



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE GOVERNOR

State Compliance Examination
For the Two Years Ended June 30, 2023

Release Date: July 18, 2024

FINDINGS THIS AUDIT: 12				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	6	6	2021		9	
Category 2:	2	4	6	2019	1, 5, 6	8	
Category 3:	0	0	0	2017	4	10	
TOTAL	2	10	12	2011		7	
				2007	2, 3		
FINDINGS LAST AUDIT: 11							

INTRODUCTION

Because of the significance and pervasiveness of the findings described within the report, we (West and Co., LLC) expressed an **adverse opinion** on the Office's compliance with the specified requirements which comprise a State compliance examination. The Codification of Statements on Standards for Attestation Engagements (AT-C § 205.74) 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."

SYNOPSIS

- (23-1) The Office lacked adequate controls over the Illinois Governor's Mansion property and receipts.
- (23-2) The Office did not make all required appointments to various boards, commissions, councils, committees, and other entities to fill vacancies.
- (23-5) The Office did not have adequate controls over reconciliations of monthly appropriations, cash receipts, contracts, expenditures, obligations and cash balances.
- (23-6) The Office failed to maintain proper controls over its personal services functions.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER THE ILLINOIS GOVERNOR'S MANSION PROPERTY AND RECEIPTS

The Office lacked adequate controls over the Illinois Governor's Mansion (Mansion) property and receipts.

We noted:

Lack of support and reconciliation of the value of Mansion renovations

Lack of documentation of controls over Mansion usage fees

Unable to determine if fees reported were accurate and complete

- For prior period renovations contracted, overseen, and funded by the Illinois Governor's Mansion Association (Association), a not-for-profit tax exempt 501(c)(3) organization, the Office lacked supporting documentation for renovations recorded and had not performed a reconciliation between the value of the Association's renovations and the Office's property records or reports.
- For events held at the Mansion, coordinated and billed by the Association on behalf of the Office, the Office lacked documentation of controls over the charge and collection of fees for usage of the facility in order to ensure all fees were collected for the events held
- Due to the Office's lack of controls, we were unable to determine if the fees reported were accurate and included all fees charged. As a result, we were unable to conclude the Office's population records were sufficiently precise and complete in order to properly test usage fees. (Finding 1, pages 10-12) **This finding has been reported since 2019.**

We recommended the Office:

- Evaluate the procedures and strengthen the controls over property and equipment purchased by the Association and then donated to the State, to ensure accurate record keeping and reporting of all State assets;
- Ensure balances reported on the Form C-15 accurately reflect Office records;
- Maintain adequate records and documentation of Office property activities; and,
- Ensure controls are implemented and documented to ensure all fees collected by the Association on behalf of the Office are remitted

Office accepted finding

The Office accepted this finding and stated that in response to the previous examination the Office reviewed procedures and made changes to increase compliance. The Office further responded it will continue to review the procedures surrounding property and equipment acquisition and the transfer of property to the State and will implement additional procedures as necessary to reconcile any differences between the Office's and the Association's records. In addition, the

Office stated it will maintain current records related to property activity, incorporate additional records to clarify activities related to property management, and continue its efforts to ensure records accurately reflect rental fee income.

APPOINTMENTS OF MEMBERS TO BOARDS, COMMISSIONS, COUNCILS, AND COMMITTEES

The Office of the Governor (Office) did not make all required appointments to various boards, commissions, councils, committees, and other entities to fill vacancies.

We requested the Office to provide a listing of all statutory mandates in effect during the examination period, and noted the Office did not identify 36 applicable laws with specific mandates significant to the Office. Due to these process and control deficiencies, we were unable to conclude the Office's population records were sufficiently precise and detailed to fully test the Office's compliance with statutory mandates.

76% of active boards and commissions tested lacked required appointments

Despite these limitations, we selected samples of mandates identified and noted 44 of 58 (76%) boards, commissions, councils, and committees tested which were considered operational by the Office did not have the required number of Governor-appointed members. (Finding 2, pages 13-20) **This finding has been reported since 2007.**

We recommended the Office take necessary measures to ensure timely appointment of qualified members to the boards, commissions, councils, committees, and other entities as required by statute or seek legislative remedy.

Office accepted finding

The Office accepted this finding. The Office stated appointments require a nuanced level of attention to find candidates who satisfy the specific statutory requirements of over 4,500 positions on nearly 400 entities. Management further stated the Office prioritizes the appointment of members to regulatory boards and those boards that have insufficient numbers of sitting members to transact business because they do not have a quorum. The Office noted that individuals serving in expired terms on non-Senate confirmed entities are almost always able to hold over after their statutory terms have ended and until additional appointment action can be taken, and remain authorized to exercise the duties of the position and may continue to transact business on behalf of the state as de facto.

INADEQUATE CONTROLS OVER MONTHLY RECONCILIATIONS

The Office did not have adequate controls over reconciliations of monthly appropriations, cash receipts, contracts, expenditures, obligations and cash balances.

We tested Fiscal Years 2022 and 2023 reconciliations between the Office of Comptroller (Comptroller) records and the Office's records. Some of the exceptions noted include:

Monthly Appropriations Status Reports

- Fourteen of 28 (50%) Monthly Appropriations Status Reports (SB01) reconciliations did not include documentation of a review by an independent person.
- Five of 28 (18%) SB01 reconciliations were not provided.
- Nine of 28 (32%) SB01 reconciliations were completed 1 to 445 days late.
- The Office did not correct their records for net differences noted within the SB01 reconciliations.

Office records were not corrected for differences noted

Cash Reports

- Seventy-two of 72 (100%) Cash Report (SB05) reconciliations lacked sufficient documentation indicating a proper reconciliation was conducted. Thirty-three (46%) of the 72 SB05 reconciliations were not completed at all by the Office.
- Fifteen of 72 (21%) SB05 reconciliations did not include documentation of a reviewer.

Reconciliations were not performed, timely or fully completed, and/or independently reviewed

Agency Contract Reports and Obligation Activity Reports

- The Office did not perform 18 of 28 (64%) reconciliations for Fiscal Years 2022 and 2023.

Monthly Revenue Status Reports

- Seventeen of 24 (71%) Monthly Revenue Status Report (SB04) reconciliations tested did not include documentation of a review by an independent person.
- Ten of 24 (42%) SB04 reconciliations tested were prepared 5 to 616 days late.
- A reconciliation did not identify a \$10,000 overstatement on the Office's records.
- Five of 24 (21%) SB04 reconciliations did not properly identify reconciling in-transit items. (Finding 5, pages 25-27). **This finding has been reported since 2019.**

A \$10,000 overstatement was not identified

We recommended the Office implement adequate internal controls and maintain documentation demonstrating reconciliations are all properly performed and reviewed in a timely manner and discrepancies are investigated, resolved and reported as required

Office accepted finding

The Office accepted this finding and stated it has added "preparer" and "reviewer" staff to all reconciliations to document the review by an independent person. The Office also responded it added an ERP module, permitting in-transit items be more accurately reported, and all reconciliations are now completed via the ERP system.

FAILURE TO MAINTAIN PROPER CONTROLS OVER PERSONAL SERVICES FUNCTIONS

The Office failed to maintain proper controls over its personal services functions. We noted the following:

Personnel Files

Overpayment due to untimely removal of former employee from the payroll system

We noted one of the 17 (6%) employees we tested, who separated during the examination period, remained on the payroll for three pay periods after separation and was paid for one of those subsequent three pay periods. The Office overpaid \$3,552 for the separated employee, which they subsequently recovered.

Employee Attendance Records

Untimely submission and approval of timesheets and leave requests

We tested 60 employee's attendance records and noted:

- 18 of 60 (30%) weekly timesheets tested were completed 2 to 161 days late.
- 10 of 60 (17%) timesheets tested were approved 31 to 178 days after the period ended.
- 1 of 60 timesheets tested lacked supervisor approval.
- 14 of 60 (23%) employee leave requests tested were requested 2 to 77 days late, including 12 requests submitted after leave was taken.
- 16 of 60 (27%) employee absences were approved 7 to 211 days after the time was taken by the employee.

Payroll Withholding

Payroll withholdings at wrong rates

We tested 50 employee's payroll withholdings and noted 7 (14%) employees' federal and/or state income taxes were withheld at an incorrect rate.

Employee Training

We tested training records of new hires and noted 3 of 22 (14%) sampled employees lacked documentation of timely completion of ethics training after commencing employment.

Reporting

The Office failed to report employees with physical disabilities

The Office failed to report the 4 employees with physical disabilities on the Office's Fiscal Year 2021 Agency Workforce Report (Report) filed during the examination period. (Finding 6, pages 28-32) **This finding has been reported since 2019.**

We recommended the Office establish and enforce fiscal and administrative internal controls over its personal services functions, including:

- Strengthening its controls to ensure personnel transactions are timely recorded and reviewed;
- Ensuring employee authorizations for payroll deductions are entered into the payroll system timely and correctly;
- Ensuring documentation of employees' requests and approval of time off is completed timely;

- Ensuring employees submit and supervisors approve employee timesheets timely;
- Ensuring employees timely complete initial required trainings timely; and
- Accurately completing information reported on the Agency Workforce Reports.

Office accepted finding

The Office accepted this finding.

OTHER FINDINGS

The remaining findings pertain to statutory mandates, receipts processing, property, cybersecurity, voucher processing, the State's enterprise resources planning system, and travel.

We will review the Agency's progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Office for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2023-001 through 2023-006. Because of the significance and pervasiveness of the material noncompliance with the specified requirements described in these findings, the accountants stated the Office did not comply, in all material respects, with the requirements described in the report.

This 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

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