

**General Assembly Retirement System
of the State of Illinois**
(a component unit of the State of Illinois)

State Compliance Examination

For the Two Years Ended June 30, 2023
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

**General Assembly Retirement System of the State of Illinois
(a component unit of the State of Illinois)
State Compliance Examination**

For the Two Years Ended June 30, 2023

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**General Assembly Retirement System of the State of Illinois
(a component unit of the State of Illinois)
State Compliance Examination**

For the Two Years Ended June 30, 2023

System Officials

Executive Secretary	Timothy B. Blair
Accounting Division Manager	Kristi Conrad, Acting (01/01/2023 to present) Alan Fowler, CPA (Through 12/31/2022)
Legal Counsel	Samantha Goetz (10/3/2022 to present) Vacant (02/05/2022 - 10/02/2022) James Stivers (Through 02/04/2022)
Division Manager	Angie Ackerson
Chief Internal Auditor	Casey Evans

Governing Board

Chair of the Board of Trustees	Senator Robert Martwick
Trustee (06/16/2023 – present)	Senator Chapin Rose
Trustee (01/11/2023 – 06/15/2023)	Vacant
Trustee (Vice-Chair) (Through 01/10/2023)	Senator Dave Syverson
Trustee	Senator Napoleon Harris III
Trustee (Vice-Chair) (05/31/2023 – present)	Representative Norine Hammond
Trustee (Vice-Chair) (01/11/2023 – 06/15/2023)	Vacant
Trustee (Through 01/10/2023)	Representative Charles Meier
Trustee (01/11/2024 - present)	Representative Barbara Hernandez
Trustee (08/16/2023 – 01/10/2024)	Vacant
Trustee (06/16/2023 – 08/15/2023)	Representative Lakesia Collins
Trustee (01/11/2023 – 06/15/2023)	Vacant
Trustee (Through 01/10/2023)	Representative Michael Halpin
Trustee (01/06/2024 – present)	Vacant
Trustee (Through 01/05/2024)	Representative Jonathan Carroll
Trustee	Tom Ryder, Retirement Annuitant Member

Office Locations

Springfield Office
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794-9255

Chicago Office
State of Illinois Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601

MANAGEMENT ASSERTION LETTER

June 26, 2024

RSM US LLP
1450 American Lane
Suite 1400
Schaumburg, IL 60173

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 General Assembly Retirement System of the State of Illinois (System). 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 System'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 System has materially complied with the specified requirements below.

- A. The System 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 System 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 System 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 System 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 System on behalf of the State or held in trust by the System have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

General Assembly Retirement System of the State of Illinois

SIGNED ORIGINAL ON FILE

Timothy B. Bl... Executive Secretary

SIGNED ORIGINAL ON FILE

Kristi Conrad, CPA, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Samantha Goetz, General Counsel

**General Assembly Retirement System of the State of Illinois
(a component unit of the State of Illinois)
State 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

Number of	Current Report	Prior Report
Findings	2	1
Repeated findings	1	0
Prior recommendations implemented or not repeated	0	2

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
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Current Findings

2023-001	7	2021/2021	Inadequate Internal Controls over Access to Information Systems	Significant Deficiency and Noncompliance
2023-002	8	New	Inadequate Controls over Change Management	Significant Deficiency and Noncompliance

Exit Conference

The System waived an exit conference in a correspondence from Casey Evans, Chief Internal Auditor, on May 28, 2024. The responses to the recommendations were provided by Casey Evans, Chief Internal Auditor, in a correspondence dated June 4, 2024.

**Independent Accountant's Report
on State Compliance and on Internal Control Over Compliance**

Honorable Frank J. Mautino
Auditor General, State of Illinois

Board of Trustees
General Assembly Retirement System of the State of Illinois

Compliance

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the General Assembly Retirement System of the State of Illinois (System) 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 System is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the System's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The System 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 System 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 System 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 System 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 System on behalf of the State or held in trust by the System 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 System complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the System 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, 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 System's compliance with the specified requirements.

In our opinion, the System complied, in all material respects, with the specified requirements during the two years ended June 30, 2023. 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 System's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The System'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 System 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 System's internal control over the specified requirements as a basis for designing the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the System's compliance with the specified requirements and to test and report on the System's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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* 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* 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 System's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The System'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

Schaumburg, Illinois
June 26, 2024

**General Assembly Retirement System of the State of Illinois
(a component unit of the State of Illinois)**

**Schedule of Findings - State Compliance
For the Two Years Ended June 30, 2023**

Finding No. 2023-001 Inadequate Internal Controls over Access to Information Systems

The General Assembly Retirement System of the State of Illinois (System) did not have adequate controls in place over user access to its Information Technology (IT) systems.

During the compliance examination, the System utilized a combination of systems administered both internally as well as externally. During a review of both internal and external systems, we noted the System did not retain evidence of internal or external security reviews performed during the examination period.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the System 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.

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), Access Control section, requires entities to develop access provisioning policies and procedures and ensure access is provided on a needed basis and removed timely.

System management indicated the lack of evidence retention was due to not having a formalized process in place to document and perform the security reviews.

Failure to regularly monitor and remove access puts the System at risk of unauthorized access to its information systems. (Finding Code No. 2023-001, 2021-001)

Recommendation

We recommend the System perform and document security reviews to ensure that continued monitoring is being performed and possible changes or updates to access rights are being made.

System Response

The System agrees with the finding. The System will revise procedures of access control and maintain evidence of the access reviews.

**General Assembly Retirement System of the State of Illinois
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**Schedule of Findings - State Compliance (Continued)
For the Two Years Ended June 30, 2023**

Finding No. 2023-002 Inadequate Controls over Change Management

The General Assembly Retirement System of the State of Illinois (System) had not implemented adequate controls over change management.

During the compliance examination, we noted the System utilizes a combination of systems administered both internally as well as externally. These systems and applications are used in operations of the State Employees' Retirement System of Illinois, as well as for the Judges' Retirement System of the State of Illinois and the General Assembly Retirement System of the State of Illinois. During our examination procedures we noted the following:

- For a specific application, we requested the System provide documentation of changes going through the change management process. However, for 25 of 25 individual changes tested (100%), the System was unable to provide formal documentation of approval and segregation of duties between developers and promoters of changes to the application.
- For another specific application, we requested the System provide a complete and accurate listing of changes. The System provided a listing but was unable to provide evidence to document the completeness and accuracy of the listing. We did perform examination procedures on the listing provided and did not identify any specific exceptions.

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

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), Configuration Change Control Section, promotes controls for ensuring mechanisms exist to prohibit unauthorized changes to systems within the organization.

System management indicated the lack of controls were due to oversight.

Failure to maintain adequate controls over change management could result in unauthorized changes to existing systems. (Finding Code No. 2023-002)

Recommendation:

We recommend the System establish and maintain controls over change management to ensure changes are adequately authorized, developed, tested, and documented.

System Response:

The System agrees with the finding. The System will work to implement additional controls over change management and retain documentation for all system changes.