



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

**ILLINOIS STATE POLICE
STATE ASSET FORFEITURE FUND**

**Limited Scope Compliance Examination
 For the Two Years Ended June 30, 2020**

Release Date: May 4, 2021

FINDINGS THIS AUDIT: 4	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	4	0	4	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	4	0	0				
FINDINGS LAST AUDIT: NA*							

*This is the first Limited Scope Compliance Examination of the State Asset Forfeiture Fund.

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we expressed an adverse opinion on the Illinois State Police State Asset Forfeiture Fund’s compliance with the specified requirements which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.72) states a practitioner “should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.” This is the first Limited Scope Compliance Examination of the State Asset Forfeiture Fund.

SYNOPSIS

- **(20-001)** The Department did not maintain adequate internal controls over receipts and reconciliations.
- **(20-002)** The Department did not comply with the Seizure and Forfeiture Reporting Act.
- **(20-004)** The Department did not have adequate internal controls to demonstrate the schedules and components (report components) within the Department’s *Compliance Examination Report* were complete and accurate.

<p>Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).</p> <p>Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.</p> <p>Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.</p>

**STATE ASSET FORFEITURE FUND
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

Usually, digests of compliance reports released by the Auditor General include certain key expenditure statistics, receipts processed, and the total number of employees at the auditee. As described in Finding 2020-004 (pages 14 – 16), the Department’s internal controls were inadequate to (1) prepare the schedules and components (report components) and (2) demonstrate the report components Department management prepared were complete and accurate. As this part of the normal digest consists of data derived from various report components within the Department’s *Compliance Examination Report*, this information is unable to be provided.

DEPARTMENT DIRECTOR
During Examination Period: Mr. Leo Schmitz (07/01/18 - 01/20/19), Mr. Brendan F. Kelly (Acting) (01/21/19 - 10/29/19), and (Mr. Brendan F. Kelly (10/30/19 - Present) Currently: Mr. Brendan F. Kelly

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS OVER RECEIPTS AND
RECONCILIATIONS**

The Illinois State Police (Department) did not maintain adequate internal controls over receipts and reconciliations.

Controls over cash receipts

During testing, we requested the Department provide the population of cash receipts received by the Department during Fiscal Years 2019 and 2020 for the State Asset Forfeiture Fund (Fund 514) in order to test compliance applicable to those receipts. In response to our request, the Department provided a listing of cash receipts. We noted the Department's population of cash receipts did not agree to the documentation in the Department's Revenue Status Report (SB04) reconciliations for Fiscal Year 2019 or Fiscal Year 2020.

Receipt records did not agree with its receipt reconciliations

Even given the population limitations noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we tested seven of 8 (88%) receipts, totaling \$43,430, which did not include documentation to support the date the check was received. Therefore, timeliness of the deposit could not be determined.

Accountant unable to conclude the Department's receipt records were sufficiently precise and detailed

In addition, we noted the Department did not maintain proper segregation of custody and recordkeeping duties over receipt collection and processing. One employee was responsible for:

Inadequate segregation of duties

- Preparing a log of receipts received;
- Recording receipts in the receipts ledger; and
- Depositing funds into the State Treasury.

Controls over cash reconciliations

During testing of Fiscal Year 2020 and 2019 reconciliations between the Comptroller's records and the Department's records for Fund 514, we noted:

Monthly revenue reconciliations not performed timely

- Monthly Revenue Status Report (SB04) reconciliations for one of 24 (4%) months were not performed within 60 days following the end of the month. The SB04 reconciliation was completed 25 days late. Additionally, year-to-date SB04 reconciliations for Fiscal Years ended June 30, 2020 and 2019 contained unexplained reconciliation discrepancies totaling a net amount of \$624, and \$673,106, respectively.

- SB04 reconciliations for Fiscal Year 2020 were not reconciled by receipt account; whereby each Fund was reconciled in total.
- SB04 reconciliations for Fiscal Years 2020 and 2019 were not reviewed by an independent person. (Finding 1, pages 9-11)

Independent person did not review the reconciliations

We recommended the Department establish proper segregation of duties over the receipts process, perform supervisory review over all reporting and transaction processing, strengthen procedures to properly reconcile receipts, and maintain accurate documentation to support receipt activities and related reviews performed.

Department concurred with accountants

Department management concurred with our finding and recommendation.

FAILURE TO COMPLY WITH THE SEIZURE AND FORFEITURE REPORTING ACT

The Illinois State Police (Department) did not comply with the Seizure and Forfeiture Reporting Act (Act).

Rules for the categorization of expenditures not adopted

The Act (5 ILCS 810/10(d)), effective August 3, 2018, requires the Department to adopt rules to administer the asset forfeiture program, including the categories of authorized expenditures consistent with the statutory guidelines for each of the included forfeiture statutes, the use of forfeited funds, other expenditure requirements and the reporting of seizure and forfeiture information. However, the Department had not adopted rules regarding the categorization of authorized expenditures to ensure they were consistent with the statutory guidelines for each forfeiture statute.

Accountants unable to test due to lack of rules

The Act (5 ILCS 810/15) requires the Auditor General to conduct an audit of the State Asset Forfeiture Fund for compliance with the requirements of the Act. However, due to the lack of rules we were unable to test the disbursements to determine if they were made in accordance with the Act. Furthermore, we could not determine if the administrative costs charged to the fund were reasonable. (Finding 2, page12)

We recommended the Department comply with the Act and adopt rules regarding the disbursements of forfeitures.

Department concurred with accountant

Department management concurred with our finding and stated they are in the final process of drafting rules, which will be presented to the Joint Committee on Administrative Rule this year (2021).

FAILURE TO DEMONSTRATE THE COMPLETENESS AND ACCURACY OF THE REPORT COMPONENTS

The Illinois State Police (Department) did not have adequate internal controls to demonstrate the schedules and components (report components) within the Department's *Compliance Examination Report* were complete and accurate.

During the course of this examination, we noted the Department's internal controls were inadequate to both (1) prepare the report components and (2) demonstrate the report components Department management prepared were complete and accurate. Specifically, we noted the following:

Inadequate internal controls

Differences between the Department's records and the Comptroller's records

Department could not prepare their Functions and Planning report component

Analysis omitted significant variations

Report components excluded from Compliance Examination Report

Department concurred with accountants

- The *Schedules of Appropriations, Expenditures, and Lapsed Balances*, the *Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances*, the *Comparative Schedule of Net Expenditures by Major Activity*, and the *Comparative Schedule of Cash Receipts and Deposits into the State Treasury* were prepared by Department management from their own records. However, our review of the *Schedules*, noted differences between the Department and the Office of the Comptroller's records.
- The *Analysis of Operations (Functions and Planning)*, which comments on the Department's purpose, primary function and major programs could not be prepared due to the lack of Administrative Rules being developed as required by the Seizure and Forfeiture Reporting Act.
- The *Analysis of Significant Variations in Expenditures*, the *Analysis of Significant Variations in Receipts*, and the *Analysis of Significant Lapse Period Spending* which comments on the underlying cause for why significant variations occurred within various line item expenditures, receipts and lapse period spending during each fiscal year, as measured by dollar amount or percentage change, omitted several significant variances between fiscal years 2020 and 2019.

As a result of these deficiencies, these report components were excluded from the Department's *Compliance Examination Report*. (Finding 4, pages 14-16)

We recommend the Department implement controls to ensure report components are accurately and completely prepared in future compliance examinations.

Department management concurred with our finding and recommendation.

OTHER FINDING

The remaining finding pertains to noncompliance with the Seizure and Forfeiture Reporting Act. We will review the Department's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a limited scope compliance examination of the State Asset Forfeiture Fund for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. Because of the effect of the noncompliance described in Findings 2020-001 through 2020-004, the accountants stated the Department did not materially comply with the requirements described in the report.

This limited scope compliance examination was conducted by West & Company, LLC.

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

FJM:mkl