

**STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2017

STATE OF ILLINOIS
 BOARD OF EXAMINERS
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2017

TABLE OF CONTENTS

		<u>Page(s)</u>
Board Officials		1
Management Assertion Letter		3
Compliance Report:		
Summary		4
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		6
Schedule of Findings		
Current Findings - State Compliance		10
Supplementary Information for State Compliance Purposes:		
Summary		<u>Schedule</u> <u>Page(s)</u> 24
Fiscal Schedules and Analysis		
CPA Examination Trust Fund – Statement of Activities (Accrual Basis)	1	25
Schedule of Changes in State Property	2	26
Analysis of Operations (Not Examined)		
Board Functions and Planning Program (Not Examined)		27
Analysis of Significant Variations in Expenses (Not Examined)		29
Analysis of Significant Variations in Revenue (Not Examined)		30
Average Number of Employees (Not Examined)		31
Intergovernmental Agreement (Not Examined)		32
Service Efforts and Accomplishments (Not Examined)		33

STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

AGENCY OFFICIALS

Chair of the Board (07/01/18 – Present)	Ms. Sara Mikuta, CPA
Chair of the Board (07/11/17 – 06/30/18)	Mr. James G. Kelley, CPA
Chair of the Board (07/23/15 – 07/11/17)	Mr. Sheldon Holzman, CPA
Chair of the Board (07/01/15 – 07/23/15)	Mr. Thomas Winkler, CPA, JD
Executive Director	Mr. Russell Friedewald

BOARD OF EXAMINERS¹

Term Expires July 31, 2018

Examiner	Mr. Howard Engle
Examiner	Mr. Sheldon Holzman, CPA
Public Examiner (03/24/17 – Present)	Mr. Thomas J. Homer, JD
Public Examiner (07/01/15 – 03/23/17)	Mr. Robert Gallagher
Examiner (08/21/15 – Present)	Mr. Lawrence Wojcik, CPA, JD
Examiner (07/01/15 – 08/20/15)	Vacant

Term Expires July 31, 2019

Educator Examiner (08/21/15 – Present)	Ms. Jeannie Folk, CPA
Examiner (07/01/15 – 08/20/15)	Vacant
Public Examiner (08/06/15 – Present)	Vacant
Public Examiner (07/01/15 – 08/05/15)	Ms. Phyllis Walker
Examiner	Ms. Sara Mikuta, CPA
Examiner (07/29/16 – Present)	Mr. Kent Reeves, CPA
Examiner (07/01/15 – 07/28/16)	Mr. Thomas Winkler, CPA, JD

Term Expires July 31, 2020

Examiner	Mr. James Kelley, CPA
Examiner	Ms. Rhonda Kodjayan, CPA
Educator Examiner	Dr. Simon Petravick, CPA, PhD

¹ The Illinois Public Accounting Act (225 ILCS 450/2) requires 11 examiners, with two public members and nine Certified Public Accountants (CPAs). Of the CPAs, at least one must be a licensed attorney and one must be either an active or retired educator.

STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

BOARD OFFICE

The Board's office is located at:

1120 E. Diehl Road, Suite 107
Naperville, Illinois 60563



Illinois Board of Examiners

1120 E. DIEHL ROAD • SUITE 107 • NAPERVILLE, ILLINOIS 60563

MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

October 15, 2018

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, Board of Examiners. 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 State of Illinois, Board of Examiners' compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016, and June 30, 2017, the State of Illinois, Board of Examiners has materially complied with the assertions below.

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

Yours truly,

State of Illinois, Board of Examiners

SIGNED ORIGINAL ON FILE

Russ Friedewald, Executive Director

STATE OF ILLINOIS
 BOARD OF EXAMINERS
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2017

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.

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
	<u>Report</u>	<u>Report</u>
Findings	6	5
Repeated findings	5	3
Prior recommendations implemented or not repeated	0	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-001	10	Inadequate Control over the CPA Examination Trust Fund	Material Weakness and Material Noncompliance
2017-002	14	Inadequate Control over Personal Services	Material Weakness and Material Noncompliance
2017-003	17	Inadequate Control over Contracts and Interagency Agreements	Significant Deficiency and Noncompliance
2017-004	19	Inadequate Control over State Property	Significant Deficiency and Noncompliance
2017-005	21	Noncompliance with Reporting Requirements	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2017-006	22	Noncompliance with the Identity Protection Act	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on October 9, 2018.

Attending were:

Board of Examiners

Russ Friedewald, Executive Director

Tia France, Assistant Director

Mary Fitzgerald, Business Manager

Sara Mikuta, Chair

Simon Petravick, Vice Chair

James Kelley, Member

Office of the Auditor General

Adam Ausmus, Audit Manager

Kristen Drainer, Auditor

The responses to the recommendations were provided by Russ Friedewald, the Board's Executive Director, in a correspondence dated October 15, 2018.

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. · SUITE S-900
160 NORTH LASALLE · 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Board of Examiners' 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, 2017. The management of the State of Illinois, Board of Examiners is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Board of Examiners' compliance based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the

Auditor General pursuant to the Act (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 State of Illinois, Board of Examiners complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Board of Examiners complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Board of Examiners' compliance with specified requirements.

Our examination disclosed the following material noncompliance with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. As described in items 2017-001 and 2017-002 in the accompanying schedule of findings, the State of Illinois, Board of Examiners did not comply with applicable 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 State of Illinois, Board of Examiners 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 State of Illinois, Board of Examiners complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, 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 items 2017-003 through 2017-006.

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

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Board of Examiners 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 State of Illinois, Board of Examiners' internal control over compliance with the specified requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 State of Illinois, Board of Examiners' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Board of Examiners' internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a specified requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-001 and 2017-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-003 through 2017-006 to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

The State of Illinois, Board of Examiners' responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Board of Examiners' responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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 for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 2 and the Analysis of Operations Section 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 June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 2. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 1 through 2 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
October 15, 2018

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over the CPA Examination Trust Fund)

The Board of Examiners (Board) lacked adequate internal control over financial transactions within the CPA Examination Trust Fund (Fund).

During the examination period, all of the Board's transactions within the Fund, a non-shared enterprise fund, were processed by accounting personnel at Northern Illinois University (University).

During testing, we noted the following:

- During testing of 60 disbursements from the Fund, we noted the following problems:
 - For 50 (83%) disbursements tested, totaling \$186,118, we noted the Board did not retain documentation of management's approval for paying the vendor's invoice.

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 are safeguarded against waste, loss, unauthorized use, or misappropriation. Good internal controls over voucher processing include obtaining management approval to pay a vendor's invoice after ensuring goods were received in an acceptable condition or services were rendered in accordance with contractual terms. In addition, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

- Ten (17%) disbursements tested were for travel reimbursements. In accordance with the Illinois Public Accounting Act (225 ILCS 450/2), the members of the Board appointed by the Governor shall receive compensation for their necessary, legitimate, and authorized expenses in accordance with the rules of the Travel Regulation Council (codified within the Illinois Administrative Code (Code) at 80 Ill. Admin. Code 3000.100 et seq.) and the Governor's Travel Control Board (codified within Code at 80 Ill. Admin. Code 2800.100 et seq.). We noted the following problems:
 - Five of the ten (50%) travel disbursements tested, totaling \$8,004, did not have approval from the Governor's Office of Management and Budget (GOMB) prior to the individual travelling outside of the State.

The Code (80 Ill. Admin. Code 2800.700(b)) requires the Board, using the eTravel System, to request GOMB approval for all travel outside of the State 30 days prior to departure and to obtain GOMB approval before the travel occurs.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

- Two of the ten (20%) travel disbursements tested, totaling \$174, were not calculated using the correct mileage reimbursement rate, which resulted in an overpayment of \$13.

The Code (80 Ill. Admin. Code 3000.300(f)(2)) sets the reimbursement rate for mileage on a privately-owned vehicle at the rate promulgated pursuant to 5 U.S. Code § 5707(b) as shown in the Reimbursement Schedule. According to Travel Update 16-02, the mileage rate at the time of travel was 54 cents per mile, which was a reduction from the prior rate of 57.5 cents per mile.

- One of the ten (10%) travel disbursements tested, totaling \$306, included reimbursement for lodging charges in excess of the allowable rate by \$19 where the traveler did not attempt to contact other hotels and motels to find an available room offered at an allowable rate. Further, we did not note approval by the Governor's Travel Control Board to allow the Board to reimburse the traveler for these additional incurred costs.

The Code (80 Ill. Admin. Code 3000.410) assigns responsibility for requesting the lowest available lodging rate at the time of making a reservation and, if an exception is not granted by the Governor's Travel Control Board for a cost in excess of the maximum rate, the employee shall absorb the excess cost. Further, the *Travel Guide for State of Illinois Employees* allows the Board to pay excess lodging costs without approval from the Governor's Travel Control Board provided a minimum of five preferred hotels were contacted within the City of Chicago and the City of Springfield or three preferred hotels were contacted for all other locations and this is documented on the travel voucher.

- For 2 of 40 (5%) P-Card (essentially a credit card) disbursements tested, totaling \$145, the Board did not have documentation to support proper approval was obtained for the purchase.

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 are safeguarded against waste, loss, unauthorized use, or misappropriation. Good internal controls over voucher processing include obtaining management approval to pay a vendor's invoice after ensuring goods were received in an acceptable condition or services were rendered in accordance with contractual terms. In addition, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

- The Board did not retain documentation for 4 of 40 (10%) receipts tested, totaling \$1,590, of the date when the Board received the receipt. As such, we were unable to determine whether the Board was in compliance with the Public Funds Deposit Act (30 ILCS 225/1), which requires the Board deposit public funds collected and invest those proceeds, provided they are not needed for immediate disbursement, at prevailing rates or better within two working days.

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

During the prior engagement, Board officials stated these problems were due to unfamiliarity among new employees with documentation requirements and that they were following the University's travel rules. During the current engagement, Board officials stated these issues were due to human error.

Failure to exercise adequate control over the Board's receipts and disbursements represents noncompliance with State laws and regulations. In addition, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2017-001, 2015-003)

RECOMMENDATION

We recommend the Board take action to strengthen its internal controls over its disbursements and receipts to ensure all transactions comply with all applicable laws, rules, and regulations, are properly supported by documentation retained by the Board for the entire duration of the records retention period established by the State Records Commission, and are authorized by management. In addition, the Board should seek to recoup noted overpayments.

BOARD RESPONSE

Partially agree. New procedures have been established to ensure the Executive Director approves all expenditures. Certain expenditures by staff, including ordering Certified Public Accountant certification certificates from the University, will be approved by the Assistant Director for Certification with final approval by the Executive Director. All receipts will be maintained and recorded.

The mileage reimbursement overage was the result of using the incorrect University travel form which self populates when miles are entered. Care will be taken to ensure the correct form is used.

Hotel overage was the result of the traveler requesting the State government rate, which was higher than allotted. The traveler did not check with other hotels for lower State rates. All Board travel will now comply with State rate requirements.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

It has been the practice of the Board prior to this audit to budget funds for out-of-state Board travel, unaware of the Administrative Rule requiring authorization from GOMB. This practice was based on the fact no tax payer monies are used for the administration of the Board and, therefore, no tax monies were used for out-of-state travel. The Board will comply with the travel regulations.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Control over Personal Services)

The Board of Examiners (Board) lacked adequate control over its employees' timekeeping and accrued benefit time.

The Executive Director is the Board's sole employee, as all other staff members are employees of Northern Illinois University (University) working on behalf of the Board pursuant to an intergovernmental agreement. During our examination, we attempted to test the Executive Director's accrued benefit time balances and usage records. Initially, we held discussions with the Board's Business Manager, who informed us the Board follows the timekeeping policies established by the University. Under these policies, the Executive Director has been classified as a Salaried/FLSA Exempt employee. In accordance with University policy for Salaried/FLSA Exempt employees, the Executive Director would have earned:

- 1) 27 vacation days each year, which may be accrued up to a maximum of two years' worth of vacation days at any given time;
- 2) bereavement leave of up to three days per death without charge against accrued vacation or sick time; and,
- 3) sick leave at a rate of one work day per month without a maximum accrual limitation.

During our performance of this testing, we noted the following:

- The Board has informally adopted the University's personnel policies, as opposed to using the personnel policies promulgated by the Governor. Under the Governor's policies, the Board's Executive Director would have earned:
 - 15 vacation days each year (80 Ill. Admin. Code 303.250(b)), with the loss of vacation time not used within 24 months after the expiration of the calendar year when the vacation time was earned (80 Ill. Admin. Code 303.270(a));
 - three personal days off each calendar year with pay, which do not accumulate for use in subsequent calendar years (80 Ill. Admin. Code 303.125); and,
 - sick leave at a rate of one work day per month without a maximum accrual limitation (80 Ill. Admin. Code 303.90(a) and 80 Ill. Admin. Code 303.100).

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(a)) states the Governor will adopt and implement personnel policies for all State employees of the Executive Branch not under the jurisdiction and control of another Constitutional Officer within the Executive Branch.

- The Board lacks sufficient timekeeping documentation for the Executive Director as required by the Act. We noted the following:
 - The Board does not have documentation supporting the Executive Director's usage of benefit time, as the Executive Director does not file benefit time usage forms with either the University or the Board. During discussions with the Executive Director, he stated he does not report benefit time usage because he knows he uses less than what he has accrued during his time at the Board.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

- The Executive Director's timesheets do not accurately reflect his time spent working for the Board. We noted the Executive Director reported the same number of working hours worked each weekday, without noting any benefit time usage and no hours worked on the weekends. We obtained a calendar maintained by the Board which showed (1) normal business days when the Executive Director was out of the office using benefit time and (2) weekend days when the Board's Executive Director was noted working.

The Act (5 ILCS 430/5-5(c)) requires State employees to periodically submit time sheets which document their time spent on official State business each day to the nearest quarter hour, which the Board must retain for a minimum of two years.

- The Board does not maintain records showing the Executive Director's accruals of vacation and sick time. As a result, we were unable to assess the accuracy of the Executive Director's accrued benefit time.
- The Board does not have written policies concerning requesting, approving, or using benefit time.

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 resources are utilized efficiently, effectively, and in compliance with applicable law and funds, assets, and other resources are safeguarded against waste, loss, unauthorized use, or misappropriation. Further, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board to protect the legal and financial rights of the State and of persons affected by the Board's activities.

Due to these conditions, we were unable to conclude whether the population of the Executive Director's accrued benefit time records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.35) to test the Board's benefit time accruals.

Board officials stated the Executive Director was made a non-compensated employee of the University in order for the University to process payroll; however, he is a State employee who directly reports to the Board. Further, Board officials indicated these exceptions were due to oversight.

Failure to implement controls over accurate timekeeping, benefit time usage and accruals, and recordkeeping hinders the Board's ability to properly support amounts due to its staff when they separate from employment and accrued liabilities arising from compensated absences, hinders oversight and accountability for personal services, and represents noncompliance with State laws, rules, and regulations. In addition, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

employees in the normal course of performing their assigned duties. (Finding Code No. 2017-002)

RECOMMENDATION

We recommend the Board take action to ensure its personnel policies comport with State law, timesheets are accurately prepared, and accurate benefit time accruals are prepared based off of proper supporting documentation which is retained for the duration of the record retention period.

BOARD RESPONSE

Agree. The Executive Director is an employee of the Board and reports time usage to the Board Chair. At one time, payroll for the Executive Director was processed through a vendor, which required certain paperwork. As a matter of convenience, University payroll personnel requested the Executive Director to be made a non-compensated employee of the University for the purpose of processing payroll without the additional paperwork required from the vendor. As a result, the Executive Director was required to complete and submit a monthly payroll form to the payroll department. The Executive Director did not include any time away from the office because he was reporting time to the Board. The Executive Director agrees to properly complete all paperwork for the University payroll department so that accurate records can be maintained while continuing to report time and benefit usage to the Board. Time and benefit usage will be updated monthly as required.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Inadequate Control over Contracts and Interagency Agreements)

The Board of Examiners (Board) lacked adequate internal control over its contracts and interagency agreements.

During testing of three contracts, totaling \$89,010, we noted the following:

- One of the contracts (33%), totaling \$49,560, did not have (1) a unique contract number, (2) the location where services were to be performed, (3) the contractor's legal status and Federal Taxpayer Identification Number, and (4) required certifications and clauses about bribery, debt delinquency, educational loan defaults, felony convictions, compliance with the Environmental Protection Act, prohibited bidders and contractors, use tax compliance, international anti-boycott provisions, access to and a right to audit records for various State officials, and registration with the State Board of Elections.

The Statewide Accounting Management System (SAMS) (Procedure 15.20.50) has a checklist of required clauses and certifications, including establishing a valid contract with a unique contract number, the location where services will be performed, the contractor's Federal Taxpayer Identification Number, and legal status disclosure. In addition, the Illinois Procurement Code (Code) requires a bribery clause (30 ILCS 500/50-5(d)), a debt delinquency certification (30 ILCS 500/50-11(b)), certifications regarding any willful or knowing violations of the Environmental Protection Act (30 ILCS 500/50-14(c)), felony conviction certifications (30 ILCS 500/50-10(b)), prohibited bidders and contractors certifications (30 ILCS 500/50-10.5(b)), use tax compliance certifications (30 ILCS 500/50-12(b)), access to and right to audit records for various State officials clause (30 ILCS 500/20-65(b)) and certifications of compliance with the State Board of Elections (30 ILCS 500/20-160(b)). Further, the Educational Loan Default Act (5 ILCS 385/3) requires a certification about defaults on student loans and the International Anti-Boycott Certification Act (30 ILCS 582/5) requires a certification the vendor is not participating in an international boycott in violation of the U.S. Export Administration Act of 1979.

- One of the contracts (33%), totaling \$19,500, did not have the signatory parties' typed or printed names and titles below their signature. Additionally, another contract (33%), totaling \$19,950, did not have the date each signatory party signed the contract, which hindered our ability to conclude the contract was formally executed in writing prior to the provision of services and goods under the agreement.

SAMS (Procedure 15.10.50) requires every contract signatory have their name and title typed or printed below their actual signature and the date when the contract was signed.

- One of the contracts (33%), totaling \$49,560, was not filed with the Office of the State Comptroller.
- One of the contracts (33%), totaling \$49,560, was not signed by both parties until 38 days after the effective date of the agreement.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

The Code (30 ILCS 500/20-80(b)) requires the Board file all contracts and grants exceeding \$20,000 with the Office of the State Comptroller within 30 calendar days after the obligation is incurred at a contract's execution date. Further, good internal controls over obligations include ensuring a contract has been reduced to writing and agreed to by all parties prior to the commencement of the contract.

In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance obligations are in compliance with applicable law.

Further, during testing of one interagency agreement between the Board and Northern Illinois University, totaling \$158,340, we noted each signatory's name was not typed or printed legibly below the parties' actual signatures and the date of each signature was not documented on the agreement. As such, we could not determine whether the interagency agreement was formally executed in writing prior to the agreement's start date.

Good internal controls over interagency agreements include ensuring the agreement is reduced to writing and signed by all parties prior to the beginning of the agreement to provide assurance the agreement (1) comports with law and (2) can be fulfilled by all parties.

During the prior engagement, Board officials stated they were unaware of the requirements for contractual obligations. During the current engagement, Board officials stated they failed to comply with these laws and regulations due to human error.

Failure to ensure contracts and interagency agreements are reduced to writing and signed prior to the start date of an agreement subjects the State to unnecessary legal risks. Further, failure to ensure contracts include all required clauses and certifications that are timely filed with the Office of the State Comptroller represents noncompliance with applicable State laws, rules, and regulations. (Finding Code No. 2017-003, 2015-002)

RECOMMENDATION

We recommend the Board take action to ensure its contracts include all required clauses and certifications, agreements are reduced to writing and signed prior to the agreement's start date, signatory parties are properly identified and the date of their signature is provided as required by SAMS, and contracts for obligations over \$20,000 are timely filed with the Office of the State Comptroller.

BOARD RESPONSE

Agree. Procedures have been developed and implemented to ensure all contracts will comply with all requirements including documenting effective dates and signatures, all required forms including contract number, location of services, contractor's legal status, Federal Taxpayer Identification Number and all required certifications.

Additionally, all contracts requiring submission to the Office of the State Comptroller will be sent within the required time frame.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Inadequate Control over State Property)

The Board of Examiners (Board) did not exercise adequate control over State property.

During testing, we noted the following:

- For three of three (100%) equipment additions, totaling \$6,975, we noted the Board did not retain documentation of management's approval for paying the vendor's invoice or the date when the item was recorded on the Board's property listing.
- The Board could not provide documentation for two of two (100%) transfers-out tested, totaling \$3,711.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Board to adjust its property records within 30 days of acquiring, changing, or deleting an item. Further, 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 are safeguarded against waste, loss, unauthorized use, or misappropriation. Good internal controls over voucher processing include obtaining management approval to pay a vendor's invoice after ensuring goods were received in an acceptable condition. Finally, the State Records Act (5 ILCS 160/8) requires the Board's Executive Director to make and preserve adequate and proper documentation of the organization, functions, decisions, and essential transactions of the Board.

- Four of four (100%) equipment transfers-out reported during the examination period, totaling \$5,454, were incorrectly classified as deletions on the Board's quarterly *Agency Report of State Property* (Form C-15).

The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) notes transfers of property items between State agencies should be separately reported from deletions to an asset category which occurred during the quarter reported on the Form C-15.

- One of nine (11%) equipment items observed during our property list-to-floor testing, totaling \$1,270, was not located.
- For two of three (67%) equipment additions, totaling \$5,575, the Board did not record the location of the item within its property records.

The State Property Control Act (30 ILCS 605/4) requires accountability by the Board for the control and inventory of all property under its jurisdiction. In addition, the Code (44 Ill. Admin. Code 5010.230) requires the Board to specify the location code for all of its property items within its inventory records. Further, SAMS (Procedure 29.10.10) requires the Board maintain detailed property records, including the location of an asset.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

During the prior engagement, Board officials stated the issues noted were due to newer staff handling property control. During the current engagement, Board officials stated the issues noted were due to unfamiliarity with the State laws and regulations regarding equipment.

Failure to exercise adequate control over property represents noncompliance with State laws and regulations. Further, these control deficiencies represent conditions where errors or other irregularities could occur and not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding Code No. 2017-004, 2015-001, 2013-002, 11-6)

RECOMMENDATION

We recommend the Board ensure its staff is familiar with State laws and regulations governing property control. Further, the Board should take action to ensure its property records and quarterly Form C-15s are properly supported and accurately prepared in accordance with State laws and regulations.

BOARD RESPONSE

Agree. New procedures have been developed to ensure all property has been identified, tagged with a unique number, and the location noted and recorded by business manager. Any property moved or disposed of through surplus will be recorded with the business manager and signed off on.

C-15 forms will be checked for accuracy prior to submission in accordance with all state laws and regulations.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (Noncompliance with Reporting Requirements)

The Board of Examiners (Board) did not comply with statutory reporting requirements.

During testing, we noted the following:

- The Board's Fiscal Year 2016 Annual Report did not include data on the number of examinations given or the corresponding pass/fail ratio.

The Illinois Public Accounting Act (225 ILCS 450/2) requires the Board prepare an annual report for the Governor and the Secretary of the Department of Financial and Professional Regulation with a complete operating and financial statement, the number of examinations given, and the pass/fail ratio on those examinations.

- The Board did not file its Fiscal Year 2016 Annual Report and its Fiscal Year 2017 Annual Report with the State Library.

The State Library Act (15 ILCS 320/21(a)) requires the Board provide and deposit with the State Library sufficient copies of all publications in either print or electronic format issued by the Board, including reports, for its collection and exchange purposes.

During both the prior engagement and this engagement, Board officials stated the information left out of the report was due to employee error. Further, Board officials stated the reports not filed with the State Library was due to oversight.

Failure to include data on the number of examinations given or the corresponding pass/fail ratio within its annual report represents noncompliance with the Illinois Public Accounting Act. In addition, failure to file the Board's annual reports with the State Library limits public access to the Board's report and represents noncompliance with the State Library Act. (Finding Code No. 2017-005, 2015-004, 2013-003)

RECOMMENDATION

We recommend the Board include data on the number of examinations given and the corresponding pass/fail ratio within its annual report. Further, the Board should ensure sufficient copies of its annual report are provided to the State Library.

BOARD RESPONSE

Agree. The Executive Director did not include data on the number of examinations given or the corresponding pass/fail ratio on the annual report, nor did he mail a copy to the State Library, as required. The Executive Director agrees that the required data was omitted as a result of an oversight and will provide the required information moving forward. He was not aware that a copy of the annual report was required to be sent to the State Library, but will do so in the future.

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Noncompliance with the Identity Protection Act)

The Board of Examiners (Board) failed to implement all provisions of the Identity Protection Act (Act).

During testing, we noted the Board's Privacy Policy (Policy), adopted on August 28, 2015, failed to address the following requirements of the Act:

- Require social security numbers requested from an individual to be provided in a manner that makes the social security number easily redacted if required to be released as part of a public records request;
- Require, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number to be provided; and
- Require all employees of the State agency identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers. Training should include instructions on proper handling of information that contains social security numbers from the time of collection through destruction of the information.

The Act (5 ILCS 179) requires the Board's Policy to include the following requirements:

- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During the prior period, Board officials stated they would work to implement an Identity Protection Policy. During the current period, Board officials stated their Policy was not updated due to competing priorities.

Failure to implement all provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 2017-006, 2015-005, 2013-004)

STATE OF ILLINOIS
BOARD OF EXAMINERS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

RECOMMENDATION

We recommend the Board develop and approve an identity protection policy that complies with all aspects of the Act.

BOARD RESPONSE

Agree. All staff are now required to attend annual training provided by Northern Illinois University for identity protection compliance. A legal opinion is pending regarding our obligation for public notification. The Board does not make use of the collected social security numbers, but does forward that information to another State agency, which requires the numbers for identification purposes for Certified Public Accountant candidates applying for licensure.

STATE OF ILLINOIS
BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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:
 - CPA Examination Trust Fund – Statement of Activities (Accrual Basis)
 - Schedule of Changes in State Property

- Analysis of Operations (Not Examined):
 - Board Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenses (Not Examined)
 - Analysis of Significant Variations in Revenue (Not Examined)
 - Average Number of Employees (Not Examined)
 - Intergovernmental Agreements (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 2. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
BOARD OF EXAMINERS
CPA EXAMINATION TRUST FUND
STATEMENT OF ACTIVITIES (ACCRUAL BASIS)
For the Fiscal Year Ended June 30,

Schedule 1

	Fiscal Year		
	2017	2016	2015
Beginning Net Position	\$ 4,079,414	\$ 4,249,229	\$ 4,519,503
<u>Revenues:</u>			
Examination Fee, One Part	\$ 267,762	\$ 274,202	\$ 271,859
Examination Fee, Two Parts	159,687	172,945	171,348
Examination Fee, Three Parts	62,864	59,252	53,028
Examination Fee, Four Parts	120,520	134,692	127,912
Domestic Evaluation Fee	458,615	446,775	423,970
Reciprocal Fee	47,605	43,985	59,780
Foreign Credentials	8,570	101,001	109,200
Pre-Evaluation Service Fee	12,800	-	-
No Shows/Expired Notifications	1,215	-	-
Miscellaneous	12,390	15,650	17,095
Investment/Interest Income	32,987	92	15
Refunds	(5,006)	(2,786)	(23,799)
Total Revenues:	<u>\$ 1,180,009</u>	<u>\$ 1,245,808</u>	<u>\$ 1,210,408</u>
<u>Expenses:</u>			
Personal Services	\$ 702,448	\$ 816,595	\$ 916,065
Office Operations	237,228	318,609	361,934
Examiners' Travel, Consultants, and Fees	38,274	91,713	32,447
Administrative Fees	118,569	124,829	107,920
Miscellaneous	44,228	37,769	36,208
Depreciation	27,188	26,108	26,108
Total Expenses:	<u>\$ 1,167,935</u>	<u>\$ 1,415,623</u>	<u>\$ 1,480,682</u>
Ending Net Position	<u>\$ 4,091,488</u>	<u>\$ 4,079,414</u>	<u>\$ 4,249,229</u>

Note 1: This schedule was derived from the Board's internal accounting records and annual unaudited financial report.

Note 2: Administrative fees include costs charged by the Northern Illinois University to the Board for leasing its office space in Naperville, Illinois and certain internal cost allocations attributable to the Board's activities.

STATE OF ILLINOIS
 BOARD OF EXAMINERS
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2017

	<u>Equipment</u>	
Balance at July 1, 2015	\$	96,311
Additions		-
Deletions		-
Net Transfers		-
Balance at June 30, 2016	<u>\$</u>	<u>96,311</u>
Balance at July 1, 2016	\$	96,311
Additions		6,975
Deletions		-
Net Transfers		(5,454)
Balance at June 30, 2017	<u>\$</u>	<u>97,832</u>

Note: The above Schedule has been derived from the Board's records and reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2017
(Not Examined)

Board Functions

The Board of Examiners (Board) was originally established in 1903 and operates under the authority of the Illinois Public Accounting Act (Act) (225 ILCS 450/0.01 *et seq.*). Under the Act (225 ILCS 450/2), the Board is governed by eleven examiners appointed by the Governor, two of whom are members of the public. In accordance with the Act (225 ILCS 450/6), the Board must charge a fee sufficient to defray its costs to fulfill its functions. These fees are deposited into the CPA Examination Trust Fund, a locally held fund managed by the Northern Illinois University, and the Board is entirely funded by these fees. As such, the Comptroller of the State of Illinois has concluded the Board is a related organization of the State, because the Board is not fiscally dependent on the State and the Act does not impose any financial benefits or burdens on the State due to the Board's operations. As a related organization, the Board's financial activity is not included in the State's Comprehensive Annual Financial Report.

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 Accountant Examination and a fair and wholly impartial method for the 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 Secretary of the Department of Financial and 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.

Planning Program

The Board has developed and maintained a Strategic Plan that is updated periodically as needed (last updated January 2018). 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 set the requirements and to verify, through testing or transfer, candidate qualifications to become Certified Public Accountants in the State of Illinois."

STATE OF ILLINOIS
BOARD OF EXAMINERS
BOARD FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2017
(Not Examined)

The Board accomplishes this mission through the following goals:

- Promote a board that is composed of an appropriate balance of professional and public members, which is accountable to the public and committed to the public interest.
- Obtain assistance to ensure updated knowledge of legislative activities affecting the accounting profession and its impact on examination, licensure, and enforcement.
- Keep regulations current governing the certificate of Certified Public Accountants.
- Maintain open communication channels for effective delivery of information.
- Influence professional policies through relationships with other organizations.
- Maintain a voice to the profession on Board concerns affecting the examination process for qualification as a Certified Public Accountant.
- Utilize technology to maximize the efficiency of the processes and enhance the productivity and responsiveness of the organization.
- Continue serving candidates on a timely basis under any disruptive circumstances.
- Create and maintain an efficient and effective financial reporting system.
- Establish a regular and consistent planning process that provides for regular review by the Board and its staff.

STATE OF ILLINOIS
BOARD OF EXAMINERS
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES
For the Two Years Ended June 30, 2017
(Not Examined)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES BETWEEN FISCAL YEARS 2017 AND 2016

Office Operations

The decrease was due to the transferring of the completion of Foreign Evaluations from the Board to the National Association of State Boards of Accountancy in the beginning of Fiscal Year 2017.

Examiners' Travel, Consultants, and Fees

The decrease was due to a rule change in Fiscal Year 2016 that required the Board to obtain legal services, which were not necessary during Fiscal Year 2017.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES BETWEEN FISCAL YEARS 2016 AND 2015

Examiners' Travel, Consultants, and Fees

The increase was due to a rule change in Fiscal Year 2016 that required the Board to obtain legal services, which were not necessary during Fiscal Year 2015.

STATE OF ILLINOIS
BOARD OF EXAMINERS
ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE
For the Two Years Ended June 30, 2017
(Not Examined)

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE BETWEEN FISCAL YEARS 2017 AND 2016

Foreign Credentials

The decrease was due to the Board transferring the completion of Foreign Evaluations from the Board to the National Association of State Boards of Accountancy in the beginning of Fiscal Year 2017.

Investment/Interest Income

The increase was due to the Board earning interest from the CPA Examination Trust Fund through Northern Illinois University instead of its former Illinois Funds Account, which the Board stopped using in Fiscal Year 2017.

Pre-Evaluation Service Fee

The increase was due to this fee being added for a new service offered by the Board in Fiscal Year 2017.

ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUE BETWEEN FISCAL YEARS 2016 AND 2015

Reciprocal Fee

The decrease was due to a reduction in the number of individuals moving into the State with their Certified Public Accountant license during Fiscal Year 2016.

STATE OF ILLINOIS
BOARD OF EXAMINERS
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30,
(Not Examined)

The following table, prepared from Board records, presents the average number of employees and Board Members for the Fiscal Year Ended June 30,

	<u>Fiscal Year</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Executive Director	1	1	1
Board Members	10	9	9

In addition, 11 employees of the Northern Illinois University worked exclusively for the Board in accordance with its intergovernmental agreement during the examination period.

STATE OF ILLINOIS
BOARD OF EXAMINERS
INTERGOVERNMENTAL AGREEMENT
For the Two Years Ended June 30, 2017
(Not Examined)

Northern Illinois University

The Board has two intergovernmental agreements with the Northern Illinois University (University) for (1) the purpose of defining and designating services to be provided by and between the University and the Board and the responsibilities for the administration of examination and issuance of certificates and (2) a lease for the Board's office space.

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

	<u>Fiscal Year</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of applications processed by type			
Foreign credential evaluations	35*	396	435
Domestic credential evaluations	2,311	2,544	2,419
First-time candidates for exam	2,894	2,967	2,595
Re-exam candidates from paper and pencil	36	32	34
Re-exam candidates from computer based testing	8,461	8,995	8,178
Reciprocal certificate by substantial equivalency	0	1	4
Reciprocal certificate by International Qualification Examination	69	53	50
Certification by total transfer of credit	93	94	66
Average Pass Rates, by Section			
Auditing (AUD)	47.58%	50.95%	50.1%
Business Environment and Concepts (BEC)	60.85%	62.83%	61.8%
Financial Accounting Reporting (FAR)	48.22%	48.60%	51.5%
Regulation (REG)	50.66%	52.23%	51.7%
Number of candidates that passed the Uniform CPA Exam	1,596	1,589	1,392
Number of certified candidates by Exam	1,461	1,528	1,631
Number of certified candidates by total transfer of credit or reciprocity	130	107	143

* Foreign credential evaluations were taken over by the National Association of State Boards of Accountancy (NASBA) in August 2016. The Board only processed foreign credential evaluations for approximately one month during Fiscal Year 2017.