



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS BOARD OF EXAMINERS

**COMPLIANCE EXAMINATION
For the Two Years Ended: June 30, 2013**

Release Date: April 22, 2014

Summary of Findings:

Total this audit:	4
Total last audit:	6
Repeated from last audit:	2

SYNOPSIS

- The Board failed to execute written contractual agreements.
- The Board lacked adequate controls over State property.

{Financial data and Activity Measures are summarized on the reverse page.}

**ILLINOIS BOARD OF EXAMINERS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

CPA EXAMINATION TRUST ACCOUNT	2013	2012	2011
Balance at July 1.....	\$ 4,636,893	\$ 4,301,417	\$ 4,050,009
Receipts			
Fees.....	1,477,242	1,470,758	1,431,690
Interest Income.....	393	520	2,437
Disbursements.....	1,095,719	1,135,802	1,182,719
Balance at June 30.....	\$ 5,018,809	\$ 4,636,893	\$ 4,301,417
Cost of Property and Equipment.....	\$ 181,387	\$ 150,280	\$ 152,015

SELECTED ACTIVITY MEASURES (Not Examined)	2013	2012	2011
Average pass rates by section			
• Auditing.....	49.6%	48.2%	49.8%
• Business Environment and Concepts.....	62.5%	60.2%	56.6%
• Financial Accounting Reporting.....	51.7%	50.0%	50.7%
• Regulation.....	51.2%	48.7%	50.6%
Number of candidates that passed the Uniform CPA Exam.....	1,474	1,644	1,821
First-time candidates for exam.....	3,195	2,896	2,844

AGENCY DIRECTOR	
During Examination Period:	Mr. Russ Friedewald
Currently:	Mr. Russ Friedewald

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**NEED TO IMPROVE INTERNAL CONTROLS OVER
CONTRACTUAL AGREEMENTS**

The Board of Examiners (Board) did not maintain adequate internal controls over contractual agreements.

We noted the following:

**No agreement in place for
contractual personnel**

- The Board expended \$21,050 in Fiscal Year 2012 and \$55,050 in Fiscal Year 2013 for contractual personnel but did not have a signed agreement in effect. The Board executed a signed agreement for services, but it expired December 31, 2011 and a new agreement was not in place until Fiscal Year 2014.

**No written contractual agreements
for systems and technical support**

- The Board expended \$133,132 and \$42,832 during Fiscal Years 2012 and 2013, respectively, to a vendor and \$62,506 to a second vendor during Fiscal Year 2013 for systems and technical support and failed to obtain written contractual agreements. (Finding 1, pages 8-9) **This finding was first reported in 2007.**

We recommended the Board ensure it maintains current written agreements for its contractual personnel. In addition, we recommended the Board ensure it executes written contractual agreements that comply with State laws, rules and regulations as required.

Board agrees with auditors

Board officials agreed with our recommendations and stated, for the first bullet, an agreement was executed for services with this individual that expired on December 31, 2011, but a new agreement was not signed for the following year even though services and payment for services continued at the same rate previously agreed to in the original contract for services.

Board officials stated, for the second bullet, an original contract for an upgrade to an existing data system was signed during Fiscal Year 2011. This was a sole source contract for an upgrade that only this vendor could provide. Board officials stated they completed all required paperwork and followed all procurement procedures in obtaining this contract. They further stated the delivery of the software upgrade was delayed due to a number of factors and the contract agreement was not extended as it should have been. (For the previous Board response, see Digest Footnote #1)

NEED TO IMPROVE CONTROLS OVER STATE PROPERTY

The Board did not exercise adequate controls over State property.

We noted the following:

- | | |
|---|--|
| Equipment could not be located | <ul style="list-style-type: none">• Three of 50 (6%) equipment items tested, totaling \$6,347, from the Board's inventory listing were not able to be located. |
| Equipment not recorded on property listing | <ul style="list-style-type: none">• Two of 50 (4%) equipment items observed during testing were not recorded on the Board's inventory listing. |
| Equipment ledger not maintained | <ul style="list-style-type: none">• The Board did not maintain an equipment transactions ledger or sufficient documentation to substantiate its additions and deletions from inventory. (Finding 2, pages 10-11) |

We recommended the Board ensure it maintains accurate property records and supporting documentation of all its property transactions.

Board agrees with auditors

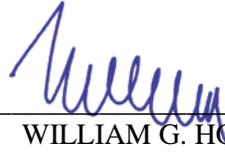
Board officials agreed with our recommendation and stated during the testing period, the Board was in the process of moving offices from Champaign, IL to Naperville, IL, and the coordination of the move relating to surplus of inventory was coordinated through the Office of the Vice Chancellor for Student Affairs at the University of Illinois, while the balance of inventory was moved to Naperville on the campus of the Northern Illinois University. They further stated following the audit testing and after the findings were concluded, the three items have been located and accounted for. In addition, the two items identified as not recorded were both a part of the surplus items listings currently held in the Office of the Vice Chancellor for Student Affairs, and will be transferred at the conclusion of their financial relationship, but not later than the end of April 2014. Further, the Board stated they were now in the process of completely revamping their inventory system including a completely new reconciliation process.

OTHER FINDINGS

The remaining findings pertain to required information omitted from an annual report and failure to implement the Identity Protection Act and are reportedly being given attention by the Board. We will review the Board's progress toward implementation of our recommendations in our next examination.

AUDITORS' OPINION

We conducted a compliance examination of the Board as required by the Illinois State Auditing Act. The Board has no funds that require an audit leading to an opinion of financial statements.



WILLIAM G. HOLLAND
Auditor General²

WGH:PH

AUDITORS ASSIGNED

The compliance examination was performed by the Auditor General's staff.

DIGEST FOOTNOTE

#1 - NEED TO IMPROVE INTERNAL CONTROLS OVER CONTRACTUAL AGREEMENTS - Previous Board Response:

2011: Response: Agree. Bullet 1 – The Board of Examiners forwards all contracts to the University of Illinois for processing of all contracts over \$5,000. The University prepares all required documents for submission to the State in accordance with the procurement code procedure requirements. The Board of Examiners routinely inquires of the University the status of contracts submitted and completes any forms or responds to any inquiry from the University to assure the procurement process continues without delay. The Board of Examiners has never been asked by the University to complete any documents cited by the finding that were required to fulfill the procurement code requirements. A checklist will be developed to track contract processing to ensure that all steps are completed as required under the Illinois Procurement Code. This checklist will be attached to each contract file. Bullet 2 – The Board of Examiners will make sure all appropriate forms are included in the execution of contracts directly with local vendors. A checklist will be developed to track contract processing to ensure that all steps are completed as required under the Illinois Procurement Code. This checklist will be attached to each contract file.

Bullet 3 – The Board of Examiners forwards all contracts to the University of Illinois for processing of all contracts over \$5,000. The University prepares all required documents for submission to the State in accordance with procurement code procedure requirements. The Board of Examiners routinely inquires of the University the status of contracts submitted and completes any forms or responds to any inquiry from the University to assure the procurement process continues without delay. The Board of Examiners has never been asked by the University to complete any documents cited by the finding that were required to fulfill the procurement code requirements. A checklist will be developed to track contract processing to ensure that all steps are completed as required under the Illinois Procurement Code. This checklist will be attached to each contract file. Bullet 4 – The Board of Examiners entered the lease arrangements for the current office space in 2004, before the Board of Examiners became a State agency. We agree the lease should have been filed with the Comptroller once we became a State agency. However, a copy will be forwarded to the Comptroller the week of May 7, 2012.