



State of Illinois
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025**

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**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2025**

COMMISSION OFFICIALS

Executive Director	Ms. Lisa Gardner
Chief Fiscal Officer	Mr. Michael Gentry
General Counsel	Mr. Noel Quanbeck

COMMISSION OFFICERS

Chair of the Board	Ms. Cynthia Berg
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GOVERNING COMMISSION MEMBERS

Commissioner	Mr. Brian Sullivan
Commissioner	Mr. Thomas Gibbons
Commissioner	Ms. Patricia Pulido Sanchez
Commissioner	Ms. Melody Spann Cooper
Commissioner	Ms. Julieta LaMalfa
Commissioner	Mr. Steven Powell

COMMISSION OFFICES

The Illinois Liquor Control Commission's primary administrative Offices are located at:

Richard J. Daley Center
50 W. Washington Street, Suite 209
Chicago, Illinois 60602

Jefferson Terrace
300 W. Jefferson Street, Suite 300
Springfield, Illinois 62702



ILLINOIS LIQUOR CONTROL COMMISSION

MANAGEMENT ASSERTION LETTER

March 27, 2026

Adelfia LLC
400 E. Randolph Street, Suite 700
Chicago, Illinois 60601

Adelfia LLC:

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, Illinois Liquor Control Commission (Commission). 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 Commission's compliance with the following specified requirements during the two-year period ended June 30, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, the Commission has materially complied with the specified requirements listed below.

- A. The Commission 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 Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Commission 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.

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50 West Washington Street, Ste 209
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- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission 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, Illinois Liquor Control Commission

SIGNED ORIGINAL ON FILE

Lisa Gardner
Executive Director

SIGNED ORIGINAL ON FILE

Michael Gentry
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Noel Quanbeck
General Counsel

**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
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STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	12	12
Repeated Findings	10	10
Prior Recommendations Implemented or Not Repeated	2	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2025-001	11	2023/2021	Inadequate Controls over Receipts	Material Weakness and Material Noncompliance
2025-002	14	2023/2021	Inadequate Controls over Monthly Reconciliations	Material Weakness and Material Noncompliance
2025-003	16	2023/2021	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2025-004	20	2023/2021	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance
2025-005	22	2023/2021	Inadequate Controls over Reporting Requirements	Significant Deficiency and Noncompliance

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SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2025-006	25	New	Inadequate Controls over State Property	Significant Deficiency and Noncompliance
2025-007	27	New	Noncompliance with the Liquor Control Act on Beer Production Quantity Reporting	Significant Deficiency and Noncompliance
2025-008	29	2023/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-009	32	2023/2021	Inadequate Controls over Review of User Access Rights	Significant Deficiency and Noncompliance
2025-010	34	2023/2021	Inadequate Controls over GenTax Access	Significant Deficiency and Noncompliance
2025-011	36	2023/2023	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
2025-012	38	2023/2023	Weaknesses in Disaster Recovery Planning and Testing	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	39	2023/2021	Voucher Processing Internal Controls Not Operating Effectively	
B	39	2023/2021	Noncompliance with Payment Card Industry Data Security Standards	

**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
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For the Two Years Ended June 30, 2025**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on March 20, 2026.

Attending were:

Illinois Liquor Control Commission

Lisa Gardner, Executive Director

Michael Gentry, Chief Fiscal Officer

Rebecca Hawkinson, Administrative Services Manager

Office of the Auditor General

Stacie Sherman, Senior Audit Manager

Adelfia LLC

Gilda Priebe, Partner

Anjo Guillermo, Manager

Gionelle Ceniza, IS Manager

Mark Urbino, Senior

The responses to these recommendations were provided by Michael Gentry, Chief Fiscal Officer, in a correspondence dated March 27, 2026.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Illinois Liquor Control Commission

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Liquor Control Commission (Commission) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2025. Management of the Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

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

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Commission during the two years ended June 30, 2025. As described in the accompanying Schedule of Findings as items 2025-001 and 2025-002, the Commission had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as item 2025-001 and 2025-002, the Commission had not ensured the State revenues and receipts collected by the Commission were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Commission complied with the specified requirements during the two years ended June 30, 2025, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2025-003 through 2025-012.

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

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

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2025-001 and 2025-002 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2025-003 through 2025-012 to be significant deficiencies.

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

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

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois

March 27, 2026

STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2025

2025-001. **FINDING** (Inadequate Controls over Receipts)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over receipts.

According to Commission records, the Commission collected total revenues of \$20,061,314 and \$20,071,559 which were deposited into the General Revenue Fund (Fund 001) and the Dram Shop Fund (Fund 821) during Fiscal Years 2024 and 2025, respectively. However, as discussed in Finding 2025-002, we noted irreconcilable differences of \$523,259 and \$245,006 between the Commission’s receipt records and the Office of Comptroller’s Monthly Revenue Status Report (SB04) reports as of June 30, 2024 and June 30, 2025, respectively.

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

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

During our testing of the Agency Fee Imposition Reports, we noted the following:

- For the Fiscal Year 2024 Agency Fee Imposition Report, the liquor license fees reported under the General Revenue Fund were understated by \$7,514,230. For one of the fees under the Dram Shop Fund, we also noted the Commission did not indicate the statutory citation from the Illinois Compiled Statutes that provides them the authority to charge such a fee.
- For the Fiscal Year 2025 Agency Fee Imposition Report, the funds into which the fees are deposited were not accurately reported. As of June 30, 2025, deposits to the Dram Shop Fund of \$10,838,757 and General Revenue Fund of \$9,477,808 per SB04 report were not identified and separately reported in the Agency Fee Imposition Report. In addition, the total collections reported in the Agency Fee Imposition Report were overstated by \$3,849,890.

The State Comptroller Act (15 ILCS 405/16.2) and the Statewide Accounting Management System (SAMS) Manual (Procedure 33.16.20) require the Commission to submit the Agency Fee Imposition Report to the Office of Comptroller by August 1 of each year and should include fees charged by State agencies to citizens and private organizations which include assessments, fares, fees, fines, levies, licenses, penalties, permits, registrations, tolls, and tuition.

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SAMS also requires the Commission to include details of statutory citations from the Illinois Compiled Statutes that provide authority to charge the fee and to complete a separate record in the Agency Fee Imposition Report for each SAMS receipt account. Ultimately, good internal controls require the Commission to ensure the accuracy of information reported in the Agency Fee Imposition Report.

In addition, during our testing of 60 non-sufficient fund (NSF) transactions, we noted the following:

- For six (10%) NSF transactions tested, the Commission did not receive alternative payment, but the related license was not cancelled or revoked.
- For two (3%) NSF transactions, the Commission was unable to provide supporting documentation of the alternative payment received by the Commission.

The Liquor Control Act of 1934 (235 ILCS 5/6-1) states that a negotiable instrument received as payment for a license fee, transfer fee, late fee, offer in compromise, pre-disciplinary conference settlement, or fine imposed by order that is dishonored on presentation shall not be considered payment and shall be cause for disciplinary action.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the State's resources. Further, the State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities.

This finding was first noted during the examination of the two years ended June 30, 2021, and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to staffing shortages and oversight. During the current examination, Commission management stated the exceptions were due to competing priorities, employee turnover, and oversight.

STATE OF ILLINOIS
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Failure to establish and maintain internal controls over receipts, including the review of reports, monitoring of NSF transactions, and retention of supporting documentation, increases the risk of revenue loss, theft, or other irregularities and will not be found within the normal course of operations. In addition, failure to submit accurate statutorily required reports and information prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions. (Finding Code No. 2025-001, 2023-001, 2021-002)

RECOMMENDATION

We recommend the Commission establish adequate controls over the receipts process to ensure proper documentation of receipt transactions are maintained and properly reconciled to the Comptroller’s records, and statutorily required reports are completed accurately as required by SAMS and State laws. We also recommend the Commission implement adequate controls to ensure receipt of alternative payments for NSF transactions and adequate documentation is properly maintained.

COMMISSION RESPONSE

We agree with the recommendation. There were issues with the Fee Imposition Report portal and the Commission was unable to access the site. We are working with the Office of Comptroller to fix issues so that these reports are accurately submitted. Our Fiscal division has created a report for NSF checks with due dates for licensees to remain compliant. This report is sent weekly to the Licensing and Legal divisions to ensure proper notifications are sent to the licensees to resolve NSF transactions.

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2025-002. **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over monthly reconciliations between its internal records and the Office of Comptroller reports and its locally-held fund's bank statements.

The Commission collected total revenues of \$20,061,314 and \$20,071,559 which were deposited into two funds in Fiscal Years 2024 and 2025, respectively. In addition, the Commission maintained a locally-held fund with a balance of \$17,663 and \$3,517 as of June 30, 2024 and June 30, 2025, respectively.

During testing of the Commission's monthly reconciliations, we noted the following:

- There were unreconciled differences of \$523,259 and \$245,006 between the Commission's records and the Office of Comptroller's Monthly Revenue Status Report (SB04) as of June 30, 2024 and June 30, 2025, respectively.
- There were differences of \$3,063 and \$11,059 between the Commission's Report of Receipts and Disbursements for Locally Held Funds (Form C-17) and the locally-held fund bank statements as of June 30, 2024 and June 30, 2025, respectively.
- Three of five (60%) monthly reconciliations tested of the Commission's records to locally-held fund bank statements were performed three to 31 days late.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) requires the Commission to perform reconciliations of the SB04 to its internal records within 60 days of month end to ensure the early detection and correction of errors.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, management has the ultimate responsibility for the Commission's internal control over reporting of financial information. This responsibility should include the timely review of the completeness and accuracy of financial records including its locally-held fund.

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For the Two Years Ended June 30, 2025

This finding was first noted during the examination of the two years ended June 30, 2021 and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to staff turnover and competing priorities. During the current examination, Commission management stated the exceptions were due to oversight, staffing shortage, and competing priorities.

Failure to timely and properly document reconciliations of the Commission’s records to the Office of Comptroller’s reports and locally-held fund bank statements hinders the ability of staff to identify and correct errors which could result in incomplete or inaccurate financial information and represents noncompliance with the SAMS Manual and the Act. (Finding Code No. 2025-002, 2023-003, 2021-005)

RECOMMENDATION

We recommend the Commission implement controls to ensure all required monthly reconciliations are timely and accurately performed, documented, and reviewed.

COMMISSION RESPONSE

We agree with this recommendation. The Commission is no longer using GenTax. We have began completing monthly reconciliations using our records against the Treasurer and Comptroller’s offices. For the differences in C-17 reports, the amounts were classified as investments instead of ‘Cash on hand’ that created the difference. The Commission has already adjusted these reports and verified that they are accurate to avoid this issue any further. The three monthly reconciliations that were performed late were due to oversight.

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2025-003. **FINDING** (Inadequate Controls over Personal Services)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over various aspects of its personal services function.

During detailed testing of five employees, we noted:

- For two (40%) employees, the annual performance evaluations were not completed (one employee for Fiscal Year 2024 and the other employee for Fiscal Year 2025). In addition, for one (20%) employee, the performance evaluation for Fiscal Year 2025 was completed 86 days late.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270) requires an evaluation of employee performance be prepared by the Commission not less often than annually. Additionally, the Commission's Administrative Directive, Section 6.13 requires certified employees to be evaluated at least annually. Prudent business practices require employee performance evaluations to be performed in a timely manner, which we consider to be 30 days after the employee's last day of the evaluation period.

- Two of 16 (13%) daily time reports of one (20%) employee did not have the related vacation leave request approved in advance. The vacation leave requests were approved one and five days after the leave.

The Commission's Administrative Directive, Section 1.9 requires employees to schedule vacation leaves with his or her supervisor in advance.

- All eight (100%) daily time reports of two (40%) employees did not have the related overtime requests approved in advance. The overtime requests were approved two to 17 days after the overtime was rendered.

The Commission's Administrative Directive, Section 1.3 states no overtime shall be worked unless specifically requested and authorized in advance by Program Administrators or their designees.

- For one (20%) employee working on a schedule different from normal working hours, the Commission was unable to provide the related approved flexible working schedule.

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The Commission's Administrative Directive, Section 4.3 requires employees to receive approval from management to participate in an alternative work schedule program. Additionally, the State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State.

- The Commission incorrectly calculated the withholding of federal taxes for two (40%) employees. This resulted in under withholding of \$18 for one employee and over withholding of \$17 for the other employee, for one pay period tested for each of the employees.

The Statewide Accounting Management System (SAMS) Manual (Procedure 23.10.30) states the Commission is responsible for completing the payroll voucher each pay period and attesting to the employee's rate of pay, gross earnings, deductions, net pay, and other required information on the voucher and file. Further, the State Salary and Annuity Withholding Act (5 ILCS 365/3 to 5 ILCS 365/5) states a deduction authorization form which is distributed by the Commission authorizes the Comptroller to withhold monies from an employee's gross pay for a specific purpose authorized by the employee. Good internal controls require the payroll voucher deductions be accurately calculated.

Additionally, for one of 18 (6%) payroll vouchers tested totaling \$9,618, the Commission was unable to provide the supporting documentation. As a result, we were unable to determine whether the payroll voucher was accurate or properly authorized for payment.

The State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation, and 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.

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Lastly, during our testing of required employee trainings, we noted 10 of 44 (23%) employees with access to Federal Tax Information (FTI) did not complete the required Disclosure Awareness Training for Fiscal Year 2025.

The Internal Revenue Services (IRS) Publication 1075 (Publication) states that prior to granting an authorized agency employee, state support employee, contractor, or sub-contractor access to FTI, each employee, contractor, or sub-contractor must certify their understanding of the agency's security and privacy policy and procedures for safeguarding FTI through the Disclosure Awareness Training. The Publication further requires employees who have access to FTI undergo the training on an annual basis.

This finding was first noted during the examination of the two years ended June 30, 2021, and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to employee turnover and oversight. During the current examination, Commission management stated the exceptions noted were due to competing priorities, employee turnover, and oversight.

Employee performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Employee performance evaluations serve as a foundation and documentation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvement and current year's performance goals and objectives may not be identified and communicated in a timely manner.

Failure to ensure overtime and vacation leave requests are approved in advance and retain documents supporting approved flexible working schedules undermines accountability controls and may result in abuse and unnecessary costs to the State.

Failure to accurately calculate and review employee payroll withholding amounts results in inaccurate withholdings from employees which may lead to misuse of State funds. Failure to maintain documentation supporting the details of payroll vouchers is noncompliance with State laws and increases the risk of fraud, abuse, or misuse of State resources. Further, failure to maintain adequate controls over payroll processing increases the risk that errors or other irregularities could occur

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that would not be identified by employees performing their functions in the normal course of business.

Failure to complete the required Disclosure Awareness Training could result in unidentified risks and vulnerabilities, which could ultimately lead to the Commission's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2025-003, 2023-005, 2021-004)

RECOMMENDATION

We recommend the Commission strengthen its procedures and internal controls for:

- Monitoring performance evaluations and employee trainings to ensure performance evaluations and trainings are completed timely;
- Monitoring leave and overtime requests to ensure advance authorization and approval;
- Employee flexible time to ensure adequate documentation of approval is maintained; and
- Payroll vouchers to ensure adequate documentation is maintained and withholding taxes are accurate.

COMMISSION RESPONSE

We agree with the recommendation. Significant turnover in Human Resources (HR) division and poor process controls resulted in missed deadlines and retention processes. A revitalized evaluation procedure has been implemented in addition to a new Sharepoint website dedicated to accessibility and support for Commission supervisors. The HR manager has also received signature authority to reduce friction in the approval process. Supervisors are reminded of the proper policies and procedures for leave requests. We do not calculate the withholding of federal taxes. Central Payroll confirmed the tax formula is automatically built into the payroll system.

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2025-004. **FINDING** (Inadequate Controls over State Vehicles)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over its State vehicles.

As of June 30, 2025, the Commission had a total of 29 State vehicles including 25 individually assigned State vehicles. During testing, we noted the following:

- Four of five (80%) vehicles tested did not have routine oil changes performed within the mileage intervals required by the Department of Central Management Services (CMS). The oil change services were performed between 170 and 2,702 miles beyond the allowed interval.

The CMS Maintenance and Repair Program requires oil changes every 5,000 miles or 12 months, whichever comes first on vehicles nine years or newer or every 3,000 miles or 12 months, whichever comes first on vehicles 10 years or older.

- The Commission did not submit the annual Individually Assigned Vehicle (IAV) reports for Fiscal Years 2024 and 2025 to CMS. In addition, the Commission did not submit the IAV reports related to 15 vehicles which were newly assigned to the Commission or have changed employee assignment during Fiscal Years 2024 and 2025 to CMS.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5040.340) requires the Commission to report to CMS annually and when changes occur, the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, employee's headquarters and residence, and any additional information requested by CMS.

- The Commission untimely submitted two of three (67%) vehicle accident reports to the Auto Liability Unit of CMS. The reports were submitted 14 and 337 days late.

The Code (44 Ill. Admin. Code 5040.520) requires the driver of a State-owned or leased vehicle involved in an accident of any type to report the accident to the appropriate law enforcement agency and to CMS by completing the CMS Claim Intake Form within three days and must be received by CMS within seven calendar days following an accident.

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During the previous examination, Commission management stated the exceptions noted were due to oversight and employee turnover. During the current examination, Commission management stated the exceptions were still due to oversight of employees assigned with vehicles and employee turnover.

Failure to adequately maintain vehicles may cost the State significant amounts in future years through additional repair bills and shortened useful lives for vehicles. Failure to submit statutorily required reports and information prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can affect future decisions and represents noncompliance with the Code. Finally, untimely submission of vehicle accident reports may increase the risk of loss and may result in unnecessary charges for State funds. (Finding Code No. 2025-004, 2023-006, 2021-006)

RECOMMENDATION

We recommend the Commission implement adequate internal controls and sufficient oversight to ensure State vehicles are properly maintained, and IAV and accident reports are timely submitted.

COMMISSION RESPONSE

We agree with the recommendation. We have hired a Fleet Manager that tracks all vehicles and communicates with each field agent to schedule routine maintenance within the allotted time frame. The Commission now has Telematics installed in the vehicles which will help with notifying the operator of the vehicle, as well as the Fleet Manager in order to schedule maintenance. The 2024 IAV report was not submitted due to an oversight by new staff in that position responsible for submitting the report.

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2025-005. **FINDING** (Inadequate Controls over Reporting Requirements)

The Illinois Liquor Control Commission (Commission) did not file statutorily required reports and submissions or did not file them timely or accurately.

During testing, we noted the following:

- The Commission did not submit its responses to the 2024 Employment Plan Survey (employment data as of June 30, 2023) regarding the State Hispanic Employment Plan, the State Asian-American Employment Plan, the Native American Employment Plan, and the African American Employment Plan to the Department of Central Management Services Department (CMS) to include the information in its report to the General Assembly.

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

- The Commission submitted the Fiscal Year 2024 census data reconciliation certification to the State Employees' Retirement System (SERS) 149 days late.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and

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its underlying records for changes occurring during the current year. Based on the Fiscal Year 2024 Census Data Reconciliation Guidance, SERS requested the Commission to complete its reconciliation by December 2, 2024.

- Two of nine (22%) Commission members and employees tested who were required to file the Statement of Economic Interests (SOEIs) did not timely submit their SOEIs during the examination period. The SOEIs were submitted 13 and 15 days late.

The Illinois Governmental Ethics Act (5 ILCS 420/4A-105) requires each person whose position at that time subjects him to the filing requirements of Section 4A-101 or 4A-101.5 of the Act to submit an SOEI by May 1 of each year, unless he has already filed a statement in relation to the same unit of government in that calendar year.

- The data and statistical percentages for nine of 16 (56%) employee category groups presented in the Agency Workforce Reports for Fiscal Years 2023 and 2024 did not agree with the Commission's supporting documentation. Subsequently, the Commission submitted corrected reports to the Governor's Office and the Secretary of State after the auditors brought this issue to their attention.

The State Employment Records Act (5 ILCS 410/15) requires the Commission to collect and maintain information and publish reports on its work force, including the number and statistical percentage of minorities, women, and persons with physical disabilities employed as professional employees, among others.

This finding was first noted during the examination of the two years ended June 30, 2021, and the Commission officials took significant steps to implement corrective actions, however, exceptions on reporting still persist. In addition, the Commission's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated issues noted were due to staff turnover and competing priorities. During the current examination, Commission management stated the exceptions were still due to staff turnover.

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Failure to submit or timely submit statutorily required reports and submissions, and reporting inaccurate information prevent the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions. These also represent noncompliance with applicable State laws and regulations. (Finding Code No. 2025-005, 2023-002, 2021-001)

RECOMMENDATION

We recommend the Commission strengthen its internal controls over reporting to ensure statutorily required reports are completed accurately and submitted timely as required by State laws.

COMMISSION RESPONSE

We agree with this recommendation. The Fiscal Year 2024 Employment Plan Survey was submitted on September 13, 2024. We have reached out to CMS for confirmation and to see if there is an issue in communication potentially within the system prohibiting CMS from receiving the completed report. The census data reconciliation certificate to SERS was sent late due to significant turnover in the Human Resources division that resulted in staff not submitting the report. The reconciliation of the Fiscal Year 2024 report was sent to SERS on April 30, 2025. Our Legal staff will now send frequent reminders to all staff and Commissioners ahead of time in the case of potential issues with access occurring when trying to submit the Statement of Economic Interests.

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2025-006. **FINDING** (Inadequate Controls over State Property)

The Illinois Liquor Control Commission (Commission) did not maintain adequate control over its State property.

During our testing of six property additions, we noted the following:

- Two (33%) property items were not timely recorded in the Commission property records. These items were recorded 134 and 177 days late.
- The acquisition value for two (33%) property items was inaccurately recorded in the Commission property records. These items were understated by a total of \$541.

The State Property Control Act (Act) (30 ILCS 605/6.02) requires the Commission to maintain a permanent record of all items of property under its jurisdiction and control. The Act (30 ILCS 605/4) also requires every responsible officer of State government to be accountable for the supervision, control, and inventory of all items under their jurisdiction.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Commission to adjust its property records within 90 days after acquisition, change, or deletion of equipment items. Further, the Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) requires the Commission to maintain property detail records and prescribes these records are to be organized by major asset category and include necessary information including cost or other value.

During our property observations, we noted the following:

- In our list to floor testing, we noted two of 15 (13%) equipment items (video conference equipment) were incorrectly included in the inventory records of the Commission. Subsequently, the Commission removed these items from the property records after this issue was brought to the Commission's attention.

The SAMS Manual (Procedure 29.10.10) requires the Commission to conduct an inventory of its assets on an annual basis in order to support the existence and accuracy of amounts reported in its Agency Report of State Property (Form C-15). The SAMS Manual further requires the Commission to reconcile its asset records to the results of the inventory and update them accordingly.

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- In our floor to list testing, we noted two of 15 (13%) equipment items (mobile phone devices) were not tagged. Subsequently, the Commission tagged these devices after this issue was brought to the Commission's attention.

The Code (44 Ill. Admin. Code 5010.210) requires the Commission to mark each piece of State-owned equipment in its possession to indicate that it is the property of the State of Illinois. In addition, the Code requires the Commission to mark items with an identification number assigned by the Commission holding the property.

Commission management stated the exceptions noted were due to oversight and being understaffed.

Failure to exercise adequate controls over State property increases the potential for fraud and possible loss or theft of State property, inaccurate property reporting, and is noncompliance with State laws and regulations. (Finding Code No. 2025-006)

RECOMMENDATION

We recommend the Commission improve its controls over State property to comply with applicable laws and regulations. Specifically, the Commission should implement procedures to ensure all equipment transactions are recorded timely and accurately. We further recommend the Commission strengthen its supervisory review process in its procedures to ensure clerical, technical, and other errors are promptly detected and corrected.

COMMISSION RESPONSE

We agree with this recommendation. This was an oversight. Property Management was not notified timely of new additions. We have given duties to one staff in Chicago and one staff in Springfield that report all additions/deletions to Property Management and Fiscal to ensure that records are maintained properly. Some Enforcement items' values were understated due to some of the purchased items having the same description but having different purchase prices. Property Management will work with Fiscal as a way to segregate duties and ensure property information and values are correct.

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2025-007. **FINDING** (Noncompliance with the Liquor Control Act on Beer Production Quantity Reporting)

The Illinois Liquor Control Commission (Commission) did not comply with the Liquor Control Act of 1934 (Act) on beer production quantity reporting.

The Act (235 ILCS 5/8-10.5(b)) requires a brewer who is a class 1 brewer, class 2 brewer, class 3 brewer, or brew pub licensee to accurately measure the quantity of beer transferred into its final packaging container to determine the brewer’s tax liability by converting beer production into the amount of beer sold and to ensure compliance with any production or self-distribution quantity limitations under this Act applicable to the class 1 brewer, class 2 brewer, class 3 brewer, or brew pub. The Act further requires any brewer subject to this Section to file, on the same date as the brewer files similar reports with the U.S. Department of the Treasury’s Tobacco and Alcohol Tax and Trade Bureau (Bureau), with the Illinois Department of Revenue (Department) and the Commission, a report of their use of water along with their “Brewer’s Report of Operations” filed with the Bureau and maintain and produce for examination and inspection by the Department and the Commission utility bills for water for three years along with their “Brewer’s Report of Operations” filed with the Bureau. Finally, the Act (235 ILCS 5/8-10.5(c)) requires the Commission to issue a fine or suspend or revoke the brewer’s license for failure to comply with the provisions of the Act regarding beer production quantity reporting.

During testing, we noted 160 brewer licensees did not submit 567 quarterly Beer Production and Water Usage Reports during Fiscal Year 2024 and 300 brewer licensees did not submit 873 quarterly Beer Production and Water Usage Reports during Fiscal Year 2025. The Commission did not issue any fines, nor did it suspend or revoke the licenses of these brewer licensees.

Commission management stated the Commission made the decision to not impose fines since so many licensees were not able to submit their reports due to reporting platform issues. Commission management believed it would be unfair to fine the licensees for something over which they had little to no control.

Failure to impose penalties on noncompliant licensees may result in a loss of State revenues and represents noncompliance with the Act. Failure to enforce the requirement of the mandate prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions. (Finding Code No. 2025-007)

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RECOMMENDATION

We recommend the Commission strengthen its internal controls over monitoring of required reports to be submitted by licensees and impose penalties pursuant to the Act.

COMMISSION RESPONSE

We agree with this recommendation. In December of 2024 and January of 2025, system-wide issues were identified which prevented licensees from filing past due production and water usage reports. Due to these persistent and systemic issues with reporting, the Commission made the decision to issue warning letters in lieu of fines in the belief that voluntary compliance would be more beneficial than the issuance of fines and due to the fact that so many licensees were not able to submit the required reports. The Commission is in the process of reviewing the data to determine if the warnings had an effect or if the issuance of fines would be more impactful. Following this review the Commission will consider further disciplinary actions against licensees who fail to comply with this Section of the Act.

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2025-008. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Commission is responsible for issuing State liquor licenses and ensuring entities comply with the provisions of the Illinois Liquor Control Act. As such, the Commission maintains confidential information such as names, addresses, and social security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During the current examination, the Commission had not implemented adequate internal controls related to cybersecurity programs, practices and controls of information. Specifically, the Commission:

- Did not include in the Data Classification Policy the following:
a) classification of all types of data the Commission has, b) where the data was stored (databases, removable media, etc.), c) detailed safeguards based on data classification (e.g., technical, physical, administrative, data retention/destruction) to protect data based on classification, and d) personnel responsible for ensuring data and assets are adequately secured.
- For all seven sampled new employees, did not provide documents supporting acknowledgement of their understanding of the Commission's policies.
- Did not retain documentation to show data on equipment that had been marked as surplus, transferred, or disposed of had been wiped for all three equipment deletions (100%) tested.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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

The State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State.

This finding was first noted during the examination of the two years ended June 30, 2021, and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to lack of understanding of responsibilities that reside with the Commission and those with the Department of Innovation and Technology (DoIT). During the current examination, Commission management indicated the exceptions were due to employee turnover and oversight.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Commission’s confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2025-008, 2023-008, 2021-009)

RECOMMENDATION

We recommend the Commission implement internal controls related to cybersecurity programs, practices and control of confidential information. Specifically, we recommend the Commission:

- Develop a data classification policy, classify its data, and ensure adequate protection of its data.
- Retain documentation supporting the employees’ acknowledgement of the Commission’s policies.
- Retain documentation to ensure Commission data on equipment surplus, transferred, or disposed of had been wiped and sanitized.

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COMMISSION RESPONSE

We agree with this recommendation. The Commission is in the process of updating the data classification policy. Human Resources (HR) staff has added the acknowledgement of Commission policies to their onboarding checklist. The Commission now has an administrative manager that will handle all equipment documentation and exchange that information with the HR division so that there are multiple staff with access to this documentation.

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2025-009. **FINDING** (Inadequate Controls over Review of User Access Rights)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls over user access rights to its systems.

The Commission is a user of the Department of Innovation and Technology's (DoIT) Enterprise Resource Planning (ERP) System, Central Time and Attendance System (CTAS), eTime, Central Payroll System (CPS), and the Office of Comptroller's Statewide Accounting Management System (SAMS). As a user of these systems, the Commission is responsible for ensuring access to and input of data is appropriate.

During the current examination, the Commission did not provide documentation that user access reviews were timely completed for CTAS, eTime, CPS, and Mainframe Resource Access Control Facility (RACF) IDs. During testing we also noted:

- Three of 12 (25%) user accounts with access to the Commission's CPS were not Commission employees.
- Three of 12 (25%) CPS users had retained access after their separation date from the Commission.
- One of 12 (8%) user accounts was noted as a duplicate CPS user account.
- Three of seven (43%) CTAS users had retained access after their separation date from the Commission.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control and System and Communication Protection sections, require entities to implement adequate internal controls over access to their environments, applications and data, and sanctions ensuring periodic access reviews and access is provided on a needed basis.

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

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This finding was first noted during the examination of the two years ended June 30, 2021, and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to oversight and lack of understanding of responsibilities that reside with the Commission and those with DoIT. During the current examination, Commission management indicated the exceptions were due to employee turnover in the Human Resources Division and employee oversight.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2025-009, 2023-009, 2021-011)

RECOMMENDATION

We recommend the Commission implement controls to ensure user access rights are reviewed at least annually and accesses of terminated employees are timely removed.

COMMISSION RESPONSE

We agree with this recommendation. Significant turnover in our Human Resources (HR) department resulted in user access rights not being removed timely. The HR manager has created a SharePoint website dedicated to helping remove access; and in the case of no HR staff with capabilities, there is contact information for CPS, CTAS, RACF, etc. that can assist in removing rights.

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2025-010. **FINDING** (Inadequate Controls over GenTax Access)

The Illinois Liquor Control Commission (Commission) was unable to provide adequate documentation to ensure appropriate user access to the enterprise-wide tax system (GenTax).

The Commission utilizes GenTax in the processing of liquor licenses. During the current examination, the Commission did not ensure adequate security over GenTax. Specifically, we noted:

- The Commission did not provide documentation of the user template used in mirroring two of four (50%) new users sampled to ensure their access to GenTax was appropriate based on their job duties.
- One of four (25%) new users sampled was granted access prior to the signed approval date of his immediate superior.
- Access to the sole separated employee (100%) with access to GenTax was removed 116 days after his separation date.
- The Commission did not provide documentation supporting review of GenTax users.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control and System and Communication Protection sections, require entities to implement adequate internal controls over access to their environments, applications and data, establish access control policies and procedures documenting access control requirements and sanctions ensuring periodic access reviews.

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

The State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State.

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This finding was first noted during the examination of the two years ended June 30, 2021, and Commission officials took steps to implement corrective actions, however, exceptions still persist. In addition, the Commission’s management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

During the previous examination, Commission management stated the exceptions noted were due to employee turnover. During the current examination, Commission management indicated the exceptions were due to employee turnover in the Human Resources Division and oversight.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2025-010, 2023-010, 2021-012)

RECOMMENDATION

We recommend the Commission strengthen its controls over retention and maintenance of supporting documentation related to GenTax security.

COMMISSION RESPONSE

We agree with this recommendation. The Commission does not have direct access to add or remove rights in GenTax. The Commission is no longer utilizing GenTax and have instead, created their own licensing platform. This will give the Commission more access and rights in order to ensure all users are added and removed timely.

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2025-011. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls over its service providers.

The Commission utilized service providers for hosting services, software as a service, infrastructure as a service, systems development, and program maintenance.

During testing, we noted the Commission obtained eight Service Organization Control (SOC) reports for its identified third-party service providers but did not review five of the eight (63%) SOC reports. We also noted on the three SOC reports reviewed, the Commission did not:

- Document the date the reviews were performed on two reviews and performed one review 365 days after the report date.
- Identify and/or document its assessment and the operation of the Customer Control Responsibilities and Considerations/Complementary User Entity Controls (CUECs) relevant to the Commission’s operations.
- Identify and/or assess the impact of subservice organizations and the related complementary subservice organization controls (CSOCs).
- Assess the impact of deviations noted in the SOC report including its corrective action plans and compensating controls for one of three (33%) SOC reports reviewed by the Commission.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their IT environment or operations to obtain assurance over the entities’ internal controls related to the services provided. Such assurance may be obtained via reviews of SOC reports or independent reviews.

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

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Commission management indicated the issues noted were due to employee oversight.

The Commission is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is not limited due to the processes being outsourced. Without having adequate review of the SOC report which includes assessment of subservice organizations, CSOCs, and complementary user entity controls and its equivalents, the Commission does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2025-011, 2023-012)

RECOMMENDATION

We recommend the Commission implement internal controls over its service providers. Specifically, we recommend the Commission:

- Perform and document reviews of SOC reports timely.
- Perform analyses of the CUECs documented in SOC reports of its service providers.
- Obtain and review SOC reports for subservice organizations or perform alternative procedures to determine the impact to its internal control environment.
- Assess and document the impact of deviations noted in the SOC reports including corrective action plans and compensating controls.

COMMISSION RESPONSE

We agree with this recommendation. The Commission has performed analyses on all SOC reports. We have updated the SOC analysis to identify and assess CUECs. The Commission has updated the SOC analyses to show impact of deviations. This will be used as a template for future SOC report analyses.

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2025-012. **FINDING** (Weaknesses in Disaster Recovery Planning and Testing)

The Illinois Liquor Control Commission (Commission) had not reviewed backups and developed a disaster recovery plan or conducted recovery testing specific to the Commission.

During the current examination, the Commission had not developed a formal disaster recovery plan. Further, the Commission had not conducted comprehensive disaster recovery testing for all its applications during the examination period to ensure the timely recovery of its applications and data.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology (NIST) requires entities to develop and regularly test their disaster contingency plan to ensure the timely recovery of applications and data.

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

Commission management indicated that the issues noted were due to competing priorities during the examination period.

Failure to have adequately tested contingency plans leaves the Commission exposed to the potential of failing to recover applications and data within an acceptable timeframe. (Finding Code No. 2025-012, 2023-011)

RECOMMENDATION

We recommend the Commission finalize its formal disaster recovery plan to ensure the timely recovery of its applications and data in case of disaster or other types of contingencies. Upon finalization, we recommend the Commission test the plan at least annually.

COMMISSION RESPONSE

We agree with this recommendation. The Commission hired an administrative manager who is working on completing the disaster recovery plan that was already in progress. We have completed disaster recovery testing for 2024 and 2025. We have developed a schedule with the Department of Innovation and Technology to run the test annually.

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A. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

During the prior examination, the Illinois Liquor Control Commission's (Commission) internal controls over its voucher processing function were not operating effectively. Specifically, the Commission did not properly enter the proper receipt date into the Enterprise Resource Planning (ERP) System and other issues noted in State property and travel vouchers.

During the current examination, our sample testing indicated the Commission properly entered the proper receipt date into the ERP System and no issues were noted on State property vouchers. However, issues on travel vouchers persisted and will be reported in the Commission's *Report of Immaterial Findings*. (Finding Code No. 2023-004, 2021-007)

B. **FINDING** (Noncompliance with Payment Card Industry Data Security Standards)

During the prior examination, the Illinois Liquor Control Commission (Commission) had not completed all requirements to demonstrate compliance with the Payment Card Industry Data Security Standards (PCI DSS).

During the current examination, the Commission had completed the Self-Assessment Questionnaires (SAQs) for the period under review. (Finding Code No. 2023-007, 2021-008)