022 C-15 Reports:
  - Equipment, totaling \$402,731,172 at June 30, 2022, did not agree with the Department's property listing. The discrepancy totaled \$8,195.
  - Property additions did not agree with the detailed list of additions provided by the Department. The discrepancies totaled \$4,112,081. Additionally, properties added to the ERP were overstated by \$315,884 for the Technology Management Revolving Fund (Fund 304).
  - Net transfers did not agree with the detailed list of net transfers provided by the Department. The discrepancies totaled \$4,112,571.
  - Property deletions totaling \$146,840,965 were incorrectly reported as adjustment to additions.

Annual Certification of Inventory

During our testing of the Annual Inventory Certification Reconciliation filed with DCMS, we noted:

**Properties totaling \$211,651,503 and \$46,845,799 were not reported during Fiscal Years 2021 and 2022, respectively**

- Properties totaling \$211,651,503 and \$46,845,799 were not reported in the Annual Inventory Certification submitted to DCMS during Fiscal Years 2021 and 2022, respectively.
- 544 and 520 property items reported to DCMS during Fiscal Years 2021 and 2022 did not have a reported cost.
- The Department reported an astronomical increase in the number and value of unlocated items during Fiscal Year 2021 and Fiscal Year 2022. The number of the unlocated items increased by 1,057 or 254% and 2,481 or 168%, during Fiscal Year 2021 and Fiscal Year 2022, respectively. The value of the unlocated items increased by \$2,051,683 or 389% and \$3,181,792 or 123%, during Fiscal Year 2021 and Fiscal Year 2022, respectively.
- During Fiscal Year 2022, one Department location code understated the value of the missing properties in the Annual Inventory Certification by \$302,171. During Fiscal Year 2021, three Department location codes overstated the value of the missing properties in the Annual Inventory Certification by \$32,557.

Population Completeness

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

We requested the Department to provide the population of its property in order to determine if property had been properly recorded. In response to the request, the Department provided a population; however, given the noted exceptions above we were unable to conclude the Department's population records were sufficiently precise and detailed under the Professional

Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

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

*Detailed Testing*

Property Additions

**Property additions recorded late**

- Four of 60 (7%) property additions, totaling \$1,054,583, were recorded 344 to 753 days late.
- The Department did not record on its property listing and did not report on the Department's annual inventory report submitted to DCMS a voucher for the purchase of equipment totaling \$1,929,406.
- Three of 60 (5%) property additions, totaling \$142,036,908, were not properly recorded in the ERP, resulting in an overstatement of \$26,339,417.

Property Deletions and Unlocated Computers

**Property deletions recorded late**

- Eleven of 60 (18%) property deletions, totaling \$11,925, were recorded 32 to 1,815 days late.
- Three of 60 (5%) property deletions, totaling \$75,417, were recorded with improper transaction codes.
- Thirteen of 60 (22%) unlocated computers, totaling \$28,660, were reported as missing items in the Annual Inventory Certification, although these items were still active and in use.
- Six of 60 (10%) Certificates of Media Sanitization (Certificates) tested were not properly completed. The Certificates had incorrect tag numbers, serial numbers, and were not dated.
- The Department did not provide documentations to determine if:
  - Six of 60 (10%) property deletions totaling \$10,417, were properly processed, approved, supported, and timely recorded;
  - Nine of 60 (15%) computers disposed of, totaling \$10,488, had confidential data and were properly wiped; and
  - Forty-five of 60 (75%) unlocated computers, totaling \$76,165, had confidential information stored and were properly wiped.

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

Physical observation of equipment

During testing, we noted:

- Twenty eight of 60 (47%) items, totaling \$92,742, were not found at the location indicated on the Department's property listing.
- Thirteen of 60 (22%) items, totaling \$55,924, were assigned an incorrect location code.
- Sixty of 60 (100%) surplus items had not been recycled, issued, or reported as transferable property to DCMS.

- Ten of 61 (16%) items were not recorded in the property records as well as in the Annual Inventory Certification submitted to DCMS. (Finding 2, pages 13 – 19) **This finding was first reported in 2018.**

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

**Department management agreed with accountants**

The Department accepted the finding and recommendation and stated both the accounting and property control departments are working independently and together to streamline processes. The Department also stated it was planning to utilize additional technology to help with property control discrepancies.

**FAILURE TO CONDUCT RISK ASSESSMENTS FOR ALL STATE AGENCIES**

The Department failed to conduct risk assessments for all State agencies as required by the Illinois Information Security Improvement Act (Act).

**Risk assessments not completed**

Our testing of the Department’s risk assessment documentation noted:

- Five of eight (63%) risk assessments identified as completed in fact had not been completed during Fiscal Year 2021.
- The Department did not provide documentation demonstrating the population of risk assessments conducted during Fiscal Year 2022 was complete and accurate. Therefore, we were unable to conduct detailed testing. (Finding 3, page 20)

We recommended the Department work with the agencies to ensure risk assessments are conducted for all State agencies to comply with the Act and maintain documentation demonstrating the population of risk assessments is complete.

**Department management agreed with accountants**

The Department accepted the finding and recommendation and stated it was working to add more resources to the Information Security Division to address capacity constraints.

**FAILURE TO ADOPT FORMAL DEPARTMENTAL RULES**

The Department had not adopted formal Departmental rules for the operation, administration, and accounting of the Department.

**Department had not drafted or adopted formal rules**

During our examination, we noted the Department had not drafted or adopted formal rules related to accounting and personnel. (Finding 9, page 31) **This finding was first reported in 2018.**

We recommended the Department adopt formal rules for the operation, administration, and accounting of the Department.

**Department management agreed with accountants**

The Department accepted the finding and recommendation and stated it had adopted formal administrative rules regarding the Department organization in FY20 (2 Ill. Admin. Code 1530) and is in the process of establishing additional policies and procedures.

### **FAILURE TO CONTROL AND MONITOR SOFTWARE LICENSING**

The Department failed to implement controls in place to control, track, and monitor end-user software use.

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

The Department had not developed procedures for controlling, monitoring, and tracking the use of software licenses. In addition, the Department could not provide an inventory of software licenses purchased and the number of software licenses that were actually deployed. As a result, we were unable to determine if the Department was in compliance with contractual licensing agreements. (Finding 11, pages 34 – 35) **This finding was first reported in 2018.**

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

**Department management agreed with accountants**

The Department accepted the finding and recommendation and stated it was making progress on the corrective action plan with a software asset management tool now in place and formal procedures and processes are being developed.

### **OTHER FINDINGS**

The remaining findings related to Information Technology security, voucher processing, FCIAA, training, overtime requests, service providers, monthly reconciliations, collection efforts, vehicles, contracts, and agreements. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2022, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2022-001 through 2022-012. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Roth & Company.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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