

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
STATE COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2022

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

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**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

BOARD OFFICIALS

| | |
|--------------------|------------------------|
| Executive Director | Mr. Matthew von Behren |
| Deputy Director | Ms. Jessica Molloy |

BOARD OFFICER

| | |
|--|-------------------|
| Chair of the Board (05/06/22 – Present) | Ms. Jaemie Neely |
| Chair of the Board (07/01/20 – 05/05/22) | Mr. Frank J. Vala |

GOVERNING BOARD MEMBERS

| | |
|------------------------------|---------------------|
| Member (09/20/22 – Present) | Mr. Ron Anderson |
| Member (09/16/22 – 09/19/22) | Vacant |
| Member (07/01/20 – 09/15/22) | Mr. Ed Bedore |
| Member* | Mr. Ricardo Morales |
| Member* | Mr. Larry Ivory |
| Member* | Mr. Bill Black |

*Serving an expired term.

BOARD OFFICE

The Procurement Policy Board's administrative office is located at:

607 East Adams, Suite 1520
Springfield, Illinois 62701



Chairman: Jaemie Neely
Members: Larry Ivory, Ricardo Morales, Ron Anderson, Bill Black

MANAGEMENT ASSERTION LETTER

March 11, 2024

Honorable Frank J. Mautino
Auditor General
State of Illinois
400 West Monroe, Suite 306
Springfield, Illinois 62704

Auditor General Mautino:

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, Procurement Policy Board (Board). 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 Board's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Board has materially complied with the specified requirements listed below.

- A. The Board 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 Board 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 Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Yours truly,

State of Illinois, Procurement Policy Board

SIGNED ORIGINAL ON FILE

Matthew von Behren, Executive Director

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

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 | 8 | 3 |
| Repeated Findings | 3 | 1 |
| Prior Recommendations Implemented or Not Repeated | 0 | 0 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|--------------------|-----------------------------------|---|--|
| Current Findings | | | | |
| 2022-001 | 8 | 2020/2018 | Inadequate Controls over Voucher Processing | Material Weakness and Material Noncompliance |
| 2022-002 | 11 | New | Inadequate Controls over State Property | Material Weakness and Material Noncompliance |
| 2022-003 | 14 | New | Inadequate Controls over Population of Alleged Conflicts of Interest and Procurement Code Violation Reports | Material Weakness and Material Noncompliance |
| 2022-004 | 16 | New | Inadequate Controls over Cybersecurity | Significant Deficiency and Noncompliance |

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|-------------|----------------------------|---|--|
| Current Findings | | | | |
| 2022-005 | 18 | 2020/2020 | Inadequate Controls over Reporting Requirements | Significant Deficiency and Noncompliance |
| 2022-006 | 23 | 2020/2020 | Noncompliance with Board Requirements | Significant Deficiency and Noncompliance |
| 2022-007 | 24 | New | Procedural Deficiencies | Significant Deficiency and Noncompliance |
| 2022-008 | 27 | New | Inadequate Controls over Census Data | Significant Deficiency and Noncompliance |

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on March 7, 2024.

Attending were:

Procurement Policy Board

Matt von Behren, Executive Director

Jessica Molloy, Deputy Director

Office of the Auditor General

Quentin Kuntzman, Audit Manager

Andrea Alderman, Audit Supervisor

Kyle Wilford, State Auditor

Anthony Giordano, State Auditor

The responses to the recommendations were provided by Matt von Behren, Executive Director, in a correspondence dated March 11, 2024.

SPRINGFIELD OFFICE:
400 W. MONROE
SUITE 306 • 62704
PHONE: 217/782-6046 • FAX: 217/785-8222
TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Procurement Policy Board

Report on State Compliance

We have examined compliance by the State of Illinois, Procurement Policy Board (Board) 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, 2022. Management of the Board is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Board's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Board 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 Board 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 Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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 Board complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Board 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 Board's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Board during the two year's ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-001 through 2022-003, the Board 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 Board complied with the specified requirements during the two years ended June 30, 2022, 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 2022-004 through 2022-008.

The Board's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Board'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 Board 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 Board's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Board's compliance with the specified requirements and to test and report on the Board's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 material weaknesses 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 a 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 items 2022-001 through 2022-003 to be material weaknesses.

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 2022-004 through 2022-008 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Board's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Board'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

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
March 11, 2024

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-001. **FINDING** (Inadequate Controls over Voucher Processing)

The Procurement Policy Board’s (Board) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Board to determine whether certain key attributes were properly entered by the Board’s staff into the ERP. In order to determine the operating effectiveness of the Board’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 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.

Our testing noted 25 of 140 (18%) attributes were not properly entered into the ERP. Therefore, the Board’s internal controls over voucher processing **were not operating effectively**.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Board to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller’s Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure.

Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Board to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State’s resources.

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

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-001. **FINDING** (Inadequate Controls over Voucher Processing) – Continued

Even given the limitations noted above, we conducted an analysis of the Board’s expenditure data for Fiscal Year 2021 and Fiscal Year 2022 and noted the following noncompliance:

- The Board did not timely approve 20 of 179 (11%) vouchers processed during the examination period, totaling \$40,741. The vouchers were approved between 2 and 29 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Board to timely review each vendor’s invoice and approve proper bills within 30 days after receipt.

- For 4 of 35 (11%) vouchers tested, totaling \$1,542, the Board did not utilize the correct detail expenditure (object) codes for all components of the voucher, resulting in \$610 being allocated to the incorrect code.

The SAMS (Procedure 11.10.60) requires the Board, when preparing documentation for the Office of Comptroller to pay an invoice, to determine which detail expenditure (object) code to use so that the Office of Comptroller can report expenditure information at a refined level.

During the prior examination, Board management indicated the vouchers were not approved timely due to staff oversight and unfamiliarity with required Board responsibilities within the ERP system regarding the processing of interest vouchers. During the current examination, Board management indicated the problems noted above were due to employee errors and a misunderstanding of the key attribute field for the later of the receipt date of the proper bill or receipt date of the goods and/or services within the ERP system.

Failure to properly enter the key attributes into the State’s ERP system when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP system, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. Lastly, improper use of detail expenditure (object) codes limits the Comptroller’s ability to accurately report the State’s expenditure information at a refined level and represents noncompliance with SAMS. (Finding Code No. 2022-001, 2020-001, 2018-001)

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-001. **FINDING** (Inadequate Controls over Voucher Processing) – Continued

RECOMMENDATION

We recommend the Board design and maintain internal controls to provide assurance its data entry of key attributes into the ERP system is complete and accurate. Further, we recommend the Board approve proper bills within 30 days of receipt and utilize appropriate detail expenditure (object) codes.

BOARD RESPONSE

The Board agrees with the recommendation.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-002. **FINDING** (Inadequate Controls over State Property)

The Procurement Policy Board (Board) did not exercise adequate controls over the recording and reporting of State property.

During testing we noted the following:

- One item purchased during the examination period, totaling \$665, was not added to the Board’s property listing or tagged with a State property label.

The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.400) requires the Board to adjust its property records within 90 days after acquisition, change, or deletion of equipment.

The Code (44 Ill. Admin. Code 5010.210) also requires the Board to mark each piece of State-owned equipment in their possession to indicate that it is the property of the State of Illinois.

- Six obsolete or unused equipment items, totaling \$330, had not been transferred to the Department of Central Management Services (CMS).

The Code (44 Ill. Admin. Code 5010.600) defines transferable equipment as State-owned equipment, which is no longer needed and/or is not useful to the Board.

The Code (44 Ill. Admin. Code 5010.620) also requires the Board to regularly survey its inventory to identify transferable equipment and report it to the Property Control Division at CMS.

In addition, the Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires all assets that are obsolete, damaged, or no longer used in operations to be identified and, if necessary, removed from the Board’s asset records.

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that transfers of assets applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-002. **FINDING** (Inadequate Controls over State Property) – Continued

- Six of six (100%) items selected for additions testing, totaling \$4,042, were recorded on the Board’s property records at an incorrect value, resulting in an overstatement of \$229.

The Code (44 Ill. Admin. Code 5010.240(e)(1)) requires the Board to report the purchase price of the equipment inventoried. The purchase price is the price of the equipment delivered and installed, including delivery and installation cost, if any.

- Six of six (100%) items selected for additions testing, totaling \$4,042, were not timely reported on the Board’s *Agency Report of State Property* (Form C-15). Items were reported between 168 and 299 days late

The Code (44 Ill. Admin. Code 5010.400) requires the Board to adjust property records within 90 days of acquisition, change, or deletion of equipment items

- The Board included a lost item, totaling \$114, on its annual certifications of inventory filed with CMS during Fiscal Year 2021 and Fiscal Year 2022.

The FCIAA (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

In addition, the State Property Control Act (Act) (30 ILCS 605/4) requires the Board to be accountable for the supervision, control, and inventory of all items under its control.

- The Board utilizes two property tracking systems, one in the Enterprise Resource Planning System (ERP) and one in an internal database. The Board failed to update both systems at the same time for one of six (17%) items selected for additions testing. The Board added the item to ERP 76 days after adding the item to its database.

The FCIAA (30 ILCS 10/3001) requires the Board 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.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-002. **FINDING** (Inadequate Controls over State Property) – Continued

- The Board failed to adopt a policy that clearly delineates the categories of equipment it considers to be subject to high theft.

The Code (44 Ill. Admin. Code 5010.210(c)) requires the Board to adopt policies clearly delineating categories of equipment considered to be subject to theft.

Board management indicated the above issues were the result of management oversight and employee error.

Internal control deficiencies over property reporting and recordkeeping diminish the accurate reporting and reliability State asset information, increase the potential for theft or misappropriation of assets, and represent noncompliance with State regulations. (Finding Code No. 2022-002)

RECOMMENDATION

We recommend the Board strengthen its internal controls over State property by regularly reviewing the Board’s property listing, including recent equipment transactions, to ensure it is complete and accurate and by timely recording equipment transactions.

BOARD RESPONSE

The Board agrees with the recommendation.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-003. **FINDING** (Inadequate Controls over Population of Alleged Conflicts of Interest and Procurement Code Violation Reports)

The Procurement Policy Board (Board) did not exercise adequate internal controls over its alleged conflicts of interest or Procurement Code violation reports received during the examination period.

The Illinois Procurement Code (Code)(30 ILCS 500/5.5(h)) requires a chief procurement officer, State purchasing officer, or any person or entity to notify the Board if an alleged conflict of interest or violation of the Code is identified, discovered, or reasonably suspected to exist. The Board, in turn, is required to review the alleged conflicts of interest or violations and provide a recommendation regarding the matter to the appropriate chief procurement officer and Executive Ethics Commission within seven calendar days of receipt.

During testing, we were unable to verify the completeness and accuracy of the Board's population of alleged conflicts of interest or Code violation reports received during the examination period. We noted the Board did not have adequate controls in place to track the receipt of alleged conflict of interest or Code violation reports and was unable to provide adequate records to substantiate the completeness of the population listing.

Due to these conditions, we were unable to conclude whether the Board's population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to sufficiently test the Board's compliance with the Code.

The State Records Act (5 ILCS 160/8) requires the Board to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board 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.

Board management disagrees and maintains a complete listing of all conflict of interest matters and violation reports received during the examination period was provided.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-003. **FINDING** (Inadequate Controls over Population of Alleged Conflicts of Interest and Procurement Code Violation Reports) – Continued

Failure to establish adequate controls and to maintain sufficient documentation over the Board’s tracking of alleged conflicts of interest or violations of the Code represents noncompliance with State statute and limits the Board’s ability to substantiate compliance with the Code. (Finding Code No. 2022-003)

RECOMMENDATION

We recommend the Board design and maintain adequate internal controls over its tracking of conflict of interest and Code violation reports received to ensure compliance with State laws and regulations.

BOARD RESPONSE

The Board agrees that it can strengthen its control over its tracking of potential conflict of interest reviews but maintains that it provided all relevant material during the exam period.

ACCOUNTANT’S COMMENT

Internal controls over the monitoring of conflict of interest and Code violation reports are imperative to demonstrate a full accounting of such reports received during a given time period. During our testing, we noted the Board lacked a system of controls over its tracking and filing of conflict of interest and Code violation reports received. Thus, we were unable to determine the Board’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to sufficiently test the Board’s compliance with the Code.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-004. **FINDING** (Inadequate Controls over Cybersecurity)

The Procurement Policy Board (Board) did not maintain adequate internal controls related to cybersecurity programs and practices.

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 testing of the Board’s cybersecurity programs and practices, we noted the Board:

- Had not performed a comprehensive risk assessment to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Had not classified its data to identify and ensure adequate protection of information.
- Had not evaluated and implemented appropriate controls to reduce the risk of attack.
- Had not developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental, and operational requirements.
- Had not enabled encryption capabilities on three of three (100%) of the Board’s computers selected for testing.

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

Additionally, 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 (NIST) 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.

Board management indicated issues above were due to their reliance on the Department of Innovation and Technology.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-004. **FINDING** (Inadequate Controls over Cybersecurity) – Continued

The lack of adequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities and ultimately lead to the Board’s confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-004)

RECOMMENDATION

We recommend the Board establish adequate cybersecurity programs and practices to minimize the possibility of the Board’s confidential and personal information becoming subject to cyber-attacks and unauthorized disclosure. Specifically, we recommend the Board perform a comprehensive risk assessment, classify its data, evaluate and implement controls to reduce risk of attack, develop a formal program and communicate it with staff, and enable encryption on the Board’s computers.

BOARD RESPONSE

The Board agrees with the recommendation and will work with outside State agencies to accomplish this recommendation as the Board does not have internal IT staff.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-005. **FINDING** (Inadequate Controls over Reporting Requirements)

The Procurement Policy Board (Board) did not exercise adequate internal control over its external reporting.

During our testing of the Board’s annual reports and Renewal and Extension Reports, we noted the following:

- The Board failed to make and deliver annual reports to the Governor for Fiscal Year 2020 and Fiscal Year 2021.

Prior to May 13, 2022, the State Finance Act (30 ILCS 105/3) required the Board to file an annual report for the previous fiscal year, at least 10 days preceding each regular session of the General Assembly, to the Governor’s Office. Beginning May 13, 2022, the State Finance Act requires the Board, no later than January 7 of each year, to make and deliver an annual report with its acts and doings to the Governor for the previous fiscal year.

- The Board failed to retain sufficient documentation to substantiate the date the Board filed a copy of its Fiscal Year 2021 Renewal and Extension Report with the General Assembly. Therefore, we were unable to determine if the Board filed the report timely.

The Procurement Code (30 ILCS 500/20-60(c)) requires the Board to file a report with the General Assembly by August 1 each year identifying for the previous fiscal year (i) the proposed extensions or renewals of contracts with costs exceeding \$249,999 that were filed with the Board and whether the Board objected and (ii) the contracts exempt from this subsection of the Procurement Code.

Further, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Board designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board’s activities.

- The Board was unable to substantiate its annual reports and Renewal and Extension Reports were published on its website.

The General Assembly Organization Act (25 ILCS 5/3.1) requires the Board post all reports delivered to the General Assembly for a reasonable amount of time on the Board’s website.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

During our testing of the Board’s Agency Workforce Reports, we noted the following:

- The Board failed to provide copies of its Fiscal Year 2020 and Fiscal Year 2021 Agency Workforce Reports with the Governor.

The State Employment Records Act (5 ILCS 410/20) requires the Board to file an annual Agency Workforce Report with the Office of the Secretary of State and the Governor by January 1.

- The Board failed to file a corrected copy of its Fiscal Year 2019 Agency Workforce Report with the Governor and the Office of the Secretary of State.

The Illinois State Auditing Act (30 ILCS 5/3-2.2) requires State agencies to file corrected Agency Workforce Reports with the Governor and the Office of the Secretary of State within 30 days of the examination report release.

During our testing of the Board’s Public Accountability Reports (PAR), we noted the following:

- The Board did not timely file its Fiscal Year 2020 PAR with the Comptroller. The report was filed 60 days late.

Prior to January 1, 2021, the Statewide Accounting Management System (SAMS) (Procedure 33.20.20) required the Board to submit annually to the Comptroller the PAR as part of the year-end reporting package by November 15. Effective January 1, 2021, the PAR is due to the Comptroller by December 15.

- The Board inaccurately reported information within its Fiscal Year 2020 PAR and Fiscal Year 2021 PAR. Inaccurate reporting measurements included the number of Board meetings held, the number of State employees who received the National Institute of Government Purchasing (NIGP) training annually, and the number of classes provided by the NIGP annually.
- The Board was unable to provide supporting documentation for the percentage of contracts reviewed within 14 days reporting measurement for its Fiscal Year 2020 PAR and Fiscal Year 2021 PAR.

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2022-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

The State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Board designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

In addition, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Further, SAMS (Procedure 33.20.20) provides reporting instructions for the PAR. SAMS states agencies should be able to substantiate their reports by maintaining adequate and appropriate documentation to support their mission statements, goals, objectives, and performance measures. SAMS states this would include such elements as statutory or other authoritative sources for programs, mission statements, goals and objectives, definitions of performance indicators and data, the data collection and reporting process, the data storage and retrieval environment etc.

During our testing of reporting requirements to the State Library, we noted the following:

- The Board did not provide and deposit with the State Library copies of all publications issued by the Board, including electronic publications, for its collection and exchange purposes during the examination period. This includes the Board's annual reports and the Renewal and Extension reports.

The State Library (Act) (15 ILCS 320/7(t)) requires the Board to furnish copies of its reports to the General Assembly to the State Government Report Distribution Center at the State Library.

In addition, the Act (15 ILCS 320/21(a)) requires the Board to provide and deposit with the Illinois State Library sufficient copies of all publications issued for its collection and for exchange purposes.

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2022-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

- The Board did not inform the State Library of the person, or persons, responsible for publications of the Board during Fiscal Year 2021.

The Illinois Administrative Code (23 Ill. Admin. Code 3020.150) requires the Board, by July 15 of each year, and two weeks after any changes, to inform the Government Documents Section in writing of the person, persons, or positions responsible for distribution of publications of the Board.

We also noted the following:

- The Board’s Fiscal Year 2021 and Fiscal Year 2022 FCIAA certifications did not state whether the systems of internal fiscal and administrative controls of the Board either fully complied or did not fully comply with the requirements of the FCIAA.

The FCIAA (30 ILCS 10/3003) requires the Board to prepare and submit to the Auditor General a certification that states whether the systems of internal fiscal and administrative controls of the Board fully comply or do not fully comply with the requirements of the FCIAA by May 1 of each year.

During the prior examination, Board management indicated the issues noted were due to employee error in preparing the Agency Workforce Report, unfamiliarity with reporting requirements to the Governor and State Library, and the Board hand-delivering its Renewal and Extension Reports to the General Assembly. During the current examination, board management indicated the deficiencies noted related to the PAR reports were due to issues surrounding the COVID-19 pandemic, a misunderstanding of reporting measurements, and a conscious decision to not maintain documentation on the percentage of contracts reviewed within 14 days; the Board indicated it does not have the authority to review outside of the 14 day period. For all other deficiencies noted, Board management indicated they were a result of employee error.

Failure to submit statutorily required reports in a timely manner, or at all, and to update required Board information prevents the appropriate oversight authorities from receiving relevant feedback for monitoring of programs and can have an effect on future decisions. In addition, failure to submit accurate reports reduces the reliability of State data. (Finding Code No. 2022-005, 2020-003)

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2022-005. **FINDING** (Inadequate Controls over Reporting Requirements) – Continued

RECOMMENDATION

We recommend the Board strengthen its controls to ensure required reports are prepared, completed accurately and timely, properly supported, and submitted to the appropriate entities.

BOARD RESPONSE

The Board agrees with the recommendation.

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
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2022-006. **FINDING** (Noncompliance with Board Requirements)

The Procurement Policy Board (Board) was not seated in accordance with the requirements set forth in the Illinois Procurement Code (Code).

During testing, we noted two of five (40%) Board members who served throughout the engagement period were serving on expired terms. The terms of these two members expired on May 5, 2013, and July 11, 2017. These positions are to be filled by the President of the Senate and the House Minority Leader, respectively.

The Code (30 ILCS 500/5-5(c-d)) requires the Board to consist of five members appointed one each by the four legislative leaders and the Governor for terms of four years.

During the previous examination, Board management indicated they do not have the authority to appoint or reappoint members, as the legislative leaders and the Governor are charged with the duty to make these appointments. During the current examination, Board management indicated they have contacted the appropriate legislative leaders but have yet to receive notification of new appointments.

Failure to appoint Board members in a timely manner may affect the full and transparent exercise of the Board's appointed powers and responsibilities and represents noncompliance with the Code. (Finding Code No. 2022-006, 2020-002)

RECOMMENDATION

We recommend the Board continue to work with the Governor, the President of the Senate, the Speaker of the House, and the House Minority Leader to ensure the Board's expired terms are filled or renewed timely.

BOARD RESPONSE

The Board agrees with this recommendation and will continue to work with the legislative leaders to ensure compliance with the statute.

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PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2022-007. **FINDING** (Procedural Deficiencies)

The Policy Procurement Board (Board) did not comply with certain procedural requirements established by State laws and regulations.

During testing, we noted the following:

- For one of two (50%) employees selected for testing, the Board withheld State income taxes at an incorrect rate based upon the employee's *Illinois W-4 Employee's Illinois Withholding Allowance Certificate*, resulting in an underpayment of \$5 from the employee's pay.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Effective internal controls should include procedures to ensure amounts withheld from employees' pay are accurate.

- The minimum amounts listed in the Board's Vehicle Policy did not comply with the Illinois Vehicle Code (Code). Specifically, the Board's Vehicle Policy required the minimum amounts of insurance coverage for bodily injury of any one person in the amount of \$20,000, bodily injury for multiple persons in the amount of \$40,000, and property damage in the amount of \$15,000.

The Code (625 ILCS 5/1-164.5) requires Board employees using privately owned vehicles for State business to provide proof of ability to respond in damages for any liability thereafter incurred resulting from the ownership, maintenance, use, or operation of a motor vehicle for bodily injury to or death of any person in the amount of \$25,000, and subject to this limit for any one person injured or killed, in the amount of \$50,000 for bodily injury to or death of 2 or more persons in any one accident, and for damage to property in the amount of \$20,000.

- The minutes for two of seven (29%) Board meetings held during the examination period were not posted to the Board's website for public inspection.

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2022-007. **FINDING** (Procedural Deficiencies) – Continued

The Open Meetings Act (5 ILCS 120/2.06(b)) requires the Board to post the minutes of its regular meetings open to the public on the Board’s website within 10 days after the approval of such minutes.

- The Board’s Policy Manual was not updated to reflect the Board’s current office address.

The FCIAA (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls.

Effective internal controls should include procedures to ensure the Policy Manual is periodically reviewed and updated.

Regarding the State income tax withholding issue, Board management indicated they believed they had no control over withholding amounts as they were automatically calculated by the Central Payroll System (CPS). For the remaining issues noted, Board management indicated these deficiencies were the result of management oversight and error.

Failure to withhold the correct State tax amount from employees and to update the Board’s Vehicle Policy could result in unnecessary legal risks. Failure to review and update the Board’s address in its Policy Manual provides employees with inaccurate information. In addition, periodic evaluations of the Board’s internal controls, including its Policy Manual, are necessary to determine whether existing measures are adequate to safeguard assets, ensure the accuracy and reliability of accounting data, and encourage adherence to legal requirements and prescribed management policy. Further, failure to post Board meeting minutes on the Board’s website for public inspection limits the transparent exercise of the Board’s appointed powers and responsibilities. (Finding Code No. 2022-007)

RECOMMENDATION

We recommend the Board strengthen its controls over payroll processing to provide assurance employee payroll is accurately calculated. In addition, we recommend the Board periodically review its Policy Manual and formally update it as needed. Lastly, we recommend the Board ensure all of its Board meeting minutes are posted to the Board’s website.

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2022-007. **FINDING** (Procedural Deficiencies) – Continued

BOARD RESPONSE

The Board agrees with the recommendation.

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SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

2022-008. **FINDING** (Inadequate Controls over Census Data)

The Procurement Policy Board (Board) did not timely complete a census data reconciliation to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Board's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we determined that the Board did not timely perform an initial complete reconciliation of its census data recorded by SERS to its internal records to establish a base year of complete and accurate census data. The Board submitted its reconciliation on February 7, 2022, 158 days after the deadline of September 1, 2021.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually

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2022-008. **FINDING** (Inadequate Controls over Census Data) – Continued

reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Board to make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Board's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Board to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Board management indicated the delay of the reconciliation was due to management error.

Failure to timely reconcile active members' census data reported to and held by SERS to the Board's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2022-008)

RECOMMENDATION

We recommend the Board timely complete the SERS annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary.

BOARD RESPONSE

The Board agrees with the recommendation and has subsequently taken measure to ensure all future reports have been timely submitted.