



**State of Illinois**  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**STATE COMPLIANCE EXAMINATION**  
**For the Two Years Ended June 30, 2023**

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

**STATE OF ILLINOIS**  
**GOVERNOR’S OFFICE OF MANAGEMENT AND BUDGET**  
**STATE COMPLIANCE EXAMINATION**  
**For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS  
GOVERNOR’S OFFICE OF MANAGEMENT AND BUDGET  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**OFFICE OFFICIALS**

Director	Alexis Sturm
Chief of Staff (12/16/21 to Present)	Vacant
Chief of Staff (Up to 12/15/21)	Cameron Mock
Senior Budget Deputy Director	Jim Foy
Deputy Director IT, Fiscal and Administrative Operations	Jennifer Cavanaugh
Chief Fiscal and Benefits Officer	Layla McLean
General Counsel (12/16/21 to Present)	Lynn Patton
General Counsel (11/01/21 to 12/15/21)	Vacant
General Counsel (Up to 10/31/21)	Robert Steere
Director of Capital Markets	Paul Chatalas
Information Technology Manager	Aaron Doty

**OFFICES**

The Governor’s Office of Management and Budget’s offices are located at:

401 S. Spring St.  
601, 603, and 605 Stratton Office Building  
Springfield, IL 62706

555 West Monroe Street, 15<sup>th</sup> Floor  
Chicago, IL 60661



STATE OF ILLINOIS  
EXECUTIVE OFFICE OF THE GOVERNOR  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
SPRINGFIELD 62706

***JB PRITZKER***  
*GOVERNOR*

***ALEXIS STURM***  
*DIRECTOR*

March 5, 2024

Adelfia LLC  
400 E. Randolph Street, Suite 700  
Chicago, Illinois 60601

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, Governor's Office of Management and Budget (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, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, 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.

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,

State of Illinois, Governor's Office of Management and Budget

**SIGNED ORIGINAL ON FILE**

Alexis Sturm  
Director

**SIGNED ORIGINAL ON FILE**

Jennifer Cavanaugh  
Deputy Director IT, Fiscal and Administrative Operation

**SIGNED ORIGINAL ON FILE**

Lynn Patton  
General Counsel

**STATE OF ILLINOIS  
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

**STATE COMPLIANCE REPORT**

**SUMMARY**

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

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report(s)</u></b>
Findings	2	2
Repeated Findings	-	2
Prior Recommendations Implemented or Not Repeated	2	5

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Reported</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Findings</b>				
2023-001	9	New	Noncompliance with the Provisions of the Cash Management Improvement Act	Significant Deficiency and Noncompliance
2023-002	11	New	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
<b>Prior Findings Not Repeated</b>				
A	13	2021/2019	Inadequate Controls over Accounts Receivable	

**STATE OF ILLINOIS  
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2023**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
<b>Prior Findings Not Repeated (Continued)</b>			
B	13	2021/2019	Noncompliance with the Grant Accountability and Transparency Act's Approved Exceptions

**EXIT CONFERENCE**

The Office waived an exit conference in a correspondence from Jennifer Cavanaugh, Deputy Director IT, Fiscal and Administrative Operation, on February 23, 2024. The responses to the recommendations were provided by Jennifer Cavanaugh, Deputy Director IT, Fiscal and Administrative Operation, in a correspondence dated March 4, 2024.



**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, Governor's Office of Management and Budget (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, 2023. 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, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-001 and 2023-002.

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 2023-001 and 2023-002 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**

Chicago, Illinois  
March 5, 2024

**STATE OF ILLINOIS**  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Noncompliance with the Provisions of the Cash Management Improvement Act)

The Governor's Office of Management and Budget (Office) did not fully comply with the provisions of the Cash Management Improvement Act (CMIA) regarding required reports and threshold computation.

The CMIA is a federal law that governs the flow of federal funds between the federal and state governments.

During our detailed testing of the Office's compliance with the CMIA requirements, we noted the following:

- One of 2 (50%) Annual CMIA reports was submitted 13 days late.

The Illinois Compiled Statutes (30 ILCS 105/6z-39) states the Office shall be the State coordinator and representative with the United States Department of the Treasury for purposes of implementing the federal CMIA of 1990. The statute requires the Office to develop and file annual reports.

The Code of Federal Regulations (Code) (31 CFR 205.26(a)) requires a State to submit an Annual Report to the United States Department of the Treasury by December 31 of the year in which the State's fiscal year ends.

Office officials stated the requisite data was inputted into the Federal Treasury's electronic reporting platform prior to December 31. However, because of a restructuring of the reporting platform's signature integration process and a number of technical issues with the platform, as well as competing priorities of the responsible employee, a delay occurred in the signing of the report and its official submission.

- For 2 of 2 (100%) annual CMIA major program threshold calculations, the Office failed to consider the grant specified in the CMIA agreement to be excluded. This resulted in an overstatement of the major program threshold by \$272,000 for Fiscal Year 2021 and \$292,000 for Fiscal Year 2022.

The Code (31 CFR 205.5) prescribes the calculation of threshold for major federal assistance programs. In addition, Section 4.4 of the CMIA agreement between the State of Illinois and United States Department of the Treasury requires the exclusion of amounts from the Immunization Cooperative Grants (CFDA 93.268) in the calculation of the major program threshold for both Fiscal Years 2021 and 2022.

**STATE OF ILLINOIS**  
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**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

Office officials stated the incorrect calculation of the major federal assistance program threshold was due to oversight.

Failure to ensure timely submission of the annual CMIA report and incorrect calculation of the required major program threshold represents noncompliance with the Code and CMIA Agreement and could result to federal programs being excluded as major federal programs. (Finding Code No. 2023-001)

**RECOMMENDATION**

We recommend the Office ensure proper review of the required CMIA reports and related threshold calculations and timely submission of reports to ensure compliance with the provisions of the Code and CMIA.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Office has updated its major program threshold calculation formula to make it consistent with federal law. In addition, the Office will regularly review the CMIA for any amendments that may affect future calculations and will monitor the Code of Federal Regulations for any changes to the criteria used in the calculation of major federal assistance program thresholds. The Office notes that even with the overstatement referenced, no federal programs were inadvertently excluded. Further, the Office plans to add a staff member to the CMIA reporting team to address the competing demands placed on employees during the annual report submission period and provide additional levels of review of the CMIA submission.

**STATE OF ILLINOIS**  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Governor's Office of Management and Budget (Office) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices.

During our examination of the Office's cybersecurity programs and practices, we noted the Office:

- Does not have formal policies, procedures, and processes to manage and monitor cybersecurity requirements. The existing EDP Policies and Procedures Manual does not cover other cybersecurity areas like (1) configuration management, (2) regulatory and operational requirements that the Office follows, and (3) data maintenance and destruction.
- Had not performed a formal risk assessment to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Had not classified data to establish the types of information most susceptible to attack to ensure adequate protection.
- Had not assessed the overall risks or vulnerabilities of information systems and data and created formal, documented action plans to mitigate or address these vulnerabilities.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

Furthermore, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Office officials stated the Office mistakenly relied on the Department of Innovation and Technology's policies and procedures instead of developing its own.

**STATE OF ILLINOIS**  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**SCHEDULE OF FINDINGS – CURRENT FINDINGS**  
**For the Two Years Ended June 30, 2023**

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Office's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-002)

**RECOMMENDATION**

We recommend the Office:

- Develop a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental, and operational requirements.
- Perform a comprehensive risk assessment to identify and classify data to ensure adequate protection of confidential or personal information most susceptible to attack.
- Classify its data and document related policies ensure adequate protection of information.
- Perform assessment of the overall risks or vulnerabilities of information systems and data, and create formal and documented action plans to mitigate or address these vulnerabilities.

**OFFICE RESPONSE**

The Office accepts the recommendation. The Office will work with the Department of Innovation and Technology to develop and implement an appropriate and comprehensive cybersecurity program. In addition, the Office will compile and review the data it stores in order to identify and classify confidential and personal information and to develop and implement necessary protections for information and data considered to be confidential or personal. The Office will also undertake, in coordination with DoIT, an assessment of the risks and vulnerabilities of its information systems, applications, and data and will work to develop plans to mitigate or address any identified vulnerabilities to avoid the unauthorized disclosure of such information. The Office will promote the training of its employees in this area.

**STATE OF ILLINOIS**  
**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED**  
**For the Two Years Ended June 30, 2023**

A. **FINDING** (Inadequate Controls over Accounts Receivable)

During the prior examination, the Governor's Office of Management and Budget (Office) did not have adequate controls over accounts receivable billing and reporting. Specifically, the Office's GATA/BFR billings for the fourth quarter of Fiscal Years 2020 and 2021 were not included in the Form C-97 and Form C-98 submitted to the Comptroller. In addition, the agency payments near year-end were not applied by the Office in the proper fiscal year resulting in an overstatement in the accounts receivable balance for Fiscal Years 2020 and 2021.

During the current examination, we noted in our testing of accounts receivable that billings for Fiscal Years 2022 and 2023 were recorded and included in the Form C-97 and Form C-98 submitted to the Comptroller. Further, in our sample testing of accounts receivable balances, we noted agency payments near year-end were applied to the proper fiscal year. (Finding Code No. 2021-001, 2019-001)

B. **FINDING** (Noncompliance with the Grant Accountability and Transparency Act's Approved Exceptions)

During the prior examination, the Governor's Office of Management and Budget (Office) did not fully comply with provisions of the Grant Accountability and Transparency Act (Act) regarding program specific exceptions and exemptions. It was noted that allowed exceptions were either not published in the Catalog of State Financial Assistance (CSFA), published late after being approved by Grant Accountability and Transparency Unit (GATU), or published prior to the approval of GATU. In addition, the Illinois Administrative Code (Code) did not require the exceptions to be published in the CSFA within 30 days as required by the Act.

During the current examination, our sample testing showed allowed exceptions were published timely in the CSFA within 30 days after the allowed exception was approved by GATU. In addition, the Code was amended requiring State agencies to record the exceptions in the CSFA within 30 days after the exception is allowed. (Finding Code No. 2021-002, 2019-004)