



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATIONS**

State Compliance Examination  
 For the Two Years Ended June 30, 2022

Release Date: April 18, 2023

FINDINGS THIS AUDIT: 15				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>2</b>	<b>2</b>	<b>4</b>	2020	<b>22-14</b>	22-03	
<b>Category 2:</b>	4	7	11	2018	<b>22-01</b>	22-08, 22-11, 22-12, 22-13	
<b>Category 3:</b>	<u>0</u>	<u>0</u>	<u>0</u>	2004		22-02	
<b>TOTAL</b>	<b>6</b>	<b>9</b>	<b>15</b>	1993		22-04	
<b>FINDINGS LAST AUDIT: 14</b>							

**SYNOPSIS**

- **(22-01)** The Department failed to adhere to provisions of the Fiscal Control and Internal Auditing Act.
- **(22-07)** The Department’s internal controls over its voucher processing function were not operating effectively during the examination period.
- **(22-14)** The Department did not have change management policies and procedures.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE INTERNAL AUDIT FUNCTION**

**Violated the Fiscal Control and Internal Auditing Act**

The Department failed to adhere to provisions of the Fiscal Control and Internal Auditing Act (Act).

On April 1, 2018, the Department and the Department of Central Management Services (CMS) entered into an intergovernmental agreement for CMS to provide all internal audit functions for the Department.

On August 9, 2019, the Attorney General issued an opinion stating multiple State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act.

**Vacant internal audit position not posted or filled**

During testing, we noted the following:

- The Department's Secretary had not appointed an individual to fill the Department's chief internal auditor position or posted the vacant position. This position was vacated on July 1, 2016, 2,190 days prior to the end of the examination period on June 30, 2022.
- The Department and CMS did not obtain the Governor's approval for CMS to provide professional internal auditing services to the Department. (Finding 1, pages 12-14) **This finding has been reported since 2018.**

**Did not obtain Governor's approval**

We recommended the Department's Secretary post the vacant position and appoint a chief internal auditor to ensure a full-time program of internal auditing is in place and functioning at the Department. We also recommended, if another agency is to be relied upon to supplement internal audit functions at the Department, the Department should obtain written approval of the Governor for these services and ensure such services are provided in accordance with the Act's requirements.

**Department accepted finding**

The Department accepted the finding.

## **VOUCHER PROCESSING INTERNAL CONTROLS NOT OPERATING EFFECTIVELY**

The Department's internal controls over its voucher processing function were not operating effectively during the examination period.

In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

### **Vouchers inaccurately entered into the ERP**

Our testing noted 8 of 140 (6%) attributes were not properly entered into the ERP System. Therefore, the Department's internal controls over voucher processing **were not operating effectively.**

### **Accountants qualified their opinion**

Due to this condition, we qualified our opinion because we determined the Department had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, we conducted an analysis of the Department's expenditures data for fiscal years 2021 and 2022. Our testing noted:

### **Department did not pay interest**

- The Department owed one vendor interest totaling \$341 in Fiscal Years 2021 and 2022; however, the Department had not approved this voucher for payment to the vendor.

### **Department did not timely approve vouchers**

- The Department did not timely approve 1,213 of 11,436 (11%) vouchers processed during the examination period, totaling \$8,652,049. We noted these late vouchers were approved between 31 and 414 days late. (Finding 7, pages 26-27)

We recommended the Department design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommended the Department approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.

### **Department accepted finding**

The Department accepted the finding.

## **WEAKNESSES IN CHANGE MANAGEMENT OF COMPUTER SYSTEMS**

**Change controls had not been established**

The Department did not have change management policies and procedures.

**Could not provide listing of individuals with access to the production environment**

During our examination, we noted the Department had not established change management policies and procedures to control changes to their applications and data. In addition, the Department could not provide a listing of those with access to the production environment and the ability to implement changes thereto. (Finding 14, page 39)

We recommended the Department develop and implement change management policies and procedures. In addition, we recommended the Department strengthen its controls in determining who can make changes to their applications and data, to ensure proper segregation of duties.

**Department accepted finding**

The Department accepted the finding.

### **OTHER FINDINGS**

The remaining findings pertain to boards and committees staffing, reporting, performance evaluations, census data, general Information Technology controls, travel, refunds, accounts receivable, and cybersecurity. We will review the Department's progress towards the implementation of our recommendations in our next State compliance examination.

### **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Department for the two years ended June 30, 2022, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2022-001, 2022-007, 2022-010, and 2022-014. Except for the noncompliance described in these findings, the accountants stated the Department complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Sikich, LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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