

**STATE OF ILLINOIS  
BOARD OF EXAMINERS**

**COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2007

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

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STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

**AGENCY OFFICIALS**

Executive Director

Ms. Joanne Vician

Members of the Illinois Board of Examiners during the period were as follows:

Ms. Penelope Yunker, CPA, Chair

Mr. Kenneth J. Hull, CPA

Ms. Cheryl S. Wilson, CPA, Vice-Chair

Ms. Myra A. Swick, CPA

Ms. Margaret A. Cartier, CPA

Ms. Claireen L. Herting, CPA

Mr. Gary L. Fish, CPA

Mr. Richard J. York

Board office is located at:

100 Trade Centre, Suite 403  
Champaign, IL 61820-7233



# Illinois Board of Examiners

100 TRADE CENTRE DRIVE • SUITE 403 • CHAMPAIGN, ILLINOIS 61820-7233

May 7, 2008

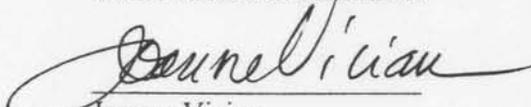
Honorable William G. Holland  
Auditor General  
State of Illinois  
Iles Park Plaza  
740 East Ash Street  
Springfield, IL 62703-3154

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 Illinois Board of Examiners (Agency). 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 Agency's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the year(s) ended June 30, 2006 and June 30, 2007, the Agency has materially complied with the assertions below, except as reported in findings 07-3 and 07-7.

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

Sincerely,

Illinois Board of Examiners

  
Joanne Vician  
Executive Director

  
Vicki Van Uithoven  
Fiscal Officer

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes (Report) does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	7	2
Repeated findings	2	N/A*
Prior recommendations implemented or not repeated	0	N/A*

\* The report for the year ended June 30, 2005 was the first separate examination of the Board. Prior to FY05, Board information was included within the University of Illinois audit report.

Details of findings are presented in a separately tabbed report section.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-1	8	Inappropriate use of State funds
07-2	11	Inadequate control over the use of Procurement Cards
07-3	13	Lack of internal controls over contractual services and agreements

07-4	15	Insufficient controls over property records
07-5	17	Inadequate controls over the processing of waived fees
07-6	19	Board not staffed as required
07-7	20	Procedural deficiencies

### **EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on April 28, 2007. Attending were:

Board of Examiners

Joanne Vician, Executive Director

Vicki Van Uithoven, Assistant Director for Business

Office of the Auditor General

Lisa Warden, Audit Manager

Jessica Olive, Audit Supervisor

Responses to the recommendations were provided by Joanne Vician, Executive Director, in a letter dated May 7, 2008.

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:  
MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL

WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois Board of Examiners' (Board) compliance with the 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, 2007. The management of the Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

We conducted our examination 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Board's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Board's compliance with specified requirements.

INTERNET ADDRESS: AUDITOR@MAIL.STATE.IL.US

RECYCLED PAPER • SOYBEAN INKS

As described in findings 07-3 and 07-7 in the accompanying Schedule of Findings, the Board did not comply with requirements regarding laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Board to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Board complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying Schedule of Findings as findings 07-1, 07-2, 07-4, 07-5 and 07-6.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

### **Internal Control**

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Board's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as findings 07-1 through 07-5 and 07-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of

the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings, we consider findings 07-1 to 07-5 and 07-7 to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

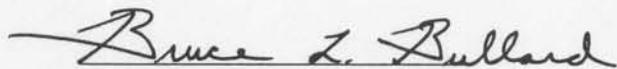
The Board's response to the findings identified in our examination is described in the accompanying Schedule of Findings. We did not examine the Board's response and, accordingly, we express no opinion on it.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2006 and 2007 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2005 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management and the agency's governing board, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA  
Director of Financial and Compliance Audits

May 7, 2008

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**CURRENT FINDINGS (STATE COMPLIANCE)**  
For the Two Years Ended June 30, 2007

07-1. **FINDING** (Inappropriate use of State funds)

The Board of Examiners (Board) incurred inappropriate and excessive expenditures and did not adequately monitor and document expenditures for meals, gifts, and travel.

The Board incurred food and beverage costs while hosting employee events, monthly Board meetings at Board headquarters, and when on travel status, which exceeded the travel reimbursement rates for individual meals and included unallowable costs. Further, flowers and gifts were purchased by the Board to recognize significant life events for Board members, staff, and professional colleagues, including hospitalization and deaths in the family. We examined 36 (100%) expenditures for meals and gifts, and we noted the following:

- Eighteen vouchers paid for Board member and employee meals which exceeded the amount allowed by travel guidelines by \$2,303. The average cost per person for those dinners, lunches, and breakfasts was \$57, \$16, and \$8, respectively.

Travel Regulation Council (Council) Rules (80 Ill. Admin. Code 3000.510) state that lunch is not a reimbursable expense. The amount for lunch is established for the purpose of setting a per-meal ceiling on conference lunches and meals purchased for non-State officers and employees, which is \$5.50. Council Rules also state that breakfast is reimbursable when an employee is on travel status and leaves headquarters at or before 6:00 am, and the limit is \$5.50. The dinner reimbursement rate is set at \$17 within the State and \$19 outside the State when on travel status. Although these rates apply only to travel reimbursements and the Council Rules do not set rates for Board sponsored meetings and meals, these are reasonable guidelines for the cost of meals.

- Nine vouchers included \$1,266 for lunches and a holiday party for University of Illinois employees who worked for the Board (staff) at headquarters. Council Rules (80 Ill. Admin. Code 3000.510) state that lunch is not a reimbursable expense.
- Six vouchers included purchases of alcohol totaling \$319. Council Rules state that alcoholic beverages are non-reimbursable expenses (80 Ill. Admin. Code 3000.600(b)).
- Ten vouchers included \$1,197 in meal expenses paid for Board guests or Board members' family. Council Rules state that meals purchased for non-State employees are reimbursable while on travel status, only if they are on State business. Further, a statement must be attached specifying why and for whom

costs were incurred, and certifying the charges do not include alcoholic beverages (80 Ill. Admin. Code 3000.630).

- Fifteen vouchers included sales tax totaling \$207. The Illinois Administrative Code (86 Ill. Admin. Code 150.330) exempts governmental bodies from paying sales tax on purchases, and requires governmental bodies to obtain an active exemption identification number issued by the Department of Revenue.
- One voucher included \$468 for travel expenses not required by official State duties. Although management stated \$249 of those expenses were unavoidable, no documentation could be provided to support that assertion. The State Finance Act requires that travel reimbursements be limited to expenses required by official State business and certified by the traveler (30 ILCS 105/12).
- Eight vouchers totaling \$365 were paid for flowers and gifts bought for staff, Board members, and a non-State employee. In addition, one \$81 voucher was paid for three staff and one Board employee to attend a banquet to honor University employees. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the establishment and maintenance of a system of internal controls to safeguard funds against waste, loss, unauthorized use and misappropriation. Good internal controls require that any expenditure made with State funds should be necessary to support mandated agency operations.
- No receipts were maintained for four vouchers totaling \$187 for purchases of flowers and meals. The Illinois State Records Act (5 ILCS 160/8) requires each agency to preserve records containing adequate and proper documentation of transactions of the agency

Board personnel stated that they followed University of Illinois policies, which allowed employee gifts and higher limits for business meals. However, we noted University policies were not consistently followed and were not applicable to all expenditures of the Board. Further, Board personnel stated they did not review and approve meal expenditures by person or by item because all the meal expenditures were paid by one person for the group. In addition, personnel stated that some purchases were ordered over the phone, so a receipt was not provided.

Failure to adequately monitor expenditures for proper documentation, compliance with laws and rules, and reasonableness increases the risk that State funds are not being expended properly. Incurring unallowable, excessive, and unnecessary expenditures in the conduct of State business results in an inappropriate use of State funds. In addition, payment of vouchers without proper supporting documentation could result in improper expenditures. (Finding Code No. 07-1)

## **RECOMMENDATION**

We recommend the Board:

- Ensure that all expenditures are reasonable and necessary for State business operations;
- Ensure all meal and travel expenditures are in accordance with Travel Regulation Council Rules;
- Familiarize themselves and staff with applicable laws and rules and implement controls to ensure compliance and ensure appropriate use of State funds;
- Obtain and maintain sufficient documentation for all disbursements; and
- Seek reimbursements for travel overpayments.

## **BOARD RESPONSE**

The Board concurs with the finding with the addition of the following comments:

The Board recently has been informed of the hierarchy of criteria with which the Board must comply, with the highest level being State or Federal law, then agency rules, then other authoritative State guidance and finally agency policies.

Those expenses identified as not having met the highest level of State or Federal law, or the result of misinterpretation of University policies have been reimbursed to the State via the Board account by those parties involved, including meals, prohibited beverages and travel not required by official State duties. The total amount reimbursed was \$2,272.26.

07-2. **FINDING** (Inadequate control over the use of Procurement Cards)

The Board of Examiners (Board) did not have adequate internal controls over the use of Procurement Cards (P-Cards).

During the examination period, the Board had 3 P-Cards that could be used for the purchase and payment of certain items costing \$4,999, or less. The P-Card program was administered by the University of Illinois, subject to its Business and Financial Policies and Procedures (Policies) (Section 7.6 – The University P-Card) and other applicable laws and rules.

During our testing, we noted the following internal control deficiencies:

- The Board did not maintain an adequate segregation of duties regarding P-Card roles and responsibilities.
  - The University of Illinois employee responsible for creating an Order Log for each purchase in the P-Card system was also responsible for the review and reconciliation of the Order log with transaction information sent electronically by the bank and the original receipt. The Policies state that an individual other than the reconciler should create the Order Log within the P-Card system.
  - The person responsible for reviewing and reconciling monthly financial reports and statements that contain a record of each P-Card purchase made during the month was also a Cardholder during the examination period. According to Board personnel, this employee is no longer a Cardholder. The Policies state that an employee with no P-Card roles should be designated to review and reconcile monthly financial reports and statements. The Policies also state that regardless of the size and organization of the department, maximum separation of duties must be maintained.
- Two professional and artistic services disbursements, totaling \$7,813, were paid with a P-Card. The Policies state P-Cards may not be used for the purchase of professional and artistic services.
- During the examination period, the Board allowed purchases made on a P-Card by someone other than the Cardholder. According to Board personnel, this practice only occurred within the office at the Cardholder's direction and has now been discontinued. The Policies state that a P-Card may be used only by the person to whom it is issued, and may not be loaned to others, including employees in the same department.
- During the examination period, the Board allowed P-Card account numbers to be placed on file with vendors. According to Board personnel, this practice has now been discontinued. The Policies state that it is strictly prohibited to place a P-Card account number on file with any vendor.

- Board staff did not always provide receipts for P-Card transactions; therefore, a reconciliation of the Order Log to original receipt could not be performed in those instances. A reconciliation was performed between the Order Log and details of the transaction provided by the Board. The Policies state that each Cardholder is responsible for providing the reconciler with receipts for all P-Card transactions.
- The Board did not include all proper documentation for business meals and refreshments in the Order Log or on receipts submitted for reconciliation. The Policies state that if the purchase is for a business meal or refreshment, the P-Card Order Log and the receipt must contain the names of all attendees and their business affiliation, employee's headquarters, the business purpose of the meal, and a statement that no alcohol was charged to the P-Card.

Board management stated the University of Illinois provides Order Log reconciliation services to the Board and the Board relied on the University of Illinois to ensure proper segregation of duties. In addition, Board management stated these weaknesses were due to being unfamiliar with all the technical requirements of the policies and procedures relating to the P-Card.

Failure to adhere to established policies and procedures could result in the Board incurring unnecessary and inappropriate costs and misuse of State funds. (Finding Code No. 07-2)

### **RECOMMENDATION**

We recommend the Board ensure that the University of Illinois Policies and Procedures regarding P-Cards are clearly understood and followed by all personnel involved in the University of Illinois Procurement Card Program.

### **BOARD RESPONSE**

The Board concurs with the finding. Segregation of duties regarding the P-Card has been established. The P-Card held by the fiscal officer has been cancelled. P-Card Certification was completed by all P-Card holders in 2007, clarifying the roles and responsibilities of P-card usage.

07-3. **FINDING** (Lack of internal controls over contractual services and agreements)

The Board of Examiners (Board) did not have adequate internal controls over contractual services and agreements. During the period, the Board had one written agreement for its lease of real property. However, we noted total payments ranging from \$10,035 to \$183,533 were made to each of four other vendors during the period without a written contract in place.

During our testing, we noted the following:

- For four vendors with payments totaling \$237,528, an agreement for goods and services or professional services was not reduced to writing or filed with the Illinois Office of the Comptroller (IOC). The Illinois Procurement Code (Code) (30 ILCS 500/20-80(d)) requires contracts for services involving professional and artistic skills that will exceed \$5,000 for the same type of service at the same location during any fiscal year be reduced to writing and filed with the IOC. In addition, the Code (30 ILCS 500/20-80(b)) requires any contract liability exceeding \$10,000 to be reduced to writing and filed with the IOC within 15 days of execution.
- For two vendors with payments totaling \$44,268, the Board did not comply with competitive selection requirements. The Code (30 ILCS 500/35-35) requires all professional and artistic contracts over \$20,000 be subject to a competitive bid process prior to the contract being awarded.
- The real property lease, totaling \$67,062 and \$69,040 in FY06 and FY07, respectively, was not filed with the IOC. The Statewide Accounting Management System (SAMS) (Procedure 15.20.40) states that a lease for real property must be filed with the Comptroller within 15 calendar days after execution for any real property lease exceeding \$10,000.
- The real property lease did not have the required Real Estate Disclosure Forms completed. The Illinois Public Officer Prohibited Activities Act (50 ILCS 105/3.1) requires that before any contract relating to the ownership or use of real property is entered into by and between the State, the identity of every owner and beneficiary having any interest, real or personal, in such property, and every member, shareholder, limited partner, or general partner entitled to receive more than 7 ½% of the total distributable income of any limited liability company corporation, or limited partnership having any interest, real or personal, in such property must be disclosed.

Board personnel stated that an agreement was not reduced to writing for one of the vendors due to believing that it was not required when a contract was completed for a previous fiscal year. Board personnel also stated that the other deficiencies were due to unfamiliarity with applicable rules and regulations.

Failure to exercise adequate control over contractual agreements reduces accountability, may result in the State paying more for services than necessary and may subject the State to unnecessary legal risks. (Finding Code No. 07-3)

## **RECOMMENDATION**

We recommend the Board strengthen controls over contractual services to ensure the following:

- Professional and artistic services expected to exceed \$5,000 and goods and services expected to exceed \$10,000 are reduced to writing and filed with the IOC.
- Professional and artistic services expected to exceed \$20,000 are competitively procured.
- Real property leases exceeding \$10,000 are filed with the IOC.
- Real Estate Disclosure Forms are completed for real property leases.

## **BOARD RESPONSE**

The Board concurs with the finding with the following comments:

The Board will work more closely with the University Purchasing Department to assure that all required paperwork is filed with the Illinois Office of the Comptroller (IOC).

The Board will work with appropriate State officials to familiarize ourselves with all required forms to be filed with the State independent of the University and strengthen controls over contractual services.

07-4. **FINDING** (Insufficient controls over property records)

The Board of Examiners (Board) did not maintain sufficient controls over the timeliness or accuracy of its property control records. During our testing, we noted the following:

- Four of 50 (8%) equipment items tested, totaling \$4,345, were not tagged or listed on the property control records.
- One equipment item, which cost \$1,950, was included on the Board's property control records, but had been disposed of in a prior period.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) states that agencies are required to adjust property records within 30 days of acquisition, change or deletion of equipment items. In addition, the Code (44 Ill. Admin. Code 5010.210) states that agencies are responsible for marking each piece of State-owned equipment in their possession, regardless of value, as "Property of the State of Illinois." The State Property Control Act (Act) (30 ILCS 605/4) states every responsible officer of State government shall be accountable for the supervision, control, and inventory of all property under his jurisdiction.

- Fourteen equipment items, totaling \$6,890, were listed on the FY05 property control records, but were not listed on the FY07 property control records. The Board did not document or explain the reason that the items were no longer included in the property control records, and the items were still in use by the Board.
- The Board adjusted the cost of seven equipment items by a total of \$65, but had no documentation for the change in cost for the equipment items.

The State Records Act (5 ILCS 160/9) requires agencies to establish and maintain a program for agency records management, which shall include effective controls over maintenance of records. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that all State agencies establish 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 had fourteen obsolete equipment items, totaling \$17,814, on its property control records that had not been surplus.

The State Property Control Act (30 ILCS 605/1.04 and 7.3) defines transferable property as property no longer needed or usable by the agency and requires agency heads to periodically report transferable property to the Director of the Department of Central Management Services (DCMS).

Board management stated that the weaknesses were mostly due to oversight, change in University of Illinois reporting thresholds and unfamiliarity with the process for disposal of obsolete equipment.

Failure to maintain timely and accurate property control records increases the potential for fraud and possible loss or theft of State property. Failure to transfer unused equipment to DCMS prevents the use of such property by other State agencies or sale by DCMS. (Finding Code No. 07-4)

### **RECOMMENDATION**

We recommend that the Board implement controls to ensure property control records are updated timely and accurately. In addition, we recommend the Board maintain adequate documentation for any addition, deletion or transfer of State property. Lastly, the Board should ensure obsolete equipment is timely transferred to the Department of Central Management Services.

### **BOARD RESPONSE**

The Board concurs with the finding and will work to improve, establish and/or implement procedures to ensure the accuracy and timeliness of property control records. Required forms were completed and submitted to the University on May 1, 2008 to dispose of surplus inventory. The obsolete equipment noted in bullet five will be surplus to the University by May 15, 2008 and appropriate documentation will be submitted to the State. In addition, the C-15 report for FY07 has been prepared and submitted to the Office of the State Comptroller.

07-5. **FINDING** (Inadequate controls over the processing of waived fees)

The Board of Examiners (Board) did not have adequate controls over the processing of waived fees.

The Board waived fees for certifications sent to the Department of Financial and Professional Regulation and for re-exam applications for candidates immediately retested due to problems at the exam resulting in an unfair testing experience. In addition, the Board's computer system used to process applications required a fee for each application processed; therefore, fees were waived for applications where the candidate had paid the fee with a previous application.

During our testing, we noted the following weaknesses:

- Four of 25 (16%) waived fees tested, totaling \$585, had no documentation of authorization or approval.
- Five of 25 (20%) waived fees tested, totaling \$835, did not have adequate documentation supporting the reason for waiving the fee.
- The Board had not established formal policies and procedures regarding the processing of waived fees.

The State Records Act (Act) (5 ILCS 160/8) requires each agency to make and preserve records containing adequate and proper documentation of transactions in order to protect the legal and financial rights of the State and its employees. In addition, good internal controls would require that formal policies and procedures governing waived fees be established to ensure proper approval and supporting documentation is maintained. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies 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 management stated the documentation weaknesses were due to the complexity of its software used to process the transactions. In addition, Board management stated they thought their policies and procedures were sufficient for the processing of waived fees.

Failure to require adequate documentation and proper approval may result in improper fee waivers. Lack of formal policies and procedures over the processing of waived fees increases the risk of unauthorized fee waivers and lost revenue for the Board. (Finding Code No. 07-5)

## **RECOMMENDATION**

We recommend the Board ensure waived fees are adequately supported and properly approved. Further, the Board should establish formal policies and procedures regarding the processing of waived fees.

## **BOARD RESPONSE**

The Board concurs with the finding with the following comments:

The Board has policies in place regarding fee waivers which are consistently applied to all applications and circumstances. However, in light of the recommendation, the Board will ensure that all waiver policies are clearly documented and included in the office Procedures Manual.

07-6. **FINDING** (Board not staffed as required)

The Board of Examiners (Board) was not staffed at a total of 11 examiners as required by the Illinois Public Accounting Act (Act).

For the entire engagement period, the Board was not comprised of the two public members and one of 9 (11%) Certified Public Accountant (CPA) members required by the Act. The eight filled positions' terms had expired and the members continued to serve as allowed by the Act.

The Act (225 ILCS 450/2) states that the Governor shall appoint a Board of Examiners that shall consist of 11 examiners, including 2 public members, with the remaining examiners being certified public accountants.

Board personnel stated that they had sent letters annually to the Governor's Office providing a list of nominations for these vacant positions, but the Governor has not yet acted on them.

Board members should be appointed in a timely manner in order to properly formulate the function of the Board as intended. A full board is necessary to properly conduct meetings and operate effectively and efficiently. (Finding Code No. 07-6, 05-1)

**RECOMMENDATION**

We recommend the Board continue to work with the Governor's Office to ensure the Board vacancies are filled in a timely manner.

**BOARD RESPONSE**

The Board concurs with the finding and will continue to send recommendations to the Governor. Since 2004, when the Governor was given appointment authority, the Board has annually fulfilled its regulatory responsibility by submitting letters of recommendation, resumes and letters of interest for board vacancies to the Director of Boards and Commissions. The Board's recommendation packets were sent on April 30, 2007, June 12, 2006, June 14, 2005 and April 28, 2004.

07-7. **FINDING** (Procedural deficiencies)

During our testing of the Board of Examiners (Board), we noted the following procedural deficiencies:

- The Board did not file its Fiscal Control and Internal Auditing Act certification with the Office of the Auditor General for FY06 and FY07. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3003) requires the chief executive officer of each State agency to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification regarding the evaluation with the Auditor General by May 1 of each year. An evaluation of internal control is necessary to determine whether existing measures are adequate to safeguard assets, ensure the accuracy and reliability of accounting data and encourage adherence to legal requirements and prescribed management policies.
- The Board did not timely prepare and submit accurate Agency Workforce Reports (Reports) to the Office of the Governor or the Office of the Secretary of State during FY06 and FY07. The Board did not prepare and submit its FY05 Report as noted in the FY05 Compliance Examination nor within 30 days of the FY05 Compliance report release as required. Further, the FY06 Report was submitted 267 days late and incorrectly reported its only employee's income level.

The State Employment Records Act (5 ILCS 410 et seq.) requires State agencies to collect, classify, maintain and report certain employment statistics for women, disabled and minority groups. Annual reports summarizing the information in a prescribed format are required to be filed with the Office of the Governor and the Office of the Secretary of State by January 1 of each year for the preceding fiscal year. The Illinois State Auditing Act (30 ILCS 5/3-2.2 (b)) requires agencies that have materially failed to comply with the Act to prepare and file correct Reports with the Governor and the Office of the Secretary of State for all periods of noncompliance within 30 days after release of the audit by the Auditor General. Failure to file a Report with the Office of the Governor and the Office of the Secretary of State prevents fulfillment of the purpose of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State workforce.

- The Board did not prepare and file its Travel Headquarter Reports (TA-2 forms) during FY06 and FY07 with the Legislative Audit Commission. The State Finance Act (30 ILCS 105/12-3) requires agencies to file a semi-annual report of all its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. Agencies with no officers or employees in this status shall file negative reports. Failure to file reports reduces effective government and is noncompliance with a statutory mandate.
- The Board did not prepare and submit its annual Fee Imposition Report to the Illinois Office of the State Comptroller for FY06 and FY07. The State Comptroller Act (15

ILCS 405/16.2(a)) requires those agencies that impose fees to file the Agency Fee Imposition Report. The Statewide Accounting and Management System (SAMS) Manual (Procedure 33.16.20) defines fees, in relation to the Fee Imposition Report, as all charges by State agencies to citizens and private organizations, and also states that the report is due by August 1 of each year. Failure to file the Agency Fee Imposition Report reduces the reliability of statewide fee information.

- The Board did not require its only employee to periodically submit time sheets documenting the time spent each day on official State business as required by statute. The employee maintained and annually submitted to the Board a negative timekeeping report. The State Officials and Employees Ethics Act (5 ILCS 430/5-5) requires State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour. Failure to periodically submit time sheets documenting the time spent each day on official State business is noncompliance with a statutory mandate.
- The Board did not file required property reports with the Office of the State Comptroller and Department of Central Management Services (DCMS) for FY06 and FY07. The Illinois Administrative Code (44 Ill. Adm. Code 5010.460) requires agencies to certify completion of an annual physical inventory of State equipment and submit a complete property listing to DCMS. This certification was not submitted for FY06 or FY07. The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) requires Agencies to submit a Quarterly Agency Report of State Property (C-15) to the Office of the State Comptroller. The Board did not file any C-15's in FY06 or FY07. Failure to file these property reports reduces the reliability of State Property information submitted to DCMS and the Office of the State Comptroller.

Board management stated these procedural deficiencies were due to other projects taking priority. (Finding Code No. 07-7, 05-2)

### **RECOMMENDATION**

We recommend the Board:

- Certify its internal controls with the Office of the Auditor General by May 1<sup>st</sup> of each year;
- Timely file correct and current annual Agency Workforce Reports with the Office of the Secretary of State and the Governor's Office;
- File semi-annual Travel Headquarter Reports or negative reports as required by the State Finance Act;
- Submit the annual Fee Imposition Report to the Office of the State Comptroller by August 1<sup>st</sup> of each year;

- Comply with the State Officials and Employees Ethics Act and require that its employee periodically submit time sheets documenting the time spent each day on official State business; and
- Prepare and submit the required property reports in accordance with the Illinois Administrative Code and SAMS.

### **BOARD RESPONSE**

The Board concurs with the finding. The Board will hire additional staff to handle the timely submission of required forms to the appropriate State offices.

Comments related to the six deficiencies:

1. The Board has initiated a review of procedures in order to comply with the State's Fiscal Control and Internal Auditing Act evaluation and certification requirement.
2. A corrected FY06 Agency Workforce Report has been submitted as well as the FY07 report.
3. TA-2 reports covering July 1, 2006-December 31, 2006; January 1, 2007 - June 30, 2007; and July 1, 2007 - December 31, 2007 have been submitted.
4. The FY07 Fee Imposition Report has been retroactively filed.
5. The one (salaried) Board employee maintained time sheets per University guidelines, documenting accrued benefits used. Timesheets documenting time spent on official State business have been submitted to the Board for FY06 and FY07 and the first half of FY08.
6. The C-15 Agency Report of State Property for FY07 will be filed by May 15, 2008. Future reports will be submitted per SAMS procedures.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2007

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Receipts, Disbursements and Fund  
Balance (Modified Accrual) – Locally Held Fund
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Analysis of Significant Variations in Receipts

- Analysis of Operations:

- Board Functions and Planning Program
- Average Number of Employees and Board Members
- Service Efforts and Accomplishments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE**  
**(MODIFIED ACCRUAL) – LOCALLY HELD FUND**  
 For the Two Years Ended June 30, 2007

	<u>CPA Examination Trust Account</u>
Balance at July 1, 2005	\$ 2,922,380
Board adjustment*	3,217
Receipts:	
Fees	1,188,890
Interest Income	129,032
Disbursements:	<u>1,030,212</u>
Balance at June 30, 2006	<u>\$ 3,213,307</u>
Balance at July 1, 2006	\$ 3,213,307
Receipts:	
Fees	1,219,161
Interest Income	172,374
Disbursements:	<u>1,135,685</u>
Balance at June 30, 2007	<u>\$ 3,469,157</u>

\* Note: The Board adjustment represents corrections made by Board management to the Fiscal Year 2005 ending balance.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Two Years Ended June 30, 2007

	Equipment
Balance at July 1, 2005	\$ 98,063
Additions	13,010
Deletions	1,638
Net Transfers	-
Balance at June 30, 2006	\$ 109,435
Balance at July 1, 2006	\$ 109,435
Board Adjustment	5,629
Additions	63,284
Deletions	-
Net Transfers	-
Balance at June 30, 2007	\$ 178,348

Note: The above schedule has been derived from Agency records. We noted some concerns regarding agency property records, supporting documentation, and failure to submit property reports to the State Comptroller. See finding 07-4 and 07-7.

STATE OF ILLINOIS  
 BOARD OF EXAMINERS  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
 For the Years Ended June 30,

CPA Examination Trust Account	<u>2007</u>	<u>2006</u>	<u>2005</u>
Domestic evaluation fee	\$ 363,650	\$ 292,335	\$ 268,323
Foreign evaluation fee	182,870	192,876	184,400
Exam fee - one part	134,768	110,534	75,472
Exam fee - two parts	177,615	147,140	129,133
Exam fee - three parts	48,636	42,928	35,990
Exam fee - four parts	171,974	152,929	185,778
Reciprocal fee	111,255	136,930	168,330
Miscellaneous fees	31,311	114,715	59,266
Investment and other income	<u>172,374</u>	<u>129,032</u>	<u>62,564</u>
 Total Receipts	 <u><u>\$ 1,394,453</u></u>	 <u><u>\$ 1,319,419</u></u>	 <u><u>\$ 1,169,256</u></u>

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2007

Significant variances in receipts were determined to be changes of \$5,000 or more and at least 20% between fiscal years, and are explained below.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2006 AND 2007**

**Domestic Evaluation Fee**

The increase in FY07 domestic evaluation fees was due to accounting programs across the country experiencing record enrollments. The State of Illinois has a strong college and university system, which produced a significant number of accounting graduates. All first-time candidates were required to have their credentials evaluated.

**Exam Fee - One Part and Exam Fee - Two Parts**

The increase in FY07 one or two part exam fees was due to an increase in candidates taking the exam in sections.

**Individuals Miscellaneous Fees**

The decrease in FY07 miscellaneous fees was due to the Board's decision to waive the fee for providing certifications to the Department of Financial and Professional Regulation.

**Investment and Other Income**

The increase in FY07 investment and other income was due to favorable markets resulting in a significant amount of interest from the University of Illinois investment pool.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2005 AND 2006**

**Exam Fee - One Part**

The increase in FY06 exam fees for one part was due to an increase in candidates taking the exam in sections.

**Miscellaneous Fees**

The increase in FY06 miscellaneous fees was due to a new requirement that all persons holding an Illinois Certified Public Accountant certificate must obtain a license as a registered Certified Public Accountant or a license to practice public accounting, effective October 1, 2006. The Board charged a fee for providing certification of Certified Public Accountant status to the Department of Financial and Professional Regulation.

**Investment and Other Income**

The increase in FY06 investment and other income was due to favorable markets resulting in a significant amount of interest from the University of Illinois investment pool.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**BOARD FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2007

**Board Functions**

The Illinois Board of Examiners (Board) was originally established under “An Act to Regulate the Profession of Public Accountants” (Act of 1903) that was passed by the General Assembly of Illinois on May 15, 1903 with an effective date of July 25, 1903. The Act of 1903 was later replaced by the Act of 1943 approved July 22, 1943. The Board currently operates under the authority of the Illinois Public Accounting Act (Act) (225 ILCS 450/0.01 et seq.).

The Illinois Board of Examiners is to be governed by a board of eleven examiners appointed by the Governor, two of which are to be public members. The Act requires the board members to serve three year terms and to continue to serve until successors are appointed (225 ILCS 450/3). The governing board currently has three vacancies including the two public members. As of June 30, 2007 the board members were:

<b><u>Member</u></b>	<b><u>Term</u></b>
Penelope Yunker, CPA, Chair	8/1/2001 – 7/31/2004
Cheryl S. Wilson, CPA, Vice-Chair	8/1/2003 – 7/31/2006
Margaret A. Cartier, CPA	8/1/2002 – 7/31/2005
Claireen L. Herting, CPA	8/1/2003 – 7/31/2006
Myra A. Swick, CPA	8/1/2003 – 7/31/2006
Gary L. Fish, CPA	8/1/2002 – 7/31/2005
Kenneth J. Hull, CPA	8/1/2001 – 7/31/2004
Richard J. York	8/1/2002 – 7/31/2005

The Board’s responsibilities include:

- The effective administration of applicable provisions of the Illinois Public Accounting Act including the adoption of any necessary and reasonable rules and regulations.
- Adopting a fair and impartial method of determining the qualifications of applicants for the Certified Public Accounting examination and a fair and wholly impartial method of examination of persons under the Act.
- Issuing certificates to holders of a foreign designation, granted in a foreign country entitling the holder thereof to engage in the practice of public accounting provided they meet certain requirements.
- Providing information regarding educational requirements, the application process, the examination, and fees on the Board’s website as well as in printed documents.
- Submitting an annual report of its activities to the Governor and the Director of Professional Regulation that includes a complete operating and financial statement covering its operation during the year, the number of examinations given, and the pass/fail ratio for examinations.
- Charging fees in an amount at least sufficient to defray the costs and expenses incident to the examination and issuance of certificates.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**BOARD FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2007

**Planning Program**

The Board has developed and maintained a Strategic Plan that is updated periodically as needed (currently undergoing review and revision). The Strategic Plan contains the Board's strategic planning methodology, strategic opportunity statements, goals, objectives and strategies for goal implementation, and the Board's mission statement.

The Board's mission is "To protect the public interest by providing qualified Certified Public Accountants through certification, and to provide quality service."

The Board accomplishes this mission through the following goals:

- Promote a Board that is composed of an appropriate balance of professional and public members, and that is accountable to the public.
- Maintain open communications' channels for effective delivery of information.
- Utilize technology to maximize the efficiency of the processes and enhance the productivity and responsiveness of the organization.
- Create and maintain an efficient and effective financial reporting process.
- Identify changes to maximize the efficiency and effectiveness of the processes of testing and certification.
- Influence professional policies through relationships with other organizations.
- Develop an effective planning process.
- Maintain a highly qualified, experienced staff to provide quality services to stakeholders.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**AVERAGE NUMBER OF EMPLOYEES AND BOARD MEMBERS**  
For the Year Ended June 30,

The following table, prepared from Board records, presents the average number of employees and Board Members for the fiscal years ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employees	1	1	1
Board Members	8	8	9

In addition, eleven University of Illinois employees work exclusively for the Board in accordance with a Memorandum of Understanding between the Board and the University of Illinois.

STATE OF ILLINOIS  
BOARD OF EXAMINERS  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Years Ended June 30,  
(Not Examined)

	2007	2006	2005
<b>Number of applications processed by type</b>			
Foreign credential evaluations	679	767	794
Domestic credential evaluations	2,137	1,762	1,741
First-time candidates for exam	2,166	1,677	2,001
Re-exam candidates from paper and pencil	243	361	833
Re-exam candidates from Computer Based Testing	5,164	4,352	2,917
Reciprocal certificate by substantial equivalency	81	181	240
Reciprocal certificate by education	13	15	28
Reciprocal certificate by experience	0	4	11
Reciprocal certificate by International Qualification Examination	129	95	158
Certification by total transfer of credit	56	72	113
<b>Average pass rates by section</b>			
Auditing (AUD)	48.9%	46.2%	47.6%
Business Environment and Concepts (BEC)	52.2%	50.2%	53.4%
Financial Accounting Reporting (FAR)	52.7%	47.2%	46.7%
Regulation (REG)	49.5%	43.8%	43.7%
Number of candidates that passed the Uniform CPA Exam	1,222	1,106	1,006
Number of certified candidates by Exam	1,246	846	*
Number of certified candidates by Total Transfer of Credit or Reciprocity	304	368	*

Illinois ranked 5<sup>th</sup> nationally in the number of candidates testing on the Uniform CPA Examination for FY06 and FY07. During the period, Illinois candidates performed consistently higher on the Uniform CPA examination and had pass rates higher than the national average, ranging from 4% to 14% by exam section.

\* Information was not available for FY05.