



**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2022

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



SIKICH.COM

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**TABLE OF CONTENTS**

<i>State Compliance Examination Report</i>	<u>Page</u>
Agency Officials .....	1
Management Assertion Letter .....	2
State Compliance Report	
Summary .....	4
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance.....	6
Schedule of Findings	
Current Findings.....	9
Prior Findings Not Repeated .....	14
Status of Management Audit Recommendation.....	15
Status of Performance Audit Recommendations .....	16

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**AGENCY OFFICIALS**

Comptroller	Susana A. Mendoza
Assistant Comptroller - Chicago Office	Cesar Orozco
Assistant Comptroller - Fiscal Policy and Budget	Kevin Schoeben
Assistant Comptroller - Operations and Information Technology	Ellen M. Andres
Chief Internal Auditor	
July 1, 2020 – November 18, 2021	Gary Shadid
November 19, 2021 – January 13, 2022	Vacant
January 14, 2022 – September 15, 2022	Marvin Becker
September 16, 2022 – current	Teri L. Taylor
Chief Legal Counsel	Debjani Desai

**AGENCY OFFICES**

The Office's primary administrative offices are located at:

Capitol Building  
201 State Capitol  
Springfield, Illinois 62706-0001

Land of Lincoln Building  
325 West Adams Street  
Springfield, Illinois 62704-1871

*On June 1, 2022, the Office of Comptroller relocated the Chicago Office from Randolph Street to Monroe Street.*

James R. Thompson Building  
100 West Randolph Street, Suite 15-500  
Chicago, Illinois 60601-3252

555 West Monroe Street  
Suite 1400S-A  
Chicago, Illinois 60661-3713



## ILLINOIS OFFICE OF COMPTROLLER

**SUSANA A. MENDOZA**  
COMPTROLLER

### MANAGEMENT ASSERTION LETTER

May 19, 2023

Sikich LLP  
132 South Water Street, Suite 300  
Decatur, IL 62523

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 Illinois Office of Comptroller – NonFiscal Officer Responsibilities (Office). 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 Office’s compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Office has materially complied with the specified requirements listed below.

- A. The Office 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 Office 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 Office 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 Office 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.

555 West Monroe Street, 1400S-A  
Chicago, Illinois 60661-3713  
(312) 814-2451

201 State Capitol  
Springfield, Illinois 62706-0001  
(217) 782-6000

325 West Adams Street  
Springfield, Illinois 62704-1871  
(800) 877-8078

E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Office of Comptroller – NonFiscal Officer Responsibilities

**SIGNED ORIGINAL ON FILE**

Susana A. Mendoza, Comptroller

**SIGNED ORIGINAL ON FILE**

Ellen M. Andres, Assistant Comptroller:  
Operations and Information Technology

**SIGNED ORIGINAL ON FILE**

Debjani Desai, Chief Legal Counsel

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**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, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b>Current Report</b>	<b>Prior Report</b>
Findings	3	4
Repeated Findings	2	0
Prior Recommendations Implemented or Not Repeated	2	0

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings</b>				
2022-001	9	2020/2020	Noncompliance with the State Employment Records Act	Significant Deficiency and Noncompliance
2022-002	11	2020/2020	Personnel file deficiencies	Significant Deficiency and Noncompliance
2022-003	13	New	Internal audits not conducted	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
<b>Prior Findings Not Repeated</b>			
A	14	2020/2020	Weaknesses in cybersecurity program and practices
B	14	2020/2020	Lack of controls over the review of internal controls over service providers

**EXIT CONFERENCE**

The Office waived an exit conference in a correspondence from Ms. Teri Taylor, Chief Internal Auditor, on May 19, 2023. The responses to the recommendations were provided by Ms. Teri Taylor, Chief Internal Auditor, in a correspondence dated May 19, 2023.

132 South Water St., Suite 300  
Decatur, IL 62523  
217.423.6000

**SIKICH.COM**

**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, Office of Comptroller – NonFiscal Officer Responsibilities (Office) 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, 2022. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

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

In our opinion, the Office complied with the specified requirements during the two years ended June 30, 2022, 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 2022-001 through 2022-003.

The Office's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Office'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 Office 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 Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material

weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2022-001 through 2022-003 that we consider to be significant deficiencies.

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

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

Decatur, Illinois  
May 19, 2023

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2022**

2022-001. **FINDING** (Noncompliance with the State Employment Records Act)

The Office of Comptroller (Office) included inaccurate information in its Agency Workforce Report (Report) filed for fiscal years 2020 and 2021. In addition, the fiscal year 2020 Report was not timely filed with the Governor’s office and the fiscal year 2021 Report was not timely filed with the Secretary of State’s office.

During testing, we noted the Office did not accurately complete the fiscal year 2020 and fiscal year 2021 Reports filed during the engagement period. The following errors were noted in the fiscal year 2020 Report:

- The Office incorrectly reported the number of employees and related calculated percentages in 19 categories (Hispanic male professionals, Hispanic female professionals, Caucasian male professionals, Caucasian female professionals, Asian male contractors, Caucasian male contractors, Caucasian female contractors, African American male new hires, African American female new hires, Hispanic male new hires, Hispanic female new hires, Asian female new hires, American Indian female new hires, Caucasian male new hires, Caucasian female new hires, African American male promotions, Hispanic female promotions, Caucasian male promotions, and Caucasian female promotions).
- Errors in the number of employees caused the total number and calculated percentages in six categories (total female professionals, total minority professionals, total female new hires, total minority new hires, total female promotions, and total minority promotions) to be incorrect.
- Two errors were made in calculating totals and percentages (total Caucasian males, and total Caucasian females), not related to the number of employee errors already noted.

The following errors were noted in the fiscal year 2021 Report:

- The Office incorrectly reported the number of employees and related calculated percentages in nine categories (African American male new hires, Asian male new hires, Asian female new hires, American Indian or Alaska Native female new hires, Caucasian male new hires, Caucasian female new hires, African American female promotions, Hispanic female promotions, and Caucasian female promotions).
- Errors in the number of employees caused the total number and calculated percentages in four categories (total female new hires, total minority new hires, total female promotions, and total minority promotions) to be incorrect.
- Errors in the number of employees caused the total number in two categories (new hires and promotions) to be incorrect.

The fiscal year 2020 Report was not timely filed with the Governor’s office; the report was filed four business days late. The fiscal year 2021 Report was not timely filed with the Secretary of State’s office; the report was filed three business days late.

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2022**

Additionally, the prior year finding identified errors in the fiscal year 2018 and 2019 Reports. Therefore, the Office was required to file corrected Reports with the Governor and the Secretary of State. The Office timely prepared and filed a corrected fiscal year 2019 Report, however, a corrected fiscal year 2018 Report was not filed.

The State Employment Records Act (Act) (5 ILCS 410/20) requires each State agency to collect, classify, maintain, and report accurate data regarding the number of State employees on a fiscal year basis. Further, the Act requires each agency to file a copy of all reports with the Office of the Secretary of State and submit an annual report to the Governor by January 1 each year.

Also, the Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires the State agency to prepare and file corrected reports with the Governor and the Office of the Secretary of State within 30 days after the release of the audit by the Auditor General.

Further, 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 for the preparation of reliable financial and statistical reports.

Office management stated the staff member assigned to complete this report used the wrong data when filling out the report, and the reports were late because they were sent to the wrong offices.

Failure to provide complete and accurate Agency Workforce Reports prevents fulfillment of the purpose of the Act, which is to provide information to help guide efforts to achieve a more diversified State work force and is noncompliance with the Fiscal Control and Internal Auditing Act. In addition, failure to prepare and submit corrected reports is noncompliance with the Illinois State Auditing Act. (Finding Code No. 2022-001, 2020-001)

**RECOMMENDATION**

We recommend the Office implement procedures to ensure the Agency Workforce Reports are prepared accurately, including a review process prior to the submission of the Reports to the applicable parties. Further, we recommend the Office file corrected Reports for fiscal years 2018, 2020 and 2021 with the Office of the Governor and the Office of the Secretary of State within 30 days after the release of this examination report.

**OFFICE RESPONSE**

The Office concurs with the recommendation. The corrected reports have been submitted.

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2022**

2022-002. **FINDING** (Personnel file deficiencies)

The Office of Comptroller (Office) did not maintain adequate internal controls over personnel files.

During our testing of 29 personnel files, we noted the following:

- Three (10%) employees did not have a timely performed annual evaluation in their personnel file. The evaluations were performed between 11 and 42 business days after the performance evaluation due dates.
- One (3%) employee did not have a timely performed six-month probationary evaluation in their personnel file. The evaluation was performed 15 business days after the performance evaluation due date.
- One (3%) employee did not have a timely performed three-month probationary evaluation in their personnel file. The evaluation was performed six business days after the performance evaluation due date.
- One (3%) employee did not receive an evaluation during fiscal year 2021 or fiscal year 2022.
- Two (7%) employees' review periods were incorrectly noted in the Office's payroll system, which is used to track performance evaluation due dates.
- Three (10%) employees did not have an Employment Eligibility Verification form (I-9) completed correctly. Specifically, we noted the forms were not signed or dated correctly.
- One (3%) employee did not have an Employment Eligibility Verification form (I-9) on file.
- One (3%) employee's application for employment could not be located in the personnel files.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 500.240(b)) requires the Office to prepare an employee performance evaluation annually for certified employees. The Code also requires the Office to prepare two evaluations for employees serving a six-month probationary period - one at the end of the third month and another 15 days before the conclusion of the employee's six-month probationary period and one evaluation for employees serving a three-month probationary period at two-and one-half months after the commencement of the probationary period.

In addition, the Immigration Reform and Control Act of 1986 (8 USC § 1324a) (Act) requires the hiring entity to attest that it has verified an individual it employs is not an unauthorized alien. The Act and relevant federal regulations require a hiring entity to ensure the individual it hires 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 (8 CFR § 274a.2). The Act 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

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2022**

microfiche copy of the original signed version of the Form I-9 must be retained by an employer for three years after the date of hire or one year after the date of the individuals' employment is terminated, whichever is later.

Further, the Code (80 Ill. Admin. Code 500.420) requires the Office to establish and maintain personnel files for employees subject to the Code.

Office management stated fiscal years 2021 and 2022 were partially disrupted by COVID-19 and staff working on the new Statewide Accounting Management System (SAMS) in addition to normal work. Additionally, Office management stated the issues related to the I-9 forms were due to human error.

Failure to maintain complete and accurate personnel files, including evaluations to systematically and uniformly approach the development of employees and communicate expectations results in noncompliance with laws and regulations. Failure to properly complete and retain Form I-9 results in noncompliance with the Code of Federal Regulations. Inaccurate evaluation reporting periods within the Office's payroll system could lead to evaluations not being performed timely or for the appropriate period. (Finding Code No. 2022-002, 2020-002)

**RECOMMENDATION**

We recommend the Office strengthen controls to timely perform evaluations and ensure review periods are accurate in the Office's payroll system. We also recommend the Office review its personnel files to ensure all required documentation is contained therein and is accurate, including a correctly completed Form I-9 and employment applications.

**OFFICE RESPONSE**

The Office concurs with the recommendation.

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
SCHEDULE OF FINDINGS – CURRENT FINDINGS  
For the Two Years Ended June 30, 2022**

2022-003. **FINDING** (Internal audits not conducted)

The Office of Comptroller (Office) did not fulfill the internal auditing requirements prescribed in the Fiscal Control and Internal Auditing Act.

During our review of the internal audit function, we noted the Office's Internal Audit division did not conduct the audits of the Office's major systems of internal accounting and administrative control during fiscal years 2021 and 2022.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003(a)(2)) requires each designated State agency to ensure the internal auditing program includes audits of major systems of internal accounting and administrative controls. According to the Act, these audits have to be conducted on a periodic basis in order that all major systems are reviewed at least once every two years and include testing of the obligation, expenditures, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with the applicable laws and regulations.

Office management indicated the internal audits were not performed due to a vacancy in the position of Chief Internal Auditor for part of the examination period.

Failure to perform regular internal audits of all major systems of internal accounting and administrative controls increases the risk significant internal control weaknesses will exist, and errors and irregularities may go undetected and results in noncompliance with the Act. (Finding Code No. 2022-003)

**RECOMMENDATION**

We recommend the Office ensure internal audits of all major systems of internal accounting and administrative controls are conducted at least once every two years.

**OFFICE RESPONSE**

The Office concurs with the recommendation.

**STATE OF ILLINOIS**  
**OFFICE OF COMPTROLLER**  
**NONFISCAL OFFICER RESPONSIBILITIES**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2022**

A. **FINDING** (Weaknesses in cybersecurity program and practices)

During the prior engagement, the Office of Comptroller (Office) had not implemented adequate internal controls related to cybersecurity program and practices.

During the current engagement, we noted the Office did not implement adequate internal controls related to cybersecurity program and practices. However, this finding was reported in the Office of Comptroller - Fiscal Officer Responsibilities, State Compliance Examination Report, for the year ended June 30, 2022, as Finding Code No. 2022-005. As a result, this finding was not repeated herein. (Finding Code No. 2020-003)

B. **FINDING** (Lack of controls over the review of internal controls over service providers)

During the prior engagement, the Office did not obtain or conduct independent internal control reviews over its service providers.

During the current engagement, we noted the Office had not implemented adequate controls over its service providers. However, this finding was reported in the Office of Comptroller-Fiscal Officer Responsibilities, State Compliance Examination Report, for the year ended June 30, 2022, as Finding Code No. 2022-006. As a result, this finding was not repeated herein. (Finding Code No. 2020-004)

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**STATUS OF MANAGEMENT AUDIT RECOMMENDATION**

As part of the compliance examination of the Office of Comptroller – Nonfiscal Officer Responsibilities (Office) for the two years ended June 30, 2022, we followed up on the status of the following recommendation from the Illinois Office of the Auditor General’s management audit of the State’s Financial Reporting System (released February 2011). This is the sixth time follow-up has been conducted. The follow-up we conducted was only for the recommendation not fully implemented by the Office. The remaining recommendation was directed to both the Office and the Governor’s Office. The recommendation, along with the current status, is presented below.

**Recommendation #2 – Correcting Problems with the Financial Reporting System**

*The Governor’s Office and the Office of Comptroller should develop and implement a plan to correct the problems with the current financial reporting process and begin overhauling the State’s financial reporting system. During this process, they should examine the results of our agency survey and obtain input from affected parties.*

Status: Fully Implemented

The Office completed the rewrite of the Web-based Electronic Data Gathering Environment (WEDGE) and Annual Comprehensive Financial Report (ACFR) system in January of 2012. WEDGE is the computer system at the Office used by State agencies to enter and submit financial information to the Office and used by the Office to prepare the ACFR. Since then, the Office has further enhanced the current features of the WEDGE and ACFR system by converting manual forms to the web-based system. For the fiscal year 2022 reporting system, the Office has converted the last of the major forms (SCO-533) to the web-based system. Further enhancement will be made in the future to ensure compliance with newly issued Governmental Accounting Standards Board statements and other requirements.

With the conversion of this form, all financial statements for the primary government can now be run in WEDGE, which significantly limits the potential errors when manually inputting the financial statements. In addition, with the edit checks within the form, it ensures that agency users submit a properly balanced cashflow statement.

Over the years, the Office has considered converting to a new system to prepare the ACFR. Through sitting in demonstrations and talking with vendors, the Office has determined, at this time, the upgrades made in WEDGE over the years provide a sufficient, if not better, system to accurately prepare the financial statements and footnotes for the ACFR. As an example, in recent years, the Office converted the capital asset form (SCO-538) and investment form (SCO-579) to WEDGE. This now allows the Office to prepare the related detailed footnotes for capital assets and investments by developing queries within WEDGE. The Office has noted several of the demonstrations provided by vendors for alternate reporting systems did not have this type of functionality. As such, the Office plans to continue to use the WEDGE reporting system.

**STATE OF ILLINOIS  
OFFICE OF COMPTROLLER  
NONFISCAL OFFICER RESPONSIBILITIES  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2022**

**STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS**

As part of the compliance examination of the Office of Comptroller – Nonfiscal Officer Responsibilities (IOC) for the two years ended June 30, 2022, we followed up on the status of the following performance audit performed by the Office of the Auditor General:

- **Performance Audit of the Vendor Payment Program** (released June 2021)
  - This is the first time follow-up has been conducted. The audit contained 11 recommendations directed to the Department of Central Management Services (CMS) and/or the IOC. Of the 11 recommendations, 8 involved the IOC. Of those 8 recommendations, 0 have been fully implemented by the IOC.

The exhibit below summarizes the current status of the recommendations. Recommendations that were followed up on during this audit are detailed in the following pages.

<b>STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS</b>				
As of June 30, 2022				
<b>Audit</b>	<b>Total Number of Recommendations</b>	<b>Status</b>		
		<b>Implemented</b>	<b>Partially Implemented</b>	<b>Not Implemented</b>
Vendor Payment Program Audit	8	0	6	2

Source: Summary of current status of past performance audits.

## Vendor Payment Program

The Illinois Office of the Auditor General conducted a performance audit of the Vendor Payment Program pursuant to Public Act 100-1089. The audit was released in June 2021 and contained a total of 11 recommendations. Of the 11 recommendations, 8 were directed to the IOC. The current status of the recommendations is shown in the table below.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS					
As of June 30, 2022					
Audit	Rec. No.	Recommendation Description	Implemented	Status	
				Partially Implemented	Not Implemented
VPP Audit	1	Program Administrative Responsibilities		X	
VPP Audit	4	Deferred Payment Reserve Accounts		X	
VPP Audit	5	Financial Backer Disclosures		X	
VPP Audit	6	Misdirected Payments		X	
VPP Audit	7	Monthly Reporting Deficiencies			X
VPP Audit	9	Violation of Program Terms – Monitoring		X	
VPP Audit	10	Vendors with more than one Qualified Purchaser		X	
VPP Audit	11	Prompt Payment Interest			X

Source: Summary of current and past performance audit follow-ups.

### Recommendation #1 – Program Administrative Responsibilities

*CMS 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.*

#### Current Status – Partially Implemented

CMS 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 follow-up of the audit, the IOC stated Public Act 102-291, effective August 6, 2021, clarified that CMS is the administrator of the Program. The IOC also sent a draft Intergovernmental Agreement (IGA) to CMS on May 25, 2022, and according to the IOC, it has yet to receive a response.

We reviewed Public Act 102-291 and the portion of the State Prompt Payment Act (Act) relevant to the Program (30 ILCS 540/8) and found that the reference to the State Comptroller was removed, and CMS is now solely authorized to establish and implement the Program. Additionally, we reviewed the draft IGA submitted by the IOC to CMS with the stated intent of outlining the roles of each agency in relation to the Program. The draft IGA gives CMS the entire role of Program administration and limits the IOC's Program responsibilities. However, **the draft IGA is neither final nor executed.**

#### **Recommendation #4 – Deferred Payment Reserve Accounts**

*CMS 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 CMS should make a definite determination as to whether the existing qualified purchasers are exempt from maintaining a Deferred Payment Reserve Account.*

#### Current Status – Partially Implemented

CMS and the IOC have not enforced Program Terms relative to Deferred Payment Reserve Accounts for the Vendor Payment Program (Program).

During the current follow-up of the audit, the IOC referred to their original response to the audit which states that all administrative duties related to the operation of the Program do and always have rested with CMS. The IOC also stated that Public Act 102-291 clarified CMS as the administrator of the Program and the IOC further emphasized that this recommendation relates entirely to the function of CMS.

We reviewed Public Act 102-291 and the portion of the State Prompt Payment Act (Act) relevant to the Program (30 ILCS 540/8) and agree that the reference to the State Comptroller was removed and CMS is now solely authorized to establish and implement the Program.

However, in their original response, the IOC agreed that it would seek to clarify the IOC's role via an IGA with CMS. As previously noted, **the IGA is neither final nor executed**. Additionally, the definition of the Deferred Payment Reserve Account is found within the Program Terms. We would note that those Program Terms were the criteria used during the original audit and those Terms remain unchanged and still include the IOC as having responsibility.

#### **Recommendation #5 – Financial Backer Disclosures**

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

#### Current Status – Partially Implemented

CMS and the IOC allow qualified purchasers to submit financial backer disclosures after the fact. Disclosures due July 1, 2020, had yet to be published by CMS 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 Vendor Payment Program (Program). We found that disclosures were not always filed timely, and that CMS and the IOC do not know whether the disclosures are accurate.

During the current follow-up of the audit, we found that Public Act 102-289, with an effective date of August 6, 2021, clarified when financial backer disclosure reports are to be filed for VPP. 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.

We found the joint administrative rules were not revised to codify when financial backer disclosures need to be filed.

We found the disclosures were timely filed, but a few disclosures are still lacking some required ownership detail.

#### **Recommendation #6 – Misdirected Payments**

*The IOC should take the steps necessary to eliminate sending payments under the Vendor Payment Program to the incorrect entity. Additionally, the IOC should consider having vendors and qualified purchasers contact the IOC when State payments have been misdirected. Finally, the IOC should determine the cost of processing payments on hardcopy warrants for the Program to determine whether it is the most cost-effective process.*

#### Current Status – Partially Implemented

While the IOC allows State vendors to receive payments electronically, qualified purchasers under the Vendor Payment Program (Program) do not have the same opportunity. Qualified purchasers reported over \$7.2 million in payments made under the Program were mailed to a party other than the qualified purchaser. We found payments mailed to an incorrect qualified purchaser; an incorrect sub-participant; and the vendor as opposed to the qualified purchaser.

During the current follow-up of the audit, the IOC stated the IOC routinely gives verbal reminders on user group calls with agency personnel to encourage care in inputting data on vouchers. The IOC also stated this issue has been discussed in the building of a new SAMS system. The IOC maintains it processes all payments at the direction of the paying agency and cannot change payee information on agencies’ vouchers. The IOC reported that it **has not determined the cost of processing payments on hardcopy warrants for the Program** to determine whether it is the most cost-effective process.

#### **Recommendation #7 – Monthly Reporting Deficiencies**

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

#### Current Status – Not Implemented

CMS and the IOC have not taken the necessary actions to confirm that all qualified purchasers have complied with the monthly reporting requirements for the Program. This has 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 follow-up of the audit, the IOC reported that it had taken the steps necessary to make all monthly reporting criteria consistent for VPP and confirmed that all required information is submitted by the qualified purchasers on the monthly reports.

We reviewed the Act, the joint IOC and CMS administrative rules, and the Program Terms and found that the monthly **reporting criteria remain inconsistent**. As previously reported, the joint IOC and CMS 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, we reviewed several FY22 monthly reports and still found missing reporting requirements including State contract numbers, invoice dates, and voucher numbers.

**Recommendation #9 – Violation of Program Terms – Monitoring**

*CMS 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.*

Current Status – Partially Implemented

CMS and the IOC have 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 follow-up of the audit, the IOC referred to their original response to the audit. The IOC also stated that Public Act 102-291 clarified CMS as the administrator of VPP and the IOC further stated that this recommendation relates entirely to the function of CMS.

We reviewed Public Act 102-291 and the portion of the State Prompt Payment Act (Act) relevant to the Program (30 ILCS 540/8) and agree that the reference to the State Comptroller was removed and CMS is now solely authorized to establish and implement the Program.

However, in their original response, the IOC agreed that it would seek to clarify the IOC’s role via an IGA with CMS. As previously noted, **the IGA is neither final nor executed**. Additionally, at least a portion of the Act (30 ILCS 540/(f)(11)(g)) still includes the IOC as having monitoring responsibility, “*Each qualified purchaser’s performance and implementation of its obligations under subsection (f) shall be subject to review by the Department and the State Comptroller at any time to confirm that the qualified purchaser is undertaking those obligations in a manner consistent with the terms and conditions of the Program.*” We note that changes to the Act address establishing and implementing the Program, not monitoring responsibilities.

**Recommendation #10 – Vendors with more than one Qualified Purchaser**

*CMS 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, CMS should maintain documentation to support why it approved to allow a participating vendor to utilize more than one qualified purchaser at a time.*

Current Status – Partially Implemented

CMS and the IOC did not enforce the Program Terms when they allowed participating vendors to sell receivables among different qualified purchasers.

During the current follow-up of the audit, the IOC referred to their original response to the audit. The IOC also stated that Public Act 102-291 clarified CMS as the administrator of VPP and the IOC further stated that this recommendation relates entirely to the function of CMS.

However, in their original response, the IOC agreed that it would seek to clarify the IOC's role via an IGA with CMS. As previously noted, **the IGA is neither final nor executed.**

#### **Recommendation #11 – Prompt Payment Interest**

*The IOC should develop a plan for when interest penalty payments should be made under the Vendor Payment Program.*

#### Current Status – Not Implemented

The IOC does not have a plan for payment of interest penalties under the Vendor Payment Program (Program). This lack of a plan has resulted in delayed payments which has a negative impact on both qualified purchasers and State vendors. In our sample of interest payments during FY19-FY20, payments were made between 0 and 547 days from when the State agencies requested the payments.

During the current follow-up of the audit, we found that the IOC has not implemented this recommendation and **continues to disagree with the OAG's recommendation** to develop a plan for when interest penalty payments should be under the Program. The IOC maintains a "plan" is not written per se, but rather a directive of the Comptroller, and which is practiced on an ongoing basis as the Office releases vouchers from funds that require planning from the IOC's cash management team.

The IOC continues to disagree with the OAG and has made no changes since the original audit to address this Recommendation.