



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

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2024

**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, 2024**

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**STATE OF ILLINOIS
OFFICE OF COMPTROLLER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

AGENCY OFFICIALS

Comptroller	Susana A. Mendoza
Assistant Comptroller – Fiscal Policy and Budget	Kevin Schoeben
Assistant Comptroller – Operations Division	
July 1, 2022 – December 31, 2022	Ellen M. Andres
January 1, 2023 – June 30, 2023 (Acting)	Ellen M. Andres
July 1, 2023 – September 14, 2023	Vacant
September 15, 2023 – May 31, 2024	Kathleen Killion
June 1, 2024 – June 30, 2024	Vacant
July 1, 2024 – current	Melissa Saettler
Assistant Comptroller – Chicago Office	Cesar Orozco
General Counsel/Chief Legal Counsel	
July 1, 2022 – July 13, 2023 (Chief Legal Counsel)	Debjani Desai
July 14, 2023 – current (General Counsel)	Adam Alstott
Chief Internal Auditor	
July 1, 2022 – September 15, 2022	Marvin Becker
September 16, 2022 – current	Teri L. Taylor

AGENCY OFFICES

The Agency’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

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



ILLINOIS OFFICE OF COMPTROLLER

SUSANA A. MENDOZA
COMPTROLLER

MANAGEMENT ASSERTION LETTER

April 25, 2025

Sikich CPA LLC
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 State of 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, 2024. Based on this evaluation, we assert that during the years ended June 30, 2023, and June 30, 2024, 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. Other than what has been previously disclosed and reported in the Schedule of Findings, 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.

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

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

Yours truly,

The Office of Comptroller – NonFiscal Officer Responsibilities

SIGNED ORIGINAL ON FILE

Susana A. Mendoza, Comptroller

SIGNED ORIGINAL ON FILE

Melissa Saettler, Assistant Comptroller, Operations Division

SIGNED ORIGINAL ON FILE

Kevin Schoeben, Assistant Comptroller, Fiscal Policy and Budget

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Adam Alstott, General Counsel

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

SUMMARY

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	9	New	Internal control weaknesses over State property	Material Weakness and Material Noncompliance
2024-002	11	2022/2020	Noncompliance with the State Employment Records Act	Significant Deficiency and Noncompliance
2024-003	13	2022/2020	Personnel file deficiencies	Significant Deficiency and Noncompliance
2024-004	16	2022/2022	Failure to fulfill internal auditing requirements	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The Office waived an exit conference in a correspondence from Teri Taylor, Chief Internal Auditor, on April 2, 2025. The responses to the recommendations were provided by Teri Taylor, Chief Internal Auditor, in a correspondence dated April 14, 2025.

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, 2024. 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 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 Office's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Office during the two years ended June 30, 2024. As described in the accompanying Schedule of Findings as item 2024-001, the Office 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 Office complied with the specified requirements during the two years ended June 30, 2024, 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 2024-002 through 2024-004.

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.

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 a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as item 2024-001 to be a material weakness.

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 2024-002 through 2024-004 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
April 25, 2025

**STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2024-001. **FINDING** (Internal control weaknesses over State property)

The Office of Comptroller (Office) failed to maintain adequate internal controls over State property.

Upon our review of the Office's population of additions and deletions of State property, we noted several inconsistencies, including duplicate asset numbers with different descriptions and/or values. Additionally, we noted the descriptions and/or values did not agree to the respective Report of State Property (C-15) reports. Further, the Office was unable to reconcile the total population of assets reported to the Department of Central Management Services (CMS) to the ending balances on the C-15 reports. Therefore, we determined the Office's population was not sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, we selected a sample of 13 property items to determine the property was in the correct location and properly maintained in the Office's inventory system. As a result of our observation, we noted one (8%) item, a printer could not be located. Further discussion resulted in determining two printers, valued at \$238,040 each, were disposed of but had not been deleted from the property records.

Additionally, during review of the fiscal years 2023 and 2024 Certification of Inventory and Discrepancy Reports, we noted the Office:

- did not complete or submit to CMS the Certification of Inventory or Discrepancy Report for fiscal year 2023; and
- submitted the Certification of Inventory and Discrepancy Report to CMS for fiscal year 2024, however, did not properly complete the Discrepancy Report. Specifically, the Certification of Inventory identified 41 un-located equipment items totaling \$63,638, however, the Discrepancy Report did not list any items.

The Property Control Act (30 ILCS 605/6.02) requires the Office to maintain a permanent record of all items of property under its jurisdiction and control.

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 that resources are utilized efficiently, effectively and in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.460) requires all agencies to conduct an annual inventory of State property. The Code further requires all agencies to provide CMS with a listing of all equipment items with a value greater than the

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nominal value, and equipment subject to theft with a value less than nominal value. Finally, the Code requires when an agency completes its inventory, the agency head or his or her designee has to complete and sign the “Certification of Inventory” and “Discrepancy Report” and forward the completed certificate, with a complete inventory listing, including a listing of all vehicles to CMS.

Office management stated the issues are due to a transition of staff and the implementation of a new inventory tracking system.

Failure to maintain adequate internal controls over State property increases the potential for theft or misappropriation of assets and results in inaccurate property reporting. Furthermore, inadequate internal controls represent noncompliance with State laws and regulations. (Finding Code No. 2024-001)

RECOMMENDATION

We recommend the Office strengthen internal controls over its property records to ensure an accurate list of property is maintained, including additions and deletions, and C-15 reports accurately reflect the Office’s equipment. Additionally, we recommend the Office submit accurate Certification of Inventory and Discrepancy Reports to CMS as required by the Code.

OFFICE RESPONSE

The Office accepts the recommendation. During the audit period, the Office experienced a turnover in staff responsible for tracking inventory and preparing reports as well as the implementation of a new inventory tracking system. The new inventory tracking system is operational, and staff have been trained on the use of the new system, including the development of required reports and tracking to ensure complete and accurate reporting to CMS and other required reporting.

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SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2024-002. **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 2022 and 2023. Additionally, fiscal years 2020 and 2021 corrected Reports had not been filed with the Governor and Secretary of State.

During testing, we noted the Office did not accurately complete the fiscal year 2022 and fiscal year 2023 Reports filed during the engagement period.

The following errors were noted in the fiscal year 2022 Report:

- The Office incorrectly reported the total number of employees and related calculated percentages in seven categories (African American male professionals, African American female professionals, Hispanic female professionals, physically disabled male professionals, physically disabled male contractors, physically disabled female contractors, and physically disabled females with income between \$60,000 - \$69,999).
- Errors in the number of employees reported caused the total number and/or calculated percentages in seven categories to be incorrect (total and percentage of physically disabled females, total professionals, percentage of female professionals, total minority professionals, percentage of Asian male professionals, percentage of Caucasian male professionals, and percentage of Caucasian female professionals).
- The Office incorrectly reported the totals and/or percentages in ten categories, not related to the number of employee errors noted above (percentage of minorities with income between \$30,000 - \$39,999, percentage of minorities with income \$100,000+, percentage of total Hispanic females, percentage of Asian males with income \$100,000+, percentage of Caucasian males with income between \$60,000 - \$69,999, percentage of total Caucasian females, percentage of total Caucasian males promoted, percentage of total Caucasian females promoted, total and percentage of total physically disabled males, and percentage of physically disabled females with income between \$40,000 - \$49,999).

The following errors were noted in the fiscal year 2023 Report:

- The Office incorrectly reported the total number of physically disabled male professionals and as a result incorrectly reported the percentage in the same category.

Additionally, the prior year finding identified errors in the fiscal years 2020 and 2021 Reports. Therefore, the Office was required to file corrected Reports with the Governor and Secretary of State. The Office did not file the corrected Reports.

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Finally, this finding was first noted during the Office’s fiscal year 2019 – fiscal year 2020 State compliance examination, four years ago. As such, Office management has been unsuccessful in implementing a corrective action plan.

The State Employment Records 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.

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

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 fiscal year 2022 and 2023 Report errors were due to typos and incorrect categorization. Office management further stated the fiscal year 2020 and 2021 corrected Reports were not filed due to competing priorities, including union negotiations and a lack of full staffing to assist with human resource functions.

Failure to provide complete and accurate Reports prevents fulfillment of the purpose of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State work force and also represents noncompliance with the Fiscal Control and Internal Auditing Act. Failure to prepare and submit corrected Reports represents noncompliance with the Illinois State Auditing Act. (Finding Code No. 2024-002, 2022-001, 2020-001)

RECOMMENDATION

We recommend the Office implement procedures to ensure the Reports are prepared accurately, including a review process prior to submission of the Reports to the applicable parties. Further, we recommend the Office file corrected fiscal year 2020 through 2023 Reports with the Governor and the Secretary of State within 30 days after the release of this examination report.

OFFICE RESPONSE

The Office accepts the recommendation. The corrected reports for fiscal years 2020 through 2023 were filed with the Secretary of State Index Department on February 14, 2025. To remedy the incorrect reporting and the data input errors moving forward, the process for retrieving employee data for this report has been updated. Further, Human Resources has added a validation control by providing a second member of the Human Resources team with access to the supporting data reports to review the information that is entered into the workforce report before it is filed.

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For the Two Years Ended June 30, 2024**

2024-003. **FINDING** (Personnel file deficiencies)

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

During our testing of 40 personnel files, we noted the following:

- Eight (20%) employees did not have a timely performed annual evaluation in their personnel file. The evaluations were performed between four and 63 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 12 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 10 business days after the performance evaluation due date.
- One (3%) employee did not receive an evaluation during fiscal year 2024.

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.

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

- Two (5%) employees did not have an Employment Eligibility Verification (I-9) form completed correctly. Specifically, we noted one form was not signed by the employee and one form was not dated.

The Immigration Reform and Control Act of 1986 (8 USC § 1324a) requires the hiring entity to attest it has verified an individual it employs is not an unauthorized alien. The Immigration Reform and Control Act of 1986 and the Code of Federal Regulations (8 CFR § 274a.2) require a hiring entity to ensure the individual it hires properly completes Section 1 of the I-9 form at the time of hire and sign Section 2 of I-9 form within three business days of the hire. The Immigration Reform and Control Act of 1986 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 the I-9 form 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.

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- Four (10%) employees did not complete one or more required trainings:
 - One employee did not complete the annual ethics training in 2023.
 - One employee did not complete the annual identity protection and cybersecurity training in 2023.
 - One employee did not complete the annual identity protection and cybersecurity training in 2024.
 - One new employee did not complete the new hire ethics training or the new hire harassment and discrimination prevention training in 2024.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10) requires all new officers and employees to complete an initial ethics training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10.5) requires all new officers and employees to complete an initial harassment and discrimination prevention training course within 30 days after commencing employment, with all officers and employees completing the training annually thereafter.

The Identity Protection Act (5 ILCS 179/37) requires all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.

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

Finally, this finding was first noted during the Office's fiscal year 2019 – fiscal year 2020 State compliance examination, four years ago. As such, Office management has been unsuccessful in implementing a corrective action plan.

Office management stated the issues were due to changes in supervisors, changes in staff responsibilities, and scheduling difficulties.

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 the Illinois Administrative Code. Failure to properly complete I-9 forms results in noncompliance with the Immigration Reform and Control Act of 1986 and the Code of Federal Regulations. Failure to monitor and determine completion of required trainings results in noncompliance with State laws and could result in a workforce that is not adequately trained to fulfill required duties and may expose the State to potential liability. (Finding Code No. 2024-003, 2022-002, 2020-002)

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RECOMMENDATION

We recommend the Office strengthen internal controls to timely perform evaluations and ensure personnel files contain all required documentation, including correctly completed I-9 forms. Additionally, we recommend the Office ensure all training requirements are met.

OFFICE RESPONSE

The Office accepts the recommendation. The Human Resources (HR) office now has additional members with access to release and review evaluations to ensure that evaluation forms can be moved through the process timely. A review of the I-9 form, and the review of the new employee ethics and harassment prevention training certification forms were added to the new employee checklist that was implemented in September 2024. All documents are reviewed by the HR team member onboarding the employee and then also reviewed by the HR team member responsible for reviewing the checklist, ensuring all items are complete, and creating the personnel file.

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2024-004. **FINDING** (Failure to fulfill internal auditing requirements)

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

During our review of the internal audit function, we noted the Office did not maintain a full-time program of internal auditing during the current engagement period sufficient to complete the required audits. The fiscal year 2023 and 2024 audit plan noted Internal Audit is comprised of two full-time positions, but one full-time staff position was vacant for the entire fiscal year. At the time the fiscal year 2024 and 2025 audit plan was prepared, the staff position was still vacant and in April 2024 a revision was submitted to the Comptroller due to the staff position not getting filled.

Though the audit plans covered all major systems, the Office's Internal Audit conducted two internal audits during the two-year period covering fiscal years 2023 and 2024, resulting in five of nine (56%) major systems not being audited. The Office identified the following major systems in its risk assessment: 1. Organization and Management. 2. Administrative Support Services. 3. Budgeting, Accounting, and Reporting. 4. Purchasing, Contracting, and Leasing. 5. Expenditure Control. 6. Personnel and Payroll. 7. Property, Equipment, and Inventories. 8. Revenues and Receivables. 9. Information Technology. The audits completed during the examination period did not cover Administrative Support Services; Budgeting, Accounting, and Reporting; Expenditure Control; Property, Equipment, and Inventories; and Revenues and Receivables.

Additionally, we noted the two-year audit plan for fiscal years 2023 and 2024 was approved on December 8, 2022, 161 days after the last day of the preceding fiscal year of June 30, 2022.

The Act (30 ILCS 10/2003) requires each designated State agency to ensure the internal auditing program includes audits of major systems of internal and administrative controls. The Act requires the audits to be conducted on a periodic basis in order that all major systems are reviewed at least once every two years. Additionally, the Act requires the two-year plan, identifying audits scheduled for the pending fiscal year, to be approved by the chief executive officer before the beginning of the fiscal year.

Further, the Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls.

Office management stated late approval of the audit plan was due to a transition in the Chief Internal Auditor and not conducting audits of all major systems is the result of a vacancy in the staff position during the audit period.

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Failure to perform regular internal audits of all major systems of internal accounting and administrative controls increases the risk that significant internal control weaknesses exist, and errors and irregularities may go undetected. Additionally, failure to maintain a sufficiently staffed internal auditing function, conducting audits of major systems of internal accounting and administrative controls, or timely approving an audit plan represents noncompliance with the Act. (Finding Code No. 2024-004, 2022-003)

RECOMMENDATION

We recommend the Office maintain a full-time program of internal auditing sufficient to complete the required audits. We further recommend the Office's Internal Audit obtain an approved two-year audit program before the beginning of the fiscal year and ensure audits of all major systems of internal accounting and administrative controls are conducted at least once every two years.

OFFICE RESPONSE

The Office accepts the recommendation. The Office will ensure the timely submission and completion of the audit plan by filling vacancies.

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STATUS OF PERFORMANCE AUDIT RECOMMENDATIONS

As part of the compliance examination of the Office of Comptroller – Nonfiscal Officer Responsibilities (Office) for the two years ended June 30, 2024, 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 second time follow-up has been conducted. The audit contained 11 recommendations directed to the Department of Central Management Services (CMS) and/or the Office. Of the 11 recommendations, 8 involved the Office. Of those 8 recommendations, 1 has been fully implemented.

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

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS				
As of June 30, 2024				
Audit	Total Number of Recommendations	Status		
		Implemented	Partially Implemented	Not Implemented
Vendor Payment Program Audit	8	1	6	1
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 directed to CMS and/or the Office. Of the 11 recommendations, eight involved the Office. The current status of the recommendations is shown in the table below.

STATUS OF PAST PERFORMANCE AUDIT RECOMMENDATIONS					
As of June 30, 2024					
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 Office 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

During the 2021 performance audit, auditors noted CMS and the Office, while having authority to administer the Vendor Payment Program (Program), did not have any agreement detailing the responsibilities of each agency in administering the Program.

During the fiscal year 2022 follow-up of the audit, Office management stated Public Act 102-291, effective August 6, 2021, clarified CMS is the administrator of the Program. The Office sent a draft Intergovernmental Agreement (IGA) to CMS on May 25, 2022, and according to Office management, it had yet to receive a response. The Auditor General 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 the reference to the Office was removed, and CMS is now solely authorized to establish and implement the Program. Additionally, the Auditor General reviewed the draft IGA submitted by the Office 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 Office's Program responsibilities. However, the draft IGA was neither final nor executed.

During the current follow-up of the audit, Office management stated there have been no changes to the prior year response. During the performance audit follow up at CMS in fiscal year 2023, CMS stated it does not see a need for an IGA with the clarification within the Public Act. However, the Act and the Program Terms still include certain duties of the Office including obtaining monthly reports, obtaining annual reports, performance reviews, publishing reports on the Office's

website, determination of purchase price for any qualified account receivable purchased under the Program, verification and processing of assignments of accounts receivable, 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, CMS and the Office would both need to be actively involved with the administrative duties noted. Furthermore, the Program Terms define accounts receivable as an invoice pursuant to the terms of an executed IGA between CMS and the Office or a voucher approved for payment, due and payable by the State. The draft IGA is neither final nor executed and the Program Terms have not been updated to reflect current responsibilities.

Recommendation #4 – Deferred Payment Reserve Accounts

CMS and the Office should enforce the requirement of the maintenance and review of Deferred Payment Reserve Accounts under the Vendor Payment Program. Additionally, the Office 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

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

During the fiscal year 2022 follow-up of the audit, Office management referred to their original response to the audit which stated all administrative duties related to the operation of the Program do and always have rested with CMS. Office management also stated Public Act 102-291 clarified CMS as the administrator of the Program and the further emphasized this recommendation relates entirely to the function of CMS. The Auditor General reviewed Public Act 102-291 and the portion of the Act relevant to the Program (30 ILCS 540/8) found the reference to the Office was removed and CMS is now solely authorized to establish and implement the Program. However, in their original response, Office management agreed to seek clarification for the Office's role via an IGA with CMS. As previously noted, the IGA was neither final nor executed. Additionally, the Auditor General noted the definition of the Deferred Payment Reserve Account is found within the Program Terms. The Auditor General noted those Program Terms were the criteria used during the original audit and those Program Terms remained unchanged and still included the Office as having responsibility.

During the current follow-up of the audit, Office management referred to their original response to the audit. As previously noted, in their original response, Office management agreed to seek clarification of the Office's role via an IGA with CMS. This IGA is neither final nor executed. Additionally, we noted the definition of the Deferred Payment Reserve Account is found within the Program Terms. We noted those Program Terms were the criteria used during the original audit and those Program Terms remain unchanged and still include the Office as having responsibility.

Recommendation #5 – Financial Backer Disclosures

CMS and the Office should clarify when the General Assembly expects financial backer disclosures to be filed for the Vendor Payment Program. Additionally, CMS and the Office should consider revising the joint administrative rules to codify financial backer disclosures, including when those disclosures need to be filed. Finally, CMS and the Office 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

During the 2021 performance audit, CMS and the Office allowed 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 Office 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. The Auditor General found disclosures were not always filed timely, and CMS and the Office did not know whether the disclosures are accurate.

During the fiscal year 2022 follow-up of the audit, the Auditor General found the Public Act 102-291, with an effective date of August 6, 2021, clarified when financial backer disclosure reports are to be filed for the Program. Public Act 102-291 changed the due date of the disclosure reports from annually on July 1 to annually on August 1. Additionally, Public Act 102-291 added the following language, ‘for the previous fiscal year’ regarding what information is to be reported. The Auditor General found the joint administrative rules were not revised to codify when financial backer disclosures need to be filed. The Auditor General found the disclosures were timely filed, but noted a few disclosures are still lacking some required ownership detail.

During the current follow-up of the audit, we noted Office management considered codifying the disclosures, as recommended, but determined changes to the joint administrative rules were not necessary. It was noted in the performance audit follow up with CMS, CMS also considered codifying the disclosures, but after consideration chose not to pursue such codification.

During testing, auditors found nine of 28 (32%) reports filed during fiscal years 2023 and 2024 were not timely filed. The disclosures were filed between 129 and 225 days late.

Recommendation #6 – Misdirected Payments

The Office should take the steps necessary to eliminate sending payments under the Vendor Payment Program to the incorrect entity. Additionally, the Office should consider having vendors and qualified purchasers contact the Office when State payments have been misdirected. Finally, the Office 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

During the 2021 performance audit it was noted, while the Office allows State vendors to receive payments electronically, qualified purchasers under the 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. The Auditor General found payments mailed to incorrect qualified purchasers; incorrect sub-participants; and to vendors as opposed to the qualified purchasers.

During the fiscal year 2022 follow-up of the audit, Office management stated verbal reminders are routinely given on user group calls with agency personnel to encourage care in inputting data on vouchers. Office management also stated this issue has been discussed in the building of a new SAMS system. The Office maintained it processes all payments at the direction of the paying agency and cannot change payee information on agencies' vouchers. The Office reported the cost of processing payments on hardcopy warrants for the Program had not been determined as to whether it is the most cost-effective process.

During the current follow-up of the audit, auditors determined the Office has not determined the cost of the 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 Office should take the steps necessary to make all monthly reporting criteria be consistent for the Vendor Payment Program. Additionally, CMS and the Office should confirm that all required information is submitted by the qualified purchasers on the monthly reports.

Current Status – Partially Implemented

During the 2021 performance audit, it was noted CMS and the Office had not taken the necessary actions to confirm all qualified purchasers had complied with the monthly reporting requirements for the Program. This resulted in missing data on the monthly reporting occurring during fiscal years 2019 and 2020. Additionally, the guidance on what should be reported is inconsistent with the directives from the Act.

During the fiscal year 2022 follow-up of the audit, Office management reported the steps necessary to make all monthly reporting criteria consistent for the Program had been taken and confirmed all required information is submitted by the qualified purchasers on the monthly reports. The Auditor General reviewed the Act, the joint Office and CMS administrative rules, and the Program Terms and found the monthly reporting criteria remained inconsistent. As previously reported, the joint Office and CMS administrative rules and the Program Terms did not include the criteria from the Act related to the aggregate number and dollar value of invoices purchased by the qualified purchaser for which no voucher has been submitted. Additionally, the Auditor General reviewed several fiscal year 2022 monthly reports and still found missing reporting requirements including State contract numbers, invoice dates, and voucher numbers.

During the current follow-up of the audit, Office management stated the Office's role is to follow up with the qualified purchasers if they do not submit timely reports. Accuracy and criteria are and have always fallen to CMS. During the current year follow up at CMS, it was noted CMS indicated a new electronic application allowing vendors to upload information directly has been created but not yet officially live. This application will electronically pull the criteria for reporting requirements. However, in our review of the Office's response we noted the Program Terms have not been modified to include the criteria from the Act relating to the aggregate number and dollar value of invoices purchased by the qualified purchaser for which no voucher has been submitted. Additionally, the Program Terms still include certain duties of the Office, including obtaining monthly reports which are subject to review by the Office.

Recommendation #9 – Violation of Program Terms – Monitoring

CMS and the Office, 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

During the 2021 performance audit, it was noted CMS and the Office 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 fiscal year 2022 follow-up of the audit, Office management referred to their original response to the audit. Office management also stated Public Act 102-291 clarified CMS as the administrator of the Program and further stated this recommendation relates entirely to the function of CMS. The Auditor General reviewed Public Act 102-291 and the portion of the Act relevant to the Program (30 ILCS 540/8) and agreed the reference to the Office was removed and CMS is now solely authorized to establish and implement the Program. However, in their original response, Office management agreed to seek clarification of the Office's role via an IGA with CMS. As previously noted, the IGA was neither final nor executed. Additionally, at least a portion of the Act (30 ILCS 540/8(f)(11)(g)) still included the Office 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."* The Auditor General noted changes to the Act addressed establishing and implementing the Program, not monitoring responsibilities.

During the current follow-up of the audit, we noted no change regarding implementation of this recommendation. The changes to the Act noted in the prior follow-up addressed establishing and implementing the Program, not monitoring responsibilities. The Act and the Program Terms still include certain duties of the Office, including the Office having monitoring responsibilities.

Recommendation #10 – Vendors with more than one Qualified Purchaser

CMS and the Office 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 – Implemented

During the 2021 performance audit, it was noted CMS and the Office did not enforce the Program Terms when they allowed participating vendors to sell receivables among different qualified purchasers.

During the 2022 follow-up of the audit, Office management referred to their original response to the audit. The Office also stated Public Act 102-291 clarified CMS as the administrator of the Program and further stated this recommendation relates entirely to the function of CMS. However,

in their original response, Office management agreed to seek clarification of the Office's role via an IGA with CMS. As previously noted, the IGA was neither final nor executed.

During the current follow-up of the audit, Office management stated the change in statute negates the need for an IGA and trumps the preexisting Program Terms document. We disagree with the Office's assertion the statute negates the need for an IGA, as stated in relation to other recommendations. However, based on testing performed in relation to the follow up at CMS for this recommendation, it was noted all participating vendors were only utilizing a single qualified purchaser.

Recommendation #11 – Prompt Payment Interest

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

Current Status – Not Implemented

During the 2021 performance audit, it was noted the Office does not have a plan for payment of interest penalties under the Program. This lack of a plan resulted in delayed payments which had a negative impact on both qualified purchasers and State vendors. In the Auditor General's sample of interest payments tested during fiscal years 2019 and 2020, payments were made between 0 and 547 days from when the State agencies requested the payments.

During the fiscal year 2022 follow-up of the audit, the Auditor General found the Office had 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. Office management maintained a "plan" is not written per se, but rather a directive of the Comptroller, which is practiced on an ongoing basis as the Office releases vouchers from funds requiring planning from the Office's cash management team. Office management continued to disagree with the OAG and has made no changes since the original audit to address this recommendation.

During the current follow-up of the audit, Office management stated the Office must engage in cash management actions when certain funds are limited in cash availability and must collaborate with State agencies on sustaining operations. While it is understood the Office must engage in cash management actions as they noted, the recommendation is to develop a plan for when interest penalty payments should be made under the Program. The Office did not develop a plan and has made no changes since the original audit to address this recommendation.

The Office continues to disagree with the recommendation. Office management stated: "The Office would challenge that it does not have a plan for addressing the backlogged late payment interest payments to those receiving payment from Fund 304, Technology Management Revolving Fund." We note that the Program encompasses more than just Fund 304, the Fund the Office highlighted. While Fund 304 may have issues with late payment interest payments, the Office still has not developed a plan to address when interest penalty payments should be made under the Vendor Payment Program as originally recommended.