



**STATE OF ILLINOIS
DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2023

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



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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
<i>State Compliance Examination Report</i>	
Department Officials.....	1
Management Assertion Letter	2-3
State Compliance Report:	
Summary	4-6
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance	7-9
Schedule of Findings	
Current Findings.....	10-35
Prior Findings Not Repeated	36-37
Status of Management Audit Recommendations	38-58

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

DEPARTMENT OFFICIALS

Director (3/7/2024 – Present)	Ms. Raven DeVaughn
Director (Acting) (1/21/2023 – 3/6/2024)	Ms. Raven DeVaughn
Director (Acting) (6/13/2022 – 1/20/2023)	Mr. Anthony Pascente
Director (7/1/2021 – 6/12/2022)	Ms. Janel Forde
Assistant Director (Acting) (6/17/2023 – Present)	Mr. Aundra Williams
Assistant Director (5/6/2023 – 6/16/2023)	Vacant
Assistant Director (3/28/2022 – 5/5/2023)	Mr. Mark Mahoney
Assistant Director (Acting) (7/1/2021 – 3/27/2022)	Mr. Mark Mahoney
Assistant Director (1/21/2023 – Present)	Vacant
Assistant Director (Acting) (9/7/2021 – 1/20/2023)	Ms. Raven DeVaughn
Chief of Staff (2/16/2023 – Present)	Mr. Patrick Nolan
Chief of Staff (6/13/2022 – 2/15/2023)	Vacant
Chief of Staff (7/1/2021 - 6/12/2022)	Mr. Anthony Pascente
Chief Administrative Officer	Ms. Sarah Kerley
Chief Operating Officer (7/10/2023 – Present)	Mr. William McCarty
Chief Operating Officer (Acting) (4/16/2023 – 7/9/2023)	Mr. Sean Neuert
Chief Operating Officer (1/21/2023 – 4/15/2023)	Vacant
Chief Operating Officer (7/1/2021 – 1/20/2023)	Ms. Aysegul Kalaycioglu
Chief Fiscal Officer	Ms. Karen Pape
General Counsel (12/1/2023 – Present)	Ms. CoreyAnne Gulkewicz
General Counsel (Acting) (5/16/2023 – 11/30/2023)	Ms. CoreyAnne Gulkewicz
General Counsel (7/1/2021 – 5/15/2023)	Mr. Terrence Glavin
Chief Internal Auditor (10/16/23 – Present)	Mr. Butch Stilwell
Chief Internal Auditor (Acting) (6/16/2023 – 10/15/2023)	Ms. Dawn Meier
Chief Internal Auditor (Acting) (5/16/2023 – 6/15/2023)	Mr. Jack Rakers
Chief Internal Auditor (7/1/2021 – 5/15/2023)	Mr. Jack Rakers

Agency main offices are located at:

State of Illinois Building
555 W. Monroe Street
Chicago, Illinois 60661

William G. Stratton Building
401 S. Spring Street
Springfield, Illinois 62706



MANAGEMENT ASSERTION LETTER

April 17, 2024

Sikich LLP
3051 Hollis Drive, 3rd Floor
Springfield, IL 62704

Ladies and Gentlemen:

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, Department of Central Management Services. 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, Department of Central Management Services' compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the State of Illinois, Department of Central Management Services has materially complied with the specified requirements listed below.

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

Sincerely,

State of Illinois, Department of Central Management Services

SIGNED ORIGINAL ON FILE

Raven DeVaughn, Director

SIGNED ORIGINAL ON FILE

Karen Pape, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Corey Anne Gulkewicz, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

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

<u>Number of</u>	<u>Current Report</u>	<u>Prior Reports</u>
Findings	10	16
Repeated Findings	8	9
Prior Recommendations Implemented or Not Repeated	8	5

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	10	2022/2019	Failure to determine premiums that allow for establishment of actuarial sound reserve	Material Weakness and Material Noncompliance
2023-002	12	2021/2019	Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act	Material Weakness and Material Noncompliance
2023-003	17	2021/2013	Failure to timely conduct yearly performance appraisals	Significant Deficiency and Noncompliance
2023-004	18	2021/2019	Weaknesses related to personal services	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-005	20	2021/2006	Inadequate monitoring of interagency agreements	Significant Deficiency and Noncompliance
2023-006	22	New	Untimely execution of contracts	Significant Deficiency and Noncompliance
2023-007	23	New	Weaknesses in internal control over travel	Significant Deficiency and Noncompliance
2023-008	24	2021/2021	Inadequate procedures regarding State vehicles	Significant Deficiency and Noncompliance
2023-009	27	2021/2019	Noncompliance with statutory mandates	Significant Deficiency and Noncompliance
2023-010	34	2021/2019	Weaknesses in cybersecurity programs and practices	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	36	2022/2022	Inaccurate census data*	
B	36	2022/2022	Inadequate controls over change management*	
C	36	2021/2021	Weaknesses in emergency purchases and real property lease administration	
D	36	2021/2017	Noncompliance with the State Employment Records Act	
E	37	2021/2013	Inadequate controls over electronic surplus property	
F	37	2021/2021	System access weakness	

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Prior Findings Not Repeated (Continued)				
G	37	2021/2021	Disaster recovery planning weakness	
H	37	2021/2021	Failure to implement the rules describing the State Employees' Group Insurance Program	

*Noted during Fiscal Year 2022 Financial Audit only.

EXIT CONFERENCE

The Department waived an exit conference in a correspondence from Amy Lange, Audit Liaison, on March 26, 2024. The response to recommendation 2023-001 was provided by Amy Lange, Audit Liaison, in a correspondence dated January 12, 2024. The responses to recommendations 2023-002 through 2023-010 were provided by Amy Lange, Audit Liaison, in a correspondence dated April 2, 2024.

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Department of Central Management Services (Department) 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, 2023. Management of the Department is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Department's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department 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 Department complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Department 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 Department's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Department for the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Department complied with the specified requirements during the two years ended June 30, 2023, 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 2023-003 through 2023-010.

The Department's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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 Department 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 Department's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Department's compliance with the specified requirements and to test and report on the Department's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 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 2023-003 through 2023-010 to be significant deficiencies.

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

The Department's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Department'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

Springfield, Illinois
April 17, 2024

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

SCHEDULE OF FINDINGS

2023-001. FINDING (Failure to determine premiums that allow for establishment of actuarial sound reserve)

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, we first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2023 testing, we continued to identify exceptions, as noted below:

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6.9(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, we noted the Fund covered 13.42% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$340,388.
- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2023, the Program had a fund deficit of \$107.107 million. The Program does not have an actuarially sound reserve.

Department management stated the population enrolled in the non-MAPD plan in Community College Health Insurance Program represents roughly 1,350 lives (around 17%) of the overall program. This population, being so small in size, can experience significant volatility with its self-insured claims, making them less reliable. Additionally, fully insured HMO product rates are negated with increases across all health insurance programs administered by the Department. While the larger programs' impact on this can reduce volatility in year over year rate changes, the rates themselves are not completely accurate in representing the underlying claims experienced by the population in a given year. Finally, the poor financial condition of the program has created significant delays in the payment of claims for some vendors. Legislation has been passed which will allow for the establishment of an actuarially sound reserve in the future.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001. FINDING (Failure to determine premiums that allow for establishment of actuarial sound reserve) – Continued

This significant deficiency in internal control over financial and fiscal operations poses a reasonable possibility that future misstatements of the Department’s financial statements or noncompliance will occur and not be prevented or detected or corrected on a timely basis.

The premiums established for the fund were not in compliance with the Act, resulting in additional costs to the State. Additionally, failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance. (Finding Code No. 2023-001, 2022-001, 2021-001, 2019-002)

RECOMMENDATION

We recommend the Department ensure premium rates meet the requirements established by the Act. Additionally, we recommend the Department either comply with the law by working with the Governor’s Office of Management and Budget to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.

DEPARTMENT RESPONSE

The Department agrees with the finding and has worked with the Governor’s Office of Management and Budget (GOMB) to enact legislation that will allow for increases to the contributions provided by active employees, districts, and the General Revenue Fund. Additionally, the Department worked with GOMB to provide for an additional \$50M in transfers to the fund which was used to reduce the payment back log. These two remedies, based upon current projections, are expected to completely eliminate the back log by Fiscal Year 2032. Subsequently, revenues will be accrued in order to establish a sound reserve balance.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. FINDING (Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act)

The Department of Central Management Services (Department) entered into interagency agreements that failed to adhere to provisions of the Fiscal Control and Internal Auditing Act (Act).

The Act requires each designated State agency to maintain a full-time program of internal auditing (30 ILCS 10/2001(a)). In addition, each chief internal auditor transferred under Executive Order 2003-10 to the Department of Central Management Services shall be transferred to the auditor's designated State agency, and if an auditor does not have a designated State agency or has more than one designated State agency, then the chief executive officer of a State agency shall appoint such person as the chief internal auditor of a State agency (30 ILCS 10/2001(a-5)). The Act also states, “[a]gencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services” (30 ILCS 10/2001(b)).

During the engagement period, the Department was party to interagency agreements with the following designated State agencies to provide internal audit services:

- Illinois Finance Authority
- Illinois Department of Agriculture
- Illinois Department of Corrections
- Illinois Department of Financial and Professional Regulation
- Illinois Department of Human Rights
- Illinois Department of Public Health
- Illinois Department of Veterans’ Affairs

We noted the following issues with these interagency agreements:

- The Illinois Finance Authority, the Illinois Department of Agriculture, the Illinois Department of Financial and Professional Regulation, and the Illinois Department of Human Rights are defined as designated State agencies under 30 ILCS 10/1003(a). The Illinois Department of Agriculture, the Illinois Department of Financial and Professional Regulation, and the Illinois Department of Human Rights, are defined as departments of State government under the Civil Administrative Code (Code) (20 ILCS 5/5-15). The Act (30 ILCS 10/2001(a)) requires each designated State agency to maintain a full-time program of internal auditing. These agencies did not have a Chief Internal Auditor during the engagement period and strictly relied on the Department to provide internal audit services. The interagency agreements ultimately resulted in these four agencies not maintaining their own full-time internal audit function. Further, these interagency agreements resulted in the Department’s Chief Internal Auditor not working full time with the Department’s own internal audit function.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. FINDING (Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) – Continued

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as the Department of Central Management Services. In other words, each designated State agency must have a full-time program of internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from the Department.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into a bureau at the Department. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in the Department and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

The Illinois Office of the Auditor General contacted the Illinois Attorney General for a ruling on the Department acting as the full-time internal audit function for these agencies. The Attorney General ruled in Opinion No. 19-001, issued August 9, 2019, on page 18, that multiple designated State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act. The ruling was issued after all these agreements were executed except for the Illinois Department of Public Health and the Illinois Department of Veterans Affairs. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

- The Department did not obtain the Governor's approval for the Department to provide professional internal auditing services for the following designated State agencies:
 - Illinois Finance Authority
 - Illinois Department of Agriculture
 - Illinois Department of Corrections
 - Illinois Department of Financial and Professional Regulation
 - Illinois Department of Human Rights

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. FINDING (Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) – Continued

The Code (20 ILCS 405/405-293(a)) states the Department “is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10. . .” Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state that the Department may “with the approval of the Governor, provide additional services to or on behalf of State agencies.” “Additional services” is not defined and no approval for the Department to provide internal auditing services specifically to these designated State agencies under the Act, was obtained from the Governor. The Department’s management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

- During testing of the reimbursement to the Department, we noted the following reimbursement arrangements for designated State agencies:

Agency	Reimbursement Arrangement
Illinois Finance Authority	The Department is to pay all expenses related to the agreement.
Illinois Department of Agriculture	Allows the Department to use Illinois Department of Agriculture appropriations for processing payroll.
Illinois Department of Corrections	When and if more than two full-time equivalent employees are hired, the payroll expenses will be supported by the Illinois Department of Corrections via payroll agreements.
Illinois Department of Financial and Professional Regulation	Allows the Department to use Illinois Department of Financial and Professional Regulation appropriations for processing payroll.
Illinois Department of Human Rights	The Illinois Department of Human Rights agrees to transfer one full-time equivalent employee to the Department. Upon termination of this agreement, the Department will reimburse the Illinois Department of Human Rights for the full-time equivalent employee.
Illinois Department of Public Health	No reimbursement arrangement noted in agreement.
Illinois Department of Veterans Affairs	No reimbursement arrangement noted in agreement.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. FINDING (Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) – Continued

- The Department inconsistently established reimbursement arrangements for these agreements and did not follow any of the reimbursement arrangements in the interagency agreement. The Department spent 11,198 and 12,589 hours in Fiscal Years 2022 and 2023, respectively, but did not seek reimbursement for providing internal audit services in accordance with the agreements containing reimbursement arrangements. The Department does not plan to charge these agencies for this service. Since the Department does not plan to process vouchers through the Illinois Department of Agriculture's or the Illinois Department of Financial and Professional Regulation's appropriations, we believe there is a significant internal control risk with potentially delegating a State's appropriation authority unnecessarily.

The Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2019. In the subsequent examinations, the Department has not been successful in completely implementing corrective action.

Department management indicated many of the agencies they support continue to have a difficult time finding candidates that meet their auditing needs. Department management indicated the Department's focus continued to be ensuring that audits and internal audit documents were completed so continued to honor the interagency agreements established. Department management also indicated the Department's billing practice did not reflect the most up-to-date intergovernmental agreements because the Department does not plan on charging for these services rather the Department will gain benefit from providing the services through the State-wide Cost Allocation Plan reimbursements in Section 1, which identifies, accumulates, and allocates indirect costs.

The establishment of intergovernmental agreements to provide internal audit functions to other designated agencies hinders the operational autonomy intended by the General Assembly for internal auditors and resulted in the Department's Chief Internal Auditor not working full time with the Department's own internal audit function. Management at these agencies cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with the Department at any time for any reason.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002. FINDING (Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) – Continued

Failure to obtain the approval of the Governor for expanding the professional services provided by the Department limits governmental oversight and represents noncompliance with the Code.

Granting the Department authorization to expend the agency payroll appropriations weakens their overall internal control environment and represents noncompliance with State law (Finding Code No. 2023-002, 2021-004, 2019-001).

RECOMMENDATION

We recommend the Department refrain from entering into interagency agreements which result in agencies and the Department not maintaining their own full-time internal audit function. We recommend any other services provided to agencies be done only with the approval of the Governor. Further, we recommend the Department consistently establish and enforce reimbursement arrangements for its interagency agreements. Interagency agreements should be amended to reflect the reimbursement arrangements followed by the Department.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. We have begun the process of updating the intergovernmental agreements with the necessary changes related to the billing issues. All intergovernmental agreements for internal audit services are now sent through the Governor's Office for approval.

While the Department has been providing internal audit support for other designated state agencies, we are committed to training staff to become Chief Internal Auditors. As such, we are committed to encouraging qualified staff to consider these positions as they come available. We are further committed to training and preparing staff for other internal audit positions within the State.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-003. FINDING (Failure to timely conduct yearly performance appraisals)

The Department of Central Management Services (Department) failed to conduct employee evaluations on a timely basis.

During our testing of 60 employees required to have annual performance evaluations, we noted evaluations for sixteen (27%) employees were not conducted in accordance with Department policies or the Illinois Administrative Code (Code) for at least one of the two evaluations required during the engagement period. The evaluations were performed one to 82 days late. In addition, annual evaluations were not performed for thirty-four of 60 (57%) employees tested for at least one of the two evaluations required during the engagement period.

The Department's internal personnel policy states, "Participation in the evaluation process is a requirement for all CMS employees. Evaluations take place every 12 months..." The Illinois Code (80 Ill. Admin. Code 302.270(d)) (Code) requires each agency to prepare such evaluations not less often than annually. Evaluations are due 30 days after the ending of the review period. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2013. In the subsequent examinations, the Department has not been successful in completely implementing corrective action.

Department management indicated, while the performance of timely employee evaluations has continuously been stressed by management, not all supervisors have followed this directive.

Performance evaluations are a systemic and uniform approach used for the development of employees and communication of performance expectations. These evaluations should serve as the foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. (Finding Code No. 2023-003, 2021-006, 2019-005, 2017-005, 2015-004, 2013-013)

RECOMMENDATION

We recommend the Department enforce its procedures throughout the Department to ensure the completion of performance evaluations in accordance with State rules and internal personnel policy.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department has implemented additional procedures by assigning a Human Resources staff member to send monthly evaluation reports to Deputy Directors, notating upcoming evaluation deadline dates.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-004. FINDING (Weaknesses related to personal services)

The Department of Central Management Services (Department) demonstrated weaknesses related to personal services.

During testing, we noted the following:

- The Department failed to maintain and complete the *Employment Eligibility Verification Form (I-9)*.
 - Form I-9 was absent for two of 60 (3%) employees tested.
 - Form I-9 was not signed by the employer within three business days of the hire for four (7%) of 60 employees tested.
 - Form I-9 was not signed by the employee at the time of hire for two (3%) of 60 employees tested.

The Immigration Reform and Control Act of 1986 (8 U.S. Code § 1324a) Part 274a: Control and Employment of Aliens (8 C.F.R. § 274a.2) states that a person or entity that hires an individual for employment must ensure the individual properly completes Section 1 of Form I-9 at the time of hire and sign Section 2 of Form I-9 within three business days of the hire. Section 274a.2 further states a paper (with original handwritten signatures), electronic, original paper scanned into an electronic format, or a combination of paper and electronic, or microfilm or microfiche copy of the original signed version of Form I-9 must be retained by an employer for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated the assurance of employees completing/submitting the I-9 form was due to employee error.

Failure to comply with U.S. Department of Homeland Security regulations could subject the State to unnecessary legal costs and penalties.

- Three of 40 (8%) employees tested did not submit their timesheets within a week of the last day of the timesheet. Additionally, we noted three of 40 (8%) timesheets tested were not signed by the employee.

According to the CMS Policy Manual, "The daily timesheet must be submitted to the employee's supervisor for approval on a weekly basis." The Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2019. In the subsequent examinations, the Department has not been successful in completely implementing corrective action.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-004. FINDING (Weaknesses related to personal services) – Continued

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

Not submitting timesheet timely diminishes management oversight. (Finding Code No. 2023-004, 2021-008, 2019-007)

RECOMMENDATION

We recommend the Department ensure the original, properly completed Form I-9 is retained in employee personnel files. In addition, we recommend the Department reinforce to employees the importance of submitting timesheets in accordance with Department policy.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will begin discussing the importance of completing I-9 forms and submitting timesheets weekly to employees during the semi-monthly New Employee Orientation meetings.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-005. FINDING (Inadequate monitoring of interagency agreements)

The Department of Central Management Services' (Department) process to monitor interagency agreements was inadequate.

During our testing of the Departments' interagency agreements, we noted three of five (60%) interagency agreements tested were not signed by all parties prior to the start date of the services. These agreements were signed between one and 111 days late.

The Department was first cited for this noncompliance in the compliance examination for the year ended June 30, 2006. In the years since the finding was first noted, the Department has not been successful in correcting this finding.

The Illinois Intergovernmental Cooperation Act (5 ILCS 220/5) states that an agency may contract with another agency to transfer authority or privileges, provided that the contract is approved by both agencies. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements. Good internal controls require the approval of agreements prior to the effective date. Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated the late signing of the agreements was due to continued difficulties encountered with multi-agency discussion and collaboration.

The Department entered into 46 agreements with other State agencies and other units of government during the examination period. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the contracts and agreements need to be approved prior to the effective date and executed before the commencement of services. (Finding Code No. 2023-005, 2021-009, 2019-004, 2017-004, 2015-005, 2013-014, 11-15, 09-16, 08-18, 07-27, 06-17)

RECOMMENDATION

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-005. FINDING (Inadequate monitoring of interagency agreements) – Continued

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department has implemented the introduction of language into agreements which allows for a flexible effective date upon full execution of the agreement. This implementation has led to a reduction in the number of agreements that are signed after the effective date. We continue to encounter scenarios where the timely execution of agreements is not possible due to factors outside the Department's control.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-006. FINDING (Untimely execution of contracts)

The Department of Central Management Services (Department) did not obtain signed contracts from all vendors prior to commencement of services or receipt of goods.

During our testing of 32 contracts, totaling \$2,222,360,461, we noted five (16%) contracts were not reduced to writing and signed by the Department prior to performance of services or receipt of goods. Work was performed by these five contractors from 42 to 136 days prior to when the Department signed the contract and filed it with the Illinois State Comptroller.

According to Procurement Code (30 ILCS 500/20-80(d)), no voucher shall be submitted to the Comptroller for a warrant...unless the contract is reduced to writing before the services are performed and filed with the Comptroller. Contractors shall not be paid for any supplies that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.

Department personnel indicated the five contracts cited for noncompliance were not executed timely due to turnover in key management positions, including the Director, which occurred during the engagement period.

Failure to obtain signed contracts before the beginning of the Department's contract period does not bind the contractor to comply with applicable laws, regulations, or rules and may result in improper and unauthorized payments. (Finding Code No. 2023-006)

RECOMMENDATION

We recommend the Department ensure all contracts are signed prior to the commencement of services or receipt of goods.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation and will work to ensure all contracts are reduced to writing and signed by all necessary parties prior to the commencement of services or receipt of goods.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-007. FINDING (Weaknesses in internal control over travel)

The Department of Central Management Services (Department) did not maintain adequate controls over travel expenditures to ensure compliance with the Department’s internal travel policies and the Illinois Administrative Code (Code).

During our testing of general travel vouchers, we noted the following:

- Five of 40 (13%) vouchers, totaling \$1,560, were not submitted timely, within 60 days of the last date of travel on the voucher. The untimeliness ranged from four to 92 days late. Section 4.5 of the Department Policy Manual states, “Employees shall submit Travel Vouchers for review and the employee’s supervisor must signify approval by signing and dating the Travel Voucher within sixty (60) days of the last date of travel on the voucher.”
- Two of 40 (5%) vouchers, totaling \$1,663, did not have out-of-state travel request forms submitted to the Governor's Office of Management and Budget's (GOMB) on-line travel system (eTravel) at least 30 days in advance of the departure date. Out-of-state travel request forms were submitted 6 days and 19 days late. The Code (80 Ill. Admin. Code 2800.70) requires travel outside of Illinois requests to be submitted to GOMB at least 30 days in advance of the departure date.

Department management stated issues noted were due to employee noncompliance with the Department Policy.

Noncompliance with the internal policy and the Code could result in improper expenditure of State funds. (Finding Code No. 2023-007)

RECOMMENDATION

We recommend the Department enforce its procedures to ensure compliance with its internal policies and the Code.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department will continue to emphasize its policies and procedures Department-wide to help ensure compliance with travel policies.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-008. FINDING (Inadequate procedures regarding State vehicles)

The Department of Central Management Services (Department) had several weaknesses regarding State vehicles. We noted deficiencies over vehicle maintenance records and accident reports as follows:

- During our testing of the Department’s vehicle maintenance records during the engagement period we noted the following:
 - Fourteen of 19 (74%) vehicles tested for proper vehicle maintenance did not have oil changes performed at the required intervals. Days ranged from 364 to 805 days overdue for oil changes, and mileage overdue ranged from 33 to 8,989 miles.
 - Twelve of 19 (63%) vehicles did not have timely tire rotations performed. Out of these 12 vehicles, six (50%) vehicles did not have tire rotations performed at all during the examination period, and the other nine vehicles had tire rotations performed, but they were not performed timely.
 - Ten of 19 (53%) vehicles did not receive an inspection once per year. Five of the 10 (50%) vehicles did not have inspections performed during either Fiscal Year 2022 or 2023.

The Illinois Administrative Code (Code) (44 Ill Admin. Code 5040.400) requires all State-owned or leased vehicles undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. The Code requires the driver to check oil, coolant, and battery water levels (if possible) regularly. The Code (44 Ill. Admin. Code 5040.410) also requires agencies have vehicles inspected by the Department at least once per year and maintain vehicles in accordance with the schedules provided by the Department or with other schedules acceptable to the Department that provide for proper care and maintenance of special use vehicles. Furthermore, according to the most recent authoritative memorandum on vehicle maintenance provided by the Department to its vehicle coordinator, the Department requires oil changes for vehicles ten model years and older every 3,000 miles or 12 months, whichever comes first. The recommended interval policy for nine model years and newer is 5,000 miles or 12 months, whichever comes first. Tire rotation is recommended every second oil change or once every two years, whichever comes first.

Department management indicated the issues with vehicle maintenance records were attributed to human error issues such as failure to properly track repair and maintenance intervals; inaccurate work orders related to data entry and job codes errors; work being completed using the State commercial fuel card, which does not require a work order; and, user divisions not bringing vehicles for repair and required maintenance.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-008. FINDING (Inadequate procedures regarding State vehicles) – Continued

The failure to maintain vehicles properly can cause these vehicles to not function at an optimum level and could cost the State additional amounts in future years through additional repair bills and shortened useful lives for the vehicles.

- During our testing of the Department’s accident reports filed during the engagement period, we noted one of four (25%) accident reports tested (SR-1 Form) were not submitted accurately and in a timely manner.

The Code (44 Ill. Adm. Code 5040.520) requires a driver of a State owned or leased vehicle which is involved in an accident of any type report such accident to the appropriate law enforcement agency, the State’s insurance carrier and to the Department by completing the Motorist’s Report of Illinois Motor Vehicle Accident (Form SR-1). The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident no later than three days following an accident and submitted to the office of the current insurance carrier. All accidents must be reported to the Division of Risk Management within seven days to ensure coverage under the State’s auto liability plan.

Department management indicated issues noted regarding accident reporting were due to a lack of employee training on how to report accidents.

When accident reports are not submitted timely and accurately, facts of the accident may become unclear and it is more difficult to follow up on any possible liability. (Finding Code No 2023-008, 2021-010)

RECOMMENDATION

We recommend the Department:

- Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.
- Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner.
- Monitor the submission of accident reports to ensure the requirements are being met as required by the Illinois Administrative Code.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-008. FINDING (Inadequate procedures regarding State vehicles) – Continued

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. Significant progress has been made to ensure that the fleet is properly maintained going forward. The fleet management system was upgraded to the latest subscription as a service enterprise asset management version in January of 2024. This is the first time it has been up to date in almost 14 years. Further action is being taken to ensure maintenance schedules can be driven by the implementation of telematics, which will remove the dependency on manual input of odometer readings. The automatic upload of odometer readings will allow the Department to drive maintenance requirements by automatic notifications and reports. Fleet Administration will continue to conduct vehicle coordinator training on accident reporting requirements.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates)

The Department of Central Management Services (Department) did not comply with various statutory mandates.

During testing we noted the following:

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-130(b)) created the State Government Suggestion Award Board (Board) to administer the State Government Suggestion Award Program (Program). The membership of the Board was to include eight members, appointed two each by the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives and, as ex-officio, non-voting members, the directors of the Governor's Office of Management and Budget and the Department. The Code (20 ILCS 405/405-130(a)) also requires the Department to assist in the implementation of the Program. The Board was mandated to meet monthly and annually report to the General Assembly by January 1st on the operation of the Program, including the nature and cost-savings of implemented suggestions, and any recommendations for legislative changes it deems appropriate.

During the examination, we noted the Board did not meet or submit any reports to the General Assembly. The Department did not provide evidence they took measures to implement the Program. The Department provided no evidence of actions taken during the examination period to communicate with the agency they believed was responsible for designating the Chair regarding any future meetings or assistance needed. Neither did the Department provide any evidence of internal correspondence prepared or considerations made during the examination period to ensure the Department's compliance with their responsibilities under this mandate. Department management indicated the Board was not appointed, the chair not identified, and the Department not contacted. As a result, the Department did not take additional action to implement this program.

The Department's failure to take measures in the implementation of the Program inhibited the Program's ability to encourage and reward improvements in the operation of State government that result in substantial monetary savings.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-125) requires the Department to collect information concerning each State agency's Hispanic, Asian-American, Native American, and bilingual employment budget allocations. The Department did not collect this information. In the previous examination the Department failed to timely submit the State Hispanic Employment Plan and a State Asian-American Employment Plan to the General Assembly by February 1 in accordance with the Code (20 ILCS 405/405-120). The reports submitted during the engagement period were submitted timely.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

Department officials stated current tracking and reporting do not provide the data to determine specific budget allocations based on various demographic spending and collect information from each State agency on findings made by the Governor in his report to the General Assembly.

Failure to collect all information required by the Code could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-317) requires the Director of the Department take actions as necessary to ensure that actual bird mortality is monitored at state buildings that were constructed, acquired, or of which 50% of the façade is substantially altered after January 1, 2022. The Department failed to monitor bird mortality during the engagement period.

Department management stated they were unaware of the requirement.

Failure to monitor bird mortality rates could result in higher bird mortality rates.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-540) requires the African Descent-Citizens Reparations Commission (Commission) to have the Governor or his or her designee, one member of the House of Representatives appointed by the Speaker of the House of Representatives one member of the Senate appointed by the President of the Senate; one member of the House of Representatives appointed by the minority Leader of the House; one member of the Senate appointed by the Minority Leader of the Senate; three representatives of a national coalition that supports reparations for African American descendants of slavery; and ten members of the public appointed by the Governor, of which at least eight of whom are African American descendants of slavery. The Code also requires the Commission develop and implement measures to ensure equity, equality, and parity for African American descendants of slavery, hold hearings to discuss the implementation of these measures, educate the public on reparations for African American descendants of slavery, and report their information and findings to the General Assembly. The Commission shall also discuss and perform actions regarding preserving African American neighborhoods and communities through investments, building and developing a Vocational Training Center for People of African Descent-Citizens, ensuring proportional economic representation in all State contracts, and creating and enforcing an Illinois Slavery Era Disclosure Bill. Lastly, the Code requires the Commission, beginning January 1, 2022, to submit an annual report regarding its actions and information as required under this section to the Governor and General Assembly, and to post this report to the Department's website.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

During our testing of the Code, we noted the following exceptions:

- The Commission did not have one member of the Senate appointed by the President of the Senate, one member of the House of Representatives appointed by the Minority Leader of the House, one member of the Senate appointed by the Minority Leader of the Senate, one member of a national coalition that supports reparations for African Americans appointed by the Governor, four members of the public appointed by the Governor.
- The Commission did not file its annual report due January 1, 2022.

Department management indicated the exceptions occurred because the statute was enacted in June 2021, and the Commission accomplished all activities feasible during the engagement period with the time and resources available. Department management indicated the Department cannot control additional appointments as the Code dictates appointment authority.

Failure to fully staff the Commission hinders the ability of the Commission to function as intended by the General Assembly. Failure to submit, and do so timely, hinders the public exposure of the Commission’s efforts.

- The African American Employment Plan Act (Act) (20 ILCS 30/20) requires the Department to collect information from each State agency on findings made by the Governor in his or her report to the General Assembly and information concerning each State agency’s African American employment budget allocations. The Department did not collect this information. In the previous examination the department failed to timely submit the African American Employment Plan to the General Assembly by February 1 in accordance with the Act (20 ILCS 30/15). The reports submitted during the engagement period were submitted timely. Furthermore, the Act (20 ILCS 30/25) created the African American Employment Plan Advisory Council consisting of eleven members with the Department providing administrative support. The African American Employment Plan Advisory Council only consisted of ten members during the engagement period. In the previous examination the African American Advisory Council failed to timely submit the African American Advisory Council Annual Report to the General Assembly by February 1 in accordance with the Act. The reports submitted during the engagement period were submitted timely.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

As it indicated in the previous engagement, Department management indicated the current tracking and reporting processes do not provide the data to determine specific budget allocations based on various demographic spending and collect information from each State agency on findings made by the Governor in his or her report to the General Assembly. Department management indicated no appointments were made by the Governor to fill the one vacant position on the Council during the engagement period.

Failure to collect all information required by the Act could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. Failure to ensure the Council is fully staffed results in noncompliance with the Act and could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce.

- The Illinois South Asian American Advisory Council Act (Act) (20 ILCS 4120) created the Illinois South Asian American Advisory Council to advise the Governor and the General Assembly on policy issues impacting South Asian Americans and immigrants; advance the role and civic participation of South Asian Americans in this State; enhance trade and cooperation between South Asian countries and this state; and, in cooperation with State agencies, boards, and commissions, build relationships with and disseminate information to South Asian American and immigrant communities across this State. The Act requires the Council to consist of 21 voting members, as well as six ex officio nonvoting members. One of the ex officio nonvoting members is to be appointed by the Department. The Department did not appoint a liaison to be an ex officio member during the engagement period.

Department officials indicated the ex officio member was not appointed during the engagement period because the Department did not believe the Council had other appointments, elected officers, or scheduled meetings. Auditors noted eight individuals were appointed by other entities to the Council by June 30, 2023. The Department continues outreach in order to make this appointment but has not yet done so.

Failure to appoint the ex officio to the Council could result in the inability of the Department to influence its activities to support the South Asian American community.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

- The Illinois Muslim American Advisory Council Act (Act) (20 ILCS 5110) created the Illinois Muslim American Advisory Council to advise the Governor and General Assembly on policy issues impacting Muslim Americans and immigrants; advance the role and civic participation of Muslim Americans in this State; enhance trade and cooperation between Muslim-majority countries and this State; and build relationships with and disseminate information to, in cooperation with State agencies, boards, and commissions, Muslim American and immigrant communities across this State. The Council shall consist of 21 members and ten ex officio members. The Department is mandated to appoint a liaison to serve as an ex officio member of the Council. The Department did not appoint a liaison during the engagement period.

Department officials indicated the Council has been inoperable since the Commission on Equity and Inclusion was granted oversight authority and became effective in January 2022. The Department reached out to the Commission to appoint a liaison, but due to this state of change, the Department did not appoint a liaison during the engagement period.

Failure to appoint an ex officio member to the Council could result in the inability of the Department to influence its activities to support the Illinois Muslim community.

- The State Finance Act (30 ILCS 105/9.08) requires each State agency to report to the Illinois Office of Comptroller (Comptroller) identifying current State liabilities held at the agency, by fund source; whether the liabilities are appropriated; and an estimate of interest penalties accrued under the State Prompt Payment Act under criteria prescribed by the Comptroller. During testing we noted the Department failed to properly report the Agency's Liabilities for one of four (25%) months tested. The Department understated total liabilities by \$8,586,000.

Department officials indicated the error was due to receiving updated information after the report was initially compiled. The updated information was inadvertently excluded from the report.

Failing to accurately report total liabilities to the Comptroller resulted in inaccurate information being disseminated to the public.

- The Upper Illinois River Valley Development Authority Act (Act) (70 ILCS 530/4) requires that the governing and administrative powers of the Upper Illinois River Valley Development Authority (Authority) to be vested in a body consisting of 21 members including, as ex officio members, the Director of the Department, or his or her designee. Additionally, the Act requires that eleven members shall constitute a quorum, and the Board may not meet or take any action without a quorum present. The Department's designated ex-officio member of the Authority did not attend nine of nine (100%) of the Authority's meetings in Fiscal Year 2022 and two of seven (29%) meetings in Fiscal Year 2023.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

Department officials indicated that the noncompliance was the result of employee turnover and unfamiliarity with the requirements of the statute requirements.

Failure to attend the meetings of the Authority could result in there being no quorum and hindering the Authority’s ability to take necessary actions.

- The State Property Control Act (Act) (30 ILCS 605/8) requires the Department upon request from a local governmental unit, to make available information as provided in Section 7 of the Act. Section 7 of the Act states that when the Department determines property is to be disposed of by sale, notices of inspection or viewing dates and property lists shall be distributed in the manner provided in rules and regulations promulgated by the Administrator. The rules promulgated by the Administrator are in the Illinois Administrative Code (44 Ill. Admin. Code 5010.720) which requires notice of sales of transferable equipment to be given to local Illinois governments, Illinois school districts, and not-for-profit educational, charitable and public health organizations by means calculated to alert the largest number of prospective buyers. The notice of sales shall list items for sale, condition, price, terms of sale, and date and place of sale. The Department failed to distribute notice of sales of transferable equipment to local Illinois governments, by means to alert the largest number of prospective buyers. During the engagement period, local Illinois governments did not receive listings of items for sale, condition, price, terms of sale, and date and place of sale. The practice followed by the Department was for local Illinois governments to contact the Department and inquire if items were available.

Management indicated they have not distributed the required information due to competing priorities.

Failure to provide local Illinois governments notice of sales of transferable equipment that includes a listing of items for sale, condition, price, terms of sale, and date and place of sale results in a lack of transparency of items available for sale and could result in available items going unused.

Noncompliance noted in the previous examination regarding the State Prompt Payment Act (30 ILCS 540/11), the Illinois Procurement Code (30 ILCS 500/45-35)(e)(4)), the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/5) and (30 ILCS 575/8g), the State Library Act (15 ILCS 320/21(a)), the Western Illinois Economic Development Authority Act (70 ILCS 532/20), the Civil Administrative Code of Illinois (20 ILCS 405/405-105(11) and the Native American Employment Plan Act (Act) (20 ILCS 60/15) was not repeated due to the corrective action implemented by the Department within the examination period. (Finding Code No. 2023-009, 2021-015, 2019-012)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-009. FINDING (Noncompliance with statutory mandates) – Continued

RECOMMENDATION

We recommend the Department comply with the respective statutory requirements or seek legislative remedies as appropriate.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendations and will take the necessary steps to comply with the respective statutory requirements or seek legislative remedies as appropriate.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-010. FINDING (Weaknesses in cybersecurity programs and practices)

The Department of Central Management Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department’s mission to support the State by delivering innovative, responsive, and effective services that provide the best value for Illinois State government and the people it serves, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

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 our examination of the Department’s cybersecurity program, practices, and control of confidential information, we noted the Department had not:

- Ensured all staff members and contractors completed cybersecurity training upon employment and annually thereafter. During testing we noted three of 40 (8%) employees tested did not complete security awareness training. Additionally, one of five (20%) contractors had enrolled in the course but had not completed it.
- Documented and implemented a formal backup policy related to backup verification and off-site storage.
- Documented a formal change management policy noting Department specific procedures.
- Ensured that data classification documentation included information related to data retention and destruction.

The Department was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2019. In the years since the finding was first noted, the Department has not been successful in correcting this finding.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity. Additionally, 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.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-010. FINDING (Weaknesses in cybersecurity programs and practices) – Continued

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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.

Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a State compliance examination.

Department management indicated its ongoing resource shortage prevented it from addressing these requirements.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-010, 2021-011, 2019-010)

RECOMMENDATION

We recommend the Department:

- Ensure all employees and contractors complete security awareness training annually.
- Document a formal backup policy and change management policy and procedures.
- Include information related to retention and destruction to the data classification documentation.

DEPARTMENT RESPONSE

The Department accepts the finding and recommendation. The Department is in the process of hiring an Information Risk Officer to oversee technology trainings and to develop and document a formal backup policy along with a retention and destruction policy. This position will also work with the Department of Innovation and Technology (DoIT) to ensure DoIT cybersecurity policies are followed within the Department.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

PRIOR YEAR FINDINGS NOT REPEATED

A. FINDING (Inaccurate census data)

During the previous audit, the Department of Central Management Services (Department) did not ensure accurate census data was used in the actuarial valuations.

During the current audit period, auditors noted the Department ensured accurate census data was provided for the actuarial valuation. (Finding Code No. 2022-002)

B. FINDING (Inadequate controls over change management)

During the previous audit, the Department did not have sufficient controls over their change management procedures. The Department could not produce a population of changes made to applications.

During the engagement period, the Department implemented a Sharepoint site to track and document application changes. Thus, they would be able to produce an audit trail of changes. However, the Department did not have a formal change management policy noting Department specific procedures. This issue was included in finding 2023-010. (Finding Code No. 2022-003)

C. FINDING (Weaknesses in emergency purchases and real property lease administration)

During the previous examination, the Department did not exercise adequate controls over its emergency purchases and real property leases.

During the current examination, the Department timely published emergency purchases in the online electronic bulletin, filed emergency purchases with the Illinois Office of Comptroller and had emergency contracts in place for all emergency purchases. (Finding Code No. 2021-005)

D. FINDING (Noncompliance with the State Employment Records Act)

During the previous examination, the Department did not file accurate Agency Workforce Reports (reports) with the Office of the Governor and the Office of the Secretary of State.

During the current examination, the Department made significant improvements in the preparation of the Reports. Additionally, the Department filed corrected 2019 and 2020 reports with the Office of the Governor and the Office of the Secretary of State. (Finding Code No. 2021-007, 2019-006, 2017-006)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

PRIOR YEAR FINDINGS NOT REPEATED - Continued

E. FINDING (Inadequate controls over electronic surplus property)

During the previous examination, the Department did not have adequate controls over electronic surplus property.

During the current examination, the Department was able to provide the population of Information Technology equipment sent to the State of Illinois, Department of Innovation and Technology for wiping and made significant improvements in the controls over electronic surplus property. (Finding Code No. 2021-012, 2019-011, 2017-003, 2015-007, 2013-005)

F. FINDING (System access weakness)

During the previous examination, the Department had not established adequate controls for accessing its computing environment.

During the current examination, the Department made improvements in controls for accessing its computing environment; however weaknesses were still noted. As a result, this finding was moved to the Department's *Report of Immaterial Findings*. (Finding Code No. 2021-013)

G. FINDING (Disaster recovery planning weakness)

During the previous examination, the Department had not developed a Department-wide Disaster Recovery plan.

During the current examination, the Department developed a Department-wide Disaster Recovery plan. (Finding Code No. 2021-014)

H. FINDING (Failure to implement the rules describing the State Employees' Group Insurance Program)

During the previous examination, the Department did not submit rules or policies describing the State employees' group insurance programs as requested by the Joint Committee on Administrative Rules (JCAR).

During the current examination, the Department provided the required rules to the JCAR. (Finding Code No. 2021-016).

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

STATE WORKERS' COMPENSATION PROGRAM

In April 2012, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) Workers' Compensation Program as it applies to State employees. As part of the Fiscal Years 2013 and 2012 financial audit and compliance examination of the Department, follow-up determined that the Department had partially implemented six of the twelve recommendations and had not implemented the remaining six recommendations.

Effective August 3, 2012, Public Act 97-0895 required the Department to procure one or more private vendors to administer the program providing payments for workers' compensation liability with respect to the employees of all State agencies beginning January 1, 2013. The Department executed a five-year \$60,000,000 contract with Tristar Risk Enterprises Mgt. Inc. effective March 1, 2013, as the third-party administrator for the workers' compensation program. The contract also contains an option for an additional five-year renewal. According to Department officials, Tristar assumed the handling of new claims filed by State employees on March 16, 2013. In May 2013, approximately 18,000 files, representing all open workers' compensation claims for State employees, were transferred to Tristar. The Department estimated that these 18,000 files would be scanned and assigned to Tristar adjusters no later than August 15, 2013. Because the workers' compensation program was in a transitional phase as of the end of the previous audit period (June 30, 2013), in many cases it was not possible for auditors to make a determination as to whether the recommendations contained in the management audit were implemented. Therefore, many of the recommendations were determined to be either partially or not implemented. In February 2023, a contract with a new Workers Compensation Third Party Administrator, Gallagher Bassett Services, Inc. went into effect. During the Fiscal Years 2023 and 2022 compliance examination, we tested the remaining recommendations not fully implemented for the new third party administrator.

As part of the Fiscal Years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the partially and not implemented recommendations after the enactment of Public Act 97-0895. We determined that the Department had fully implemented five of the twelve recommendations, partially implemented six, and had not implemented one of the remaining six recommendations. As part of the Fiscal Years 2017 and 2016 financial audit and compliance examination of the Department, we followed up on the status of the seven remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented seven of the twelve recommendations and partially implemented the remaining five recommendations.

As part of the Fiscal Years 2019 and 2018 financial audit and compliance examination of the Department, we followed up on the status of the five remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented eight of the

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

twelve recommendations and partially implemented the remaining four recommendations. As part of the Fiscal Years 2021 and 2020 financial audit and compliance examination of the Department, we followed up on the status of the four remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented ten of the twelve recommendations and partially implemented the remaining two recommendations.

As part of the Fiscal Years 2023 and 2022 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented eleven of the twelve recommendations and partially implemented the remaining one recommendation.

Recommendation #5 – Determination for Subrogation Eligibility

The Department of Central Management Services should ensure that cases in which subrogation can be pursued are reviewed in a timely manner.

Status –Implemented

In February 2023, a contract with a new Workers Compensation Third Party Administrator, Gallagher Bassett Services, Inc. went into effect. The contract between the Department and Gallagher Bassett Services, Inc. requires that the Workers Compensation Third Party Administrator issues a report each month to identify new cases with potential subrogation opportunities. Gallagher Bassett Services, Inc. provides claim summary reporting, which includes but is not limited to, open cases, new cases closed cases, problematic cases that have been open for more than one year with expenses in excess of \$5,000 on a quarterly basis. Gallagher Bassett will also provide the Department with a complete electronic subrogation file within six months of the Statute of Limitations expiration date, which is two years.

We obtained two of the 5 (40%) monthly subrogation reports sent to the Department by Gallagher Bassett Services, Inc. The monthly reports identified all new subrogation opportunities. Gallagher Bassett Services, Inc. has procedures in place to identify when a new subrogation opportunity arises within the timeframe of the month. Additionally, we obtained the larger quarterly subrogation report provided to the Department. The report contained a listing of the cases where funds were recoverable, and the total amount recovered.

We inquired how the Department ensured that subrogation cases are reviewed in a timely manner. Once a viable subrogation opportunity is identified the subrogation flag must be activated and a subrogation note is entered into the claim file. Gallagher Bassett Services, Inc will then gather all the materials necessary for subrogation pursuits and send lien notices to the responsible third parties.

Based on our review of the subrogation reports it appears that cases in which subrogation can be pursued were reviewed in a timely manner.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #7 – CMS Adjuster Caseloads

The Department of Central Management Services should track Adjuster caseloads and consider establishing caseload standards for Adjusters.

Status – Partially Implemented

In February 2023, a contract with a new Workers Compensation Third Party Administrator, Gallagher Bassett Services, Inc. went into effect. According to the Gallagher Bassett Services, Inc. contract, they will maintain an average workload of approximately 150 active indemnity claims per adjuster and 250 open active medical only claims.

Gallagher Bassett Services, Inc. provides a weekly report with the weekly caseloads. The Department reviews these monthly to determine if action needs to be taken to address issues. To test compliance with the established caseload standards we reviewed the monthly reports for Fiscal Year 2023 for the months March, May, and June. During March we noted 19 of 27 (70%) indemnity adjusters who had open claims exceeding the 150 open active indemnity claims limit. The average of these exceptions ranged from 158 to 406 active indemnity caseloads. During May we noted 20 of 30 (67%) indemnity adjusters who had open claims exceeding the 150 open active indemnity claims limit established in the contract with Gallagher Bassett. The average of these exceptions ranged from 160 to 332 active indemnity caseloads. During June we noted 20 of 30 (67%) indemnity adjusters who had open claims exceeding the 150 open active indemnity claims limit established in the contract with Gallagher Bassett. The average of these exceptions ranged from 155 to 329 active indemnity caseloads.

No resolution manager had a caseload exceeding 250 open active medical only claims at any of the valuation dates.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

SPACE UTILIZATION PROGRAM

In October 2013, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) administration of the State's space utilization program. The audit contained nine recommendations to improve the efficiency and effectiveness of recording real property in a master inventory database.

In the management audit, the Office of the Auditor General concluded that the Department does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires the Department to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was given to the Office of the Auditor General (OAG) by the Department was incomplete, inaccurate, and had an insufficient level of detail. Also, according to the audit, the Department had made no recent progress towards implementing a comprehensive computerized real property system. Procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified. Finally, the process that the Department was using to dispose of surplus inventory was neither adequate nor timely. The average time for the Department to dispose of real property was 1,656 days, with a median of 911 days.

As part of the Fiscal Years 2015 and 2014 financial audit and compliance examination of the Department, follow up was conducted and determined that the Department had fully implemented five of the nine recommendations and partially implemented the remaining four recommendations. As part of the Fiscal Years 2017 and 2016 financial audit and compliance examination of the Department, follow up was conducted and determined that the Department had fully implemented seven of the nine recommendations and partially implemented the remaining two recommendations.

As part of the Fiscal Years 2019 and 2018 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented. We determined that both recommendations were still partially implemented.

As part of our Fiscal Years 2020 and 2021 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented. We determined that both were still partially implemented.

As part of our Fiscal Years 2023 and 2022 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented. We determined that both were still partially implemented.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #8 – Disposal of Surplus Property

The Department of Central Management Services should:

- *Take steps to ensure that it is more timely in completing the process of disposing of surplus property;*
- *Follow the procedures outlined in State statute and administrative rules when disposing of surplus property including timely notification of State agencies;*
- *Maintain proper documentation of the disposal process;*
- *Develop strategies to dispose of surplus properties that have been in surplus for years;*
- *Examine properties noted as surplus on the Annual Real Property Utilization Reports to determine if they should be disposed; and*
- *Conduct a study of the disposal process to determine what changes need to be made to the process to increase efficiencies. If necessary, CMS should seek legislative changes to improve and streamline the process.*

Status – Partially Implemented

The Department filed legislation with the General Assembly to streamline the disposal of surplus property process. These proposed changes in legislation passed both Houses as of May 30, 2021 and became effective August 16, 2021 in Public Act 102-0280.

Memos were sent out on October 31, 2022, and October 31, 2021 notifying all State agencies of the declared surplus real property. Any State agency desiring to take ownership of these properties were requested to submit a written request to the Department, within 30 days, to have control of the surplus real property transferred to that agency.

In November 2022, approximately 196.55 acres of real property known as Stateville Correctional Center in the city of Crest Hill was removed from surplus and returned to the control of the Illinois Department of Corrections.

In December 2022, approximately 23.4 acres of real property in the City of Chicago, commonly known as the Damen Silos property was conveyed by the Department.

The Department is reviewing information from the Annual Real Property Utilization Reports to determine if there are additional surplus properties awaiting its action. The Department provided surplus property offerings letters as a list of properties that were identified as surplus and that should be disposed of.

On October 19, 2018, the Department entered into a contract with a vendor to provide the Department with the technical expertise to evaluate, identify, secure and dispose of surplus real property. The Department was unable to provide any studies of the disposal process performed since the contract went into effect. The Department intended to exercise its renewal option on this contract.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

The Department was unable to provide any studies of the disposal process to increase efficiency.

Recommendation #9 – Executive Order 10-10

The Department of Central Management Services should take steps to implement the directives contained in Executive Order 10-10 related to the sale of surplus property.

Status – Partially Implemented

Executive Order 10-10 states the Governor’s Office of Management and Budget (GOMB) and the Department shall review all vacant or unused real estate owned by the State. Following that review, GOMB and the Department shall develop and implement a comprehensive real estate strategy that identifies opportunities to use or repurpose vacant properties more efficiently and designates State properties to be sold at fair market value.

During the previous engagement the Department entered into a contract with a vendor on October 19, 2018, to assist with the development of a real estate strategy. As part of this contract the vendor will perform a redevelopment analysis, which entails analyzing whether a specific piece of surplus property is a candidate for redevelopment. Redevelopment may be aimed at increasing the return at sale, redevelopment as part of a public-private partnership, or for reuse by a State agency or other governmental entity. The vendor will also review, validate, and recommend the prioritization of the disposition of the properties, determining which have the greatest opportunity to maximize revenue to the State in the shortest period of time with no or minimal disruption to State services. The vendor did not perform this analysis during Fiscal Years 2020 or 2021. Once these analyses are completed the Department will work with GOMB to develop a comprehensive real estate strategy.

During the current engagement the Department was unable to provide any redevelopment analysis, which entails analyzing whether a specific piece of surplus property is a candidate for redevelopment. The Department was unable to provide any studies that reviewed, validated, or recommended the prioritization of the disposition of properties which had the greatest opportunity to maximize revenue to the State in the shortest period with no or minimal disruption to State services. Finally, the Department also stated that a comprehensive real estate strategy developed in coordination with GOMB is not available.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

STATE'S LEASING DECISION

In May 2018, the Office of the Auditor General released a management audit of the State's Leasing Decision. The audit contained six recommendations to the Department of Central Management Services (Department). As part of the Fiscal Years 2018 and 2019 financial audit and compliance examination of the Department, we followed up on the status of the six recommendations. We determined that four of those recommendations were implemented and two were partially implemented.

As part of the Fiscal Years 2020 and 2021 financial audit and compliance examination, we followed up on the status of the two remaining recommendations. We determined that five of those six recommendations were implemented, and one was partially implemented.

As part of the Fiscal Years 2023 and 2022 financial audit and compliance examination, we followed up on the status of the remaining recommendation.

Recommendation #10 – CMS Leasing Procedures

The Department of Central Management Services should ensure that the following leasing procedures are followed for all leasing procurements:

- *An Americans with Disabilities Act (ADA) checklist is completed;*
- *A Property Management Business Case (PMBC) is completed;*

Status –Implemented

The Department reinforced the need for ADA and PMBC checklists to be completed for all leasing procurements. However, now that the COVID restrictions have been lifted as of February 2022, we believe that these requirements should have been applicable to all new leases negotiated (procured) after that time (based on the space request date which we considered the beginning of the process).

Based on the testing performed during the Fiscal Years 2023 and 2022 financial audit and compliance examination, we determined that an ADA checklist was present for the three leases procured after the COVID restrictions were lifted. For this reason, we consider the ADA portion of the recommendation to be *Fully Implemented*. Based on additional follow-up, we learned that the PBMC was not required to resume until late 2022, which we noted in our testing. Therefore, we consider the PMBC portion of the recommendation to be *Fully Implemented* as well.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

**PROCUREMENT AND ADMINISTRATION OF THE CONTRACT
WITH MORNEAU SHEPELL**

In March 2019, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) Procurement and Administration of the contract with Morneau Shepell. The audit contained nine recommendations to improve the procurement and administration process.

In the management audit, the Office of the Auditor General concluded that the Department conducted an aggressively timed procurement for a Custom Benefit Solution in hopes of achieving \$500 million in annual savings through increased health insurance premiums to members and retirees and the implementation of 21 additional health plan options.

The Department failed to provide all relative information to evaluators of the solicitation, did not obtain conflict of interest disclosures for all individuals involved in the project, and did not maintain meeting minutes for evaluator meetings.

The aggressive timeline for the procurement and implementation of the Custom Benefit Solution caused a number of problems:

- The Department did not conduct a cost-benefit analysis of the project due to the aggressive timeline. A Department of Innovation and Technology official indicated that the Department could have developed the product that the State was paying Morneau Shepell to provide.
- The Department did not include a Business Enterprise Program goal in the solicitation due to a concern it would slow the procurement.
- The Go-Live of September 30, 2016, was two to four months prior to what Morneau Shepell proposed. This resulted in multiple performance issues for the Custom Benefit Solution and the Department's consideration to rebid the project a year after Go-Live.

The Morneau Shepell contract contained performance guarantees for which the Department allowed, by contract, self-reporting by Morneau Shepell to determine compliance. The Department capped the fee reductions on missing guarantees to four per month. It was noted several monthly and quarterly guarantees were missed. Morneau Shepell did not submit all written corrective action plans, in violation of the contract. Instances were also noted where the Department could have considered a breach of contract, as outlined in the Request for Proposal (RFP), for missing performance metrics. However, the Department did not include that breach of contract language in the executed contract.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

As part of the Fiscal Years 2021 and 2020 financial audit and compliance examination of the Department, follow-up was performed on the nine recommendations and it was determined the Department had implemented seven recommendations and partially implemented two recommendations. Furthermore, as part of the Fiscal Years 2022 and 2023 financial audit and compliance examination of the Department, follow-up was performed on the two remaining recommendations and it was determined the Department had implemented seven recommendations and partially implemented two recommendations.

Recommendation #4 – Need for the Custom Benefit Solution

CMS should conduct a cost-benefit analysis before procuring any new major system. This analysis should include an examination of whether the State currently has resources that could provide the services in a cost effective manner.

Status – Partially Implemented

In the previous engagement, the Department implemented a procurement policy in October 2019 which includes a provision that the Bureau of Benefits conduct a cost-benefit analysis before procuring any new major system including an examination of whether the State currently has resources that could provide services in a cost-effective manner.

During the current engagement, Healthcare Portfolio Manager, stated that the Bureau did not procure any new major system. Therefore, auditors could not test to ensure the Department conducted a cost-benefit analysis before procuring any new major system.

Recommendation #9 – Custom Benefit Solution Performance Issues

CMS should develop a tool to be used in the procurement process to help identify the parties affected by the implementation of new procurements and document what role those parties played in the procurement to ensure all relevant parties are included in the process. CMS should also ensure all controls are tested prior to implementation of any major new system.

Status – Partially Implemented

In the previous engagement, the Department reported the Bureau of Benefits does not have any immediate future plans to procure any new major systems impacting multiple stakeholders. The Department also reported for any future procurements that involve coordination with multiple stakeholders, Bureau of Benefits will conduct a kick-off meeting to identify those stakeholders affected by implementation of any new programs or systems and ensure all affected stakeholders receive appropriate communication. Additionally, the Department reported the Bureau of Benefits will ensure all controls are tested prior to implementation of any major new system.

During the current engagement, auditors could not conduct testing to ensure all controls were tested prior to implementation of major new system because the Bureau of Benefits did not conduct any such procurement during the audit period. Auditors could also not verify that there was a meeting of impacted stakeholders as the Bureau has not procured any new major systems.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
MULTIPLE CHOICE EXAM**

In December 2019, the Office of the Auditor General released a management audit of the Department of Central Management Services (Department) multiple choice exams. The audit contained four recommendations to improve the multiple choice exam process.

In the management audit, the Office of the Auditor General concluded:

- Department officials could not easily identify which position titles had received a content validity study. Content validity studies are one of the three types of validity studies outlined in the Uniform Guidelines which employers can use to validate employment tests;
- The validity studies conducted by the Department generally followed the Uniform Guidelines. However, the Department could not provide the content validity study for one of ten titles tested. Department officials could not provide the exact date the original exam was implemented, but said it was implemented at some point prior to 1989;
- The Department's Test Development Section does not have written policies or procedures for developing exams or for conducting validity studies and statistical analyses of these exams;
- Six post-exam survey responses (out of 6,300 survey responses over four calendar years) that are applicable to exam content were not provided to the Test Development Section; and
- Sixty-four applicants consisting of 127 entries (out of 226,229 examinations over four calendar years) were allowed to retake exams within 30 days, which is a violation of the Illinois Personnel Rules.

As part of the Fiscal Years 2021 and 2020 financial audit and compliance examination of the Department, follow-up was performed on the four recommendations and it was determined the Department had partially implemented one recommendation and not implemented three recommendations.

As part of the Fiscal Years 2023 and 2022 financial audit and compliance examination of the Department, we followed up on the status of the four remaining recommendations that had not been fully implemented. We determined that the Department had fully implemented three of the four recommendations and partially implemented the remaining one recommendation.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #1 – Retention of Appropriate Validation Documentation

The Department of Central Management Services should ensure a system is in place to track when a validity study was conducted for each title and retain appropriate documentation to confirm that each exam has been properly validated.

Status –Implemented

Auditors asked Department staff to provide a list of content validity studies for each of the Group A titles and when each study was conducted. Department officials noted that they could potentially provide the information requested through a search of electronic and paper files, but it would be unduly burdensome and time consuming given the number of exams, limited staff resources, and other pressing projects. Department officials added that data could be provided for specific titles. Due to these limitations, auditors selected a sample of six group A positions titles for tests administered during Fiscal Year 2023. During testing we noted the six tests administered tested retained appropriate documentation to confirm that each exam has been properly validated.

Recommendation #2 – Policies and Procedures

The Department of Central Management Services Test Development Section should draft policies and procedures to clarify steps for employees when:

- *Developing new examinations;*
- *Conducting validity studies; and*
- *Conducting test analysis.*

Status –Partially Implemented

Department officials use the *Uniform Guidelines on Employee Selection Procedures* (29 CFR 1607) and internal checklists for developing position title examinations. The *Uniform Guidelines* provide a framework for determining the proper use of tests and other selection procedures. The Test Development Section also utilizes a checklist for implementing written and automated exams and revising written and automated exams. These checklists are helpful for guiding staff on the steps that need to be accomplished, but the checklist items are fairly technical in nature and do not provide guidance on how to complete them. Policies and procedures would help outline these circumstances and general decision-making while still allowing flexibility. Policies and procedures would also help communicate to Department employees when a validity test should be conducted and circumstances in which employees should consider conducting another validity study on a position title. This could be especially helpful to new employees.

At the time of the performance audit, there were only three employees in the Department's Test Development Section, all of whom had been doing the work a substantial number of years and collected a large amount of institutional knowledge. As a result, losing one or more of these employees could have created a gap in knowledge. Translating some of that institutional knowledge into policies and procedures could help reduce knowledge lost when employees leave

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

or retire. Policies and procedures could also help in the training of new employees, which according to Department officials, takes a very long time. Policies and procedures also help to conform alignment with management's expectations and reduce the risk of process-related errors.

Department officials explained that although their methodologies for validity studies are consistent, how each study is conducted depends on the project. This flexibility allows the Department to customize validity studies to specific position titles. The Department essentially conducts validity studies, or a streamlined version, depending on time constraints, staff resources, prior work done on the position title, and ability of agencies to provide subject matter experts.

During the current examination, Research and Test Development staff worked on the development of supplemental procedures for developing new examinations, conducting validity studies and conducting test analysis; however, the procedures are still pending. The Research and Test Development Section recently moved from a mainframe to a PC-based Statistical Package for the Social Sciences platform which has caused significant changes in the way statistical analyses is conducted. Research and Test Development staff began the process to update the supplemental procedures, however, due to loss of staff, work-assignment priorities, and limited resources, procedures have not been completed or formalized.

Recommendation #3 – Review of Survey Responses Applicable to Exam Content

The Department of Central Management Services Division of Examining and Counseling should create a policy to ensure that any survey responses related to exam content are provided to the Test Development Section.

Status –Implemented

During the current examination, we noted Research and Test Development staff generate survey response reports monthly since the Division of Examining (now Hiring Resources and Career Services) is no longer responsible for the survey response reports. The monthly reports are accomplished via the reports functionality within the WinCATS (Windows Computer Assisted Testing System) test administration system. The Department reviews and documents the survey ratings and comments; comments or issues related to exam content are documented and processed by Research and Test Development staff; if there are any significant comments or concerns related to the administration of the exams at the test centers, they are forwarded to the Career Services Test Centers.

We reviewed the monthly survey response reports for two months during the examination period. During our review, we noted that each report received contained a title page which includes a brief overview of the period the reports were run for, the criteria and the responses from each test broken down by the testing facility. Additionally, the overview page contains information indicating if the report was forwarded to any Career Services Test Centers. We noted that each report tested was properly distributed to the Career Services Test Centers when necessary. Since the Research and Test Development section is now responsible for running the survey response reports it is not necessary to develop a policy for the Division of Examining (now Hiring Resources and Career Services) to forward survey responses to the Research and Test Development section.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #4 – Retesting Within 30 Days

The Department of Central Management Services should document all instances in which an applicant is allowed to retake tests for the same position title inside of the 30-day restriction and the reason for the retest. In these instances, when necessary, the Department should seek waivers from the Director to maintain compliance with Illinois Personnel Rules.

Status –Implemented

We conducted an analysis of exam data provided by the Department for Fiscal Year 2022 and Fiscal Year 2023 and found that thirty-nine applicants consisting of 211 entries (out of 73,615 examinations) appeared to allow the test taker to take multiple tests for the same position title within 30 days. Upon inquiry with the Department, the Department provided evidence these were all due to instances where the test was completed one day but the information failed to load in the system until the next day and/or where the test results failed to load and were reloaded when discovered by IT (usually 2-3 days later). It appears the Department documented these instances in which the applicant appeared to retake the test within the 30-day restricted period.

We did note four applicants were allowed to take multiple tests for the same position (consisting of 12 test entries) within 30 days of the original test in Fiscal Year 2022. Multiple retests within 30 days ranged from 15 days after the original exams to 28 days after the original exams. Upon follow up, Department officials stated that it appeared the four test takers were allowed to retest in error, and that there were no special requests or approvals to retest provided by the Director. We did not note any retests within 30 days in Fiscal Year 2023. Since the error rate was insignificant in Fiscal Year 2022 and there were no instances in Fiscal Year 2023, we will consider this recommendation implemented.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

MANAGEMENT AUDIT FOLLOW UP

**DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
PERFORMANCE AUDIT OF THE VENDOR PAYMENT PROGRAM**

In June 2021, the Office of the Auditor General released the Performance Audit of the Vendor Payment Program. The audit contained 11 recommendations directed to the Department of Central Management Services (Department) and/or the Illinois Office of Comptroller (IOC). Of the 11 recommendations, nine involved the Department. In the performance audit, the Office of the Auditor General concluded:

- The Department and the IOC should determine which activities each agency has responsibility for under the Vendor Payment Program and memorialize those responsibilities in an Intergovernmental Agreement.
- The Department should comply with State rules and define an application period when it seeks to add qualified purchasers to the Vendor Payment Program.
- The Department should perform the review necessary and document the selection process, including testing of applicant information technology capabilities, for qualified purchasers in the Vendor Payment Program.
- The Department and the IOC should enforce the requirement of the maintenance and review of Deferred Payment Reserve Accounts under the Vendor Payment Program. Additionally, the IOC and the Department should make a definite determination as to whether the existing qualified purchasers are exempt from maintaining a Deferred Payment Reserve Account.
- The Department and the IOC should clarify when the General Assembly expects financial backer disclosures to be filed for the Vendor Payment Program. Additionally, the Department and the IOC should consider revising the joint administrative rules to codify financial backer disclosures, including when those disclosures need to be filed. Finally, the Department and the IOC should ensure that all qualified purchasers are submitting all required information on the financial backer disclosures, and in a timely manner.
- The Department and the IOC should take the steps necessary to make all monthly reporting criteria consistent for the Vendor Payment Program. Additionally, the Department and the IOC should confirm that all required information is submitted by the qualified purchasers on the monthly reports.
- The Department should enforce the requirements of the State Prompt Payment relative to only eligible receivables being included in the assignment agreements submitted by qualified purchasers. If the Department believes the inclusion of receivables less than 90 days old is appropriate it should seek changes to the Act and the Vendor Payment Program Terms.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

- The Department and the IOC, as the parties responsible for the Vendor Payment Program, should ensure that qualified purchasers operate under the Program Terms relative to the payment process.
- The Department and the IOC should follow the Program Terms for the Vendor Payment Program and only allow participating vendors to utilize a single qualified purchaser unless the qualified purchaser has violated terms of the assignment agreement or Program. Additionally, the Department should maintain documentation to support why it approved to allow a participating vendor to utilize more than one qualified purchaser at a time.

As part of the Fiscal Years 2022 and 2023 financial audit and compliance examination of the Department, follow-up was performed on the nine recommendations made to the Department and it was determined the Department had implemented two recommendations, partially implemented three recommendation and not implemented four recommendations.

Recommendation #1 – Program Administrative Responsibilities

The Department and the IOC should determine which activities each agency has responsibility for under the Vendor Payment Program and memorialize those responsibilities in an Intergovernmental Agreement.

Status – Partially Implemented

During the 2021 performance audit, auditors noted the Department and the IOC, while having authority to administer the Vendor Payment Program (Program), do not have any agreement that details the responsibilities of each agency in administering the Program.

During the current examination, the Department stated, “PA 102-291 (eff. 8-6-21) clarified the Department as the program administrator by removing the IOC from the ‘authorized to establish and implement’ paragraph the Office of the Auditor General relied upon to produce this finding. Taking this into considering, the Department does not see a need for an Interagency Agreement (IGA).

During the Vendor Payment Program Audit follow-up at the IOC, the IOC provided auditors with a copy of the draft IGA the IOC submitted to the Department which outlined the roles of each agency in relation to the Program. However, the draft IGA is neither final nor executed.

Auditors disagree with the Department’s assertion that the IGA is not necessary. The statute and Program Terms still include the IOC in several administrative functions in consultation with the Department including performance reviews, the ability to terminate both qualified purchasers and/or sub-participants, and the ability to terminate the Program. In order to make any Program related decisions, the Department and the IOC would both need to be actively involved with the above administrative duties.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Additionally, the Department does not include all qualified purchasers' financial backer disclosures on their website. The Department's website defers to the IOC's website for access to all qualified purchasers' financial backer disclosures. As for the qualified purchasers' monthly reporting, both the Department's and IOC's websites contain this information.

Recommendation #2 – Qualified Purchaser Application Period

The Department should comply with State rules and define an application period when it seeks to add qualified purchasers to the Vendor Payment Program.

Status – Not Implemented

During the 2021 performance audit, the Department failed to document the application periods for those seeking to become qualified purchasers in the Program. The failure led to the Department to inform an Illinois-based minority-owned firm that attempted to become a potential qualified purchaser that the application period was closed. However, the Department subsequently approved four other qualified purchasers over the next three months immediately following this communication.

During the current examination period, the Department stated that they have not pursued additional qualified purchasers for some time and has no plan to do so in the future. The Department also stated, should circumstances change, a documented selection process will be developed at that time.

Recommendation #3 – Lack of Documentation to Support Qualified Purchaser Decisions

The Department should perform the review necessary and document the selection process, including testing of applicant information technology capabilities, for qualified purchasers in the Vendor Payment Program.

Status – Not Implemented

During the 2021 performance audit, the Department identified criteria for selection, however, that criteria was not consistently followed. In addition, the Department could not tell auditors who specifically made the decisions to approve entities seeking to become qualified purchasers and the Department had not maintained documentation to support how qualified purchasers for the Program were selected. Furthermore, from what documentation was available, it appeared the Department allowed and facilitated the purchase of receivables by a qualified purchaser that did not have all formalized documentation submitted for selection to the Program.

During the current examination period, the Department stated that they have not pursued additional qualified purchasers for some time and has no plan to do so in the future. The Department also stated, should circumstances change, a documented selection process will be developed at that time.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #4 – Deferred Payment Reserve Accounts

The Department and the IOC should enforce the requirement of the maintenance and review of Deferred Payment Reserve Accounts under the Vendor Payment Program. Additionally, the IOC and the Department should make a definite determination as to whether the existing qualified purchasers are exempt from maintaining a Deferred Payment Reserve Account.

Status – Not Implemented

During the 2021 performance audit, the Department and the IOC did not enforce Program Terms relative to Deferred Payment Reserve Accounts for the Program.

During the current examination period, the Department stated that the Deferred Payment Reserve Account is a Program requirement but is not mandated by law or rule. The Department believes the requirement is currently in place and being met through the annual Qualified Purchasers' financial disclosures. The Department also stated that the accounts reported as part of the disclosures are Trust Funds set up to illustrate available funds for investment and collateralization.

Auditors agree that the deferred payment reserve account is a Program requirement not found in law or rule. Auditors also note that the deferred payment reserve account requirement found in the Program Terms was the criteria used in the original recommendation and those Terms remain unchanged. However, auditors disagree with the Department's position that the trust fund information detailed in the financial backer disclosures meets the deferred payment reserve account requirement. Auditors also note that the Department's current position was not mentioned during the original performance audit. The requirements, as reported in the original audit, includes that the account: will be maintained as a not-interest-bearing account; will be maintained and tracked by the qualified purchaser with an ongoing accounting of the funds; and will **have a copy of accounting promptly furnished to the Department and the IOC on a monthly basis, no later than 30 days after the end of each month** and otherwise upon request of the Department and/or the IOC from time to time. The trust information reported in the disclosures does not contain the level of detail as required by the Program Terms and the monthly requirement detailed above cannot be met with the annually filed financial backer disclosures.

Recommendation #5 – Financial Backer Disclosures

The Department and the IOC should clarify when the General Assembly expects financial backer disclosures to be filed for the Vendor Payment Program. Additionally, the Department and the IOC should consider revising the joint administrative rules to codify financial backer disclosures, including when those disclosures need to be filed. Finally, the Department and the IOC should ensure that all qualified purchasers are submitting all required information on the financial backer disclosures, and in a timely manner.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Status – Partially Implemented

During the 2021 performance audit, the Department and the IOC allowed qualified purchasers to submit financial backer disclosures after the fact. Disclosures due July 1, 2020, had yet to be published by the Department by March 31, 2021. The IOC published the disclosures on March 31, 2021. Therefore, the public had 639 days of not knowing who was providing financial backing for qualified purchasers participating in the Program. Auditors found that disclosures were not always filed timely and that the Department and the IOC do not know whether the disclosures are accurate.

During the current examination period, legislation passed (30 ILCS 540/9) to amend the submission date from July 1 to August 1 annually. The Department said they considered the potential of codifying the Financial Disclosure official due date, but said this information is in statute and contained within the Program Terms. For these reasons, the Department said codifying the due date is an unnecessary diversion of State resources and they are choosing to forego codifying the date. As for the terms of the Financial Disclosure information and the timeliness, the Department said they receive the information at the same time as the IOC and if any information is missing, it will be requested of the qualified purchaser with the expectation of a reasonably timely response.

Auditors found that Public Act 102-289, with an effective date of August 6, 2021, indeed clarified when financial backer disclosure reports are to be filed for the Program. Public Act 102-289 changed the due date of the disclosure reports from annually on July 1 to annually on August 1. Additionally, Public Act 102-289 added the following language, *‘for the previous fiscal year’* regarding what information is to be reported.

As recommended, the Department considered codifying the disclosures, including the date the disclosures need to be filed. After consideration, the Department said they chose not to pursue such codification.

During testing auditors found 1 of 4 (25%) disclosures were not timely filed. The disclosure was filed 129 days late.

Recommendation #7 – Monthly Reporting Deficiencies

The Department and the IOC should take the steps necessary to make all monthly reporting criteria consistent for the Vendor Payment Program. Additionally, the Department and the IOC should confirm that all required information is submitted by the qualified purchasers on the monthly reports.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Status – Partially Implemented

During the 2021 performance audit, the Department and the IOC did not take the necessary actions to confirm that all qualified purchasers have complied with the monthly reporting requirements for the Program. This resulted in missing data on the monthly reporting that occurred during FY19 and FY20. Additionally, the guidance on what should be reported is inconsistent with the directives from the State Prompt Payment Act (Act).

During the current examination, the Department reported that it ensures the monthly information contains all applicable fields and includes the contract number for monthly reporting purposes.

Auditors reviewed the Act, joint IOC and Department administrative rules, and the Program Terms and found that the monthly reporting criteria remain inconsistent. As previously reported, the joint IOC and Department administrative rules and the Program Terms did not include the criteria from the Act relative to the aggregate number and dollar value of invoices purchased by the qualified purchaser for which no voucher has been submitted. Additionally, auditors reviewed several Fiscal Year 2023 monthly reports and still found missing reporting requirements including: State contract numbers and vouchers numbers.

The Department stated they created a new electronic application that will allow vendors to upload information directly; however, the application is not officially live yet and the Department of Innovation and Technology is working with Qualified Purchasers to ensure correct coding is implemented at the Qualified Purchaser level. According to the Department, this application will electronically pull the needed contract numbers that were once inaccessible via the State's Enterprise Resource Planning system.

Recommendation #8 – Ineligible Accounts Receivable

The Department should enforce the requirements of the State Prompt Payment relative to only eligible receivables being included in the assignment agreements submitted by qualified purchasers. If the Department believes the inclusion of receivables less than 90 days old is appropriate it should seek changes to the Act and the Vendor Payment Program Terms.

Status – Implemented

During the 2021 performance audit, the Department allowed qualified purchasers in the Vendor Payment Program (Program) to submit, for approval acknowledgment, receivables which were not yet eligible under the State Prompt Payment Act (Act).

During the current examination, the Department stated it will not accept any receivable for processing that has not aged for 90 days. Auditors reviewed all assigned receivables reported by the qualified purchasers on their monthly reports and found that only one of the four qualified purchasers to have a receivable assigned in Fiscal Year 2023. Auditors compared the proper bill dates and the IOC assigned dates for the 164 assigned receivables with this date and found that all receivables assigned were greater than 90 days old.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Recommendation #9 – Violation of Program Terms – Monitoring

The Department and the IOC, as the parties responsible for the Vendor Payment Program, should ensure that qualified purchasers operate under the Program Terms relative to the payment process.

Status – Not Implemented

During the 2021 performance audit, the Department and the IOC allowed qualified purchasers to operate the payment process under the Program in violation of the Program Terms. This can result in one qualified purchaser having a competitive advantage over another if its payment terms are more generous than another qualified purchaser.

During the current examination, auditors found that the Department allowed a qualified purchaser to utilize a payment process **without** having required that purchaser to properly demonstrate its ability to accurately estimate penalty payments prior to payment as required by the Program Terms. The Program terms layout a 90/10 two payment process whereby 90 percent of the receivable purchase price is to be paid as an initial payment to the vendor within 10 days of the Department's acknowledgement and the remaining 10 percent of the receivable purchased is to be paid within 5 days of the qualified purchaser receiving the payment from the State for the prompt payment interest penalty.

The Program Terms allow a qualified purchaser to utilize a three payment process but **only if the qualified purchaser is able to demonstrate to the Department that it can accurately estimate each of the penalty amounts prior to payment.** Auditors found that the qualified purchaser made the initial payment of 90 percent of the receivable to the vendor. The State then paid the total amount of the receivable to the qualified purchaser but did not include the prompt pay interest. The qualified purchaser made a second payment to the vendor toward the remaining 10 percent of the receivable in the amount of interest accrued at the time the receivable was paid to the qualified purchaser. The qualified purchaser then made the third and final payment to the vendor for the balance of the receivable when the State paid the qualified purchaser the entire amount of the prompt pay penalty. Auditors tested the payment process utilized for 30 receivables assigned to the only qualified purchaser having receivables assigned in Fiscal Year 2023. Auditors found that a three payment process was utilized for 20 out of 30 receivables tested.

Auditors asked the Department if the qualified purchaser had made the required demonstration in order to use the three payment process. In response, the Department cited the total outstanding assigned penalty amount which is included as part of the qualified purchasers' monthly reporting as evidence that the qualified purchaser was able to demonstrate the penalty amounts.

Auditors noted that the amount cited by the Department only includes an overall amount of outstanding assigned penalties and does not show the individual penalty amounts as required by the Terms. Additionally, auditors do not believe this total outstanding assigned penalty amount was the intent of the language in the Terms. Each qualified purchaser is already required to report this amount on a monthly basis regardless of the payment process. Had it been the intent of the

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

Terms to use this amount for a payment process of more than two payments, there would have been no need to include such additional language in the Terms.

Further, with regard to the Program Terms, the Department stated, *“the Department is also of the position that the agency does not have a monitoring and enforcement role in relation to the performance of this program. Since the inception of the program, the Department’s primary responsibility and function in the execution of the program has been to validate the existence of vouchers that were eligible for use...the Department does not have an enforcement capability in the program and does not believe it is the duty of the agency to monitor **Qualified Purchaser activity and enforce the program terms on a continual basis.**”* Considering the Department’s position that it does not believe it is their duty to monitor Qualified Purchaser activity or enforce the Program terms, it seems impossible that the Department is confirming the accuracy of each of the penalty amounts estimated by the qualified purchaser prior to payment as required by the Terms.

Recommendation #10 – Vendors with more than one Qualified Purchaser

The Department and the IOC should follow the Program Terms for the Vendor Payment Program and only allow participating vendors to utilize a single qualified purchaser unless the qualified purchaser has violated terms of the assignment agreement or Program. Additionally, the Department should maintain documentation to support why it approved to allow a participating vendor to utilize more than one qualified purchaser at a time.

Status – Implemented

During the 2021 performance audit, the Department and the IOC did not enforce the Program Terms when they allowed participating vendors to sell receivables among different qualified purchasers.

During the current examination, the Department stated it will not allow any vendor to have more than one qualified purchaser. The Department further stated that this requirement is also public information in the Illinois Administrative Code (74 Ill. Admin. Code 900.125)

Auditors reviewed all assigned receivables by the qualified purchasers on their monthly reports and found that only one of the four qualified purchasers to have a receivable assigned in Fiscal Year 2023. Therefore, all participating vendors were only utilizing a single qualified purchaser.