

LEGISLATIVE AUDIT COMMISSION

October 14, 2025

**Meeting Room Access
(LAC Members, Auditors, Invited Agency Officials and Media Personnel)**

Live Streaming for Public and Media Viewing for the Meeting at:

https://lac.ilga.gov/commission/lac/lac_home.html

Time: 9:00 am

Location: 114, Capitol Building Springfield, Illinois

AGENDA

- I. Review of Audits
 - A. Central Management Service FY22-23 Compliance Audit - Review #4590
 - B. Environmental Protection Agency FY21-22 Compliance Audit - Review #4591
FY23-24 Compliance Audit - Review #4592
 - C. Governors State University FY24 Compliance Audit - Review #4593
- II. LAC Financial Statements
 - A. August 2025 Lapse
 - B. August 2025
 - C. September 2025
- III. Minutes from LAC Meeting August 22, 2025
- IV. Other Items
 - A. Department of Human Services FY20-21 Compliance Audit
 - B. Department of Human Services FY22-23 Compliance Audit
 - C. Community Integrated Living Arrangement Program Performance Audit
 - D. Department of Human Services Office of Inspector General Performance Audit

V. Acknowledgement Report

- A. Follow-Up Report on the Program Audit of the Business Interruption Grant (BIG) Program.
- B. Follow-Up Report on the Performance Audit of the Economic Development for a Growing Economy (EDGE) Tax Credit Program.
- C. Follow-Up Report on the Management Audit of the Firearm Owner's Identification Card and Concealed Carry License Programs.
- D. Follow-Up Report on the Management and Program Audit of the Illinois State Police's Division of Forensic Services.
- E. Follow-Up Report on the Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Card Act.
- F. Follow-Up Report on the Management Audit of the Department of Children and Family Services' Search for Missing Children.
- G. Follow-Up Report on the Performance Audit of the Department of Children and Family Services LGBTQ Youth In Care.
- H. Follow-Up Report on the Performance Audit of the Department of Children and Family Services Investigations of Abuse and Neglect.
- I. Follow-Up Report on the Performance Audit of the Department of Children and Family Services' Placement of Children.
- J. State Universities Retirement System Special Funding Situation Allocation Schedules for FY 24.
- K. Follow-Up to Performance Audit Recommendations.

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Central Management Services
620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: #4590
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
TWO YEARS ENDED
JUNE 30, 2023

RECOMMENDATIONS – 10

IMPLEMENTED/PARTIALLY IMPLEMENTED – 10

REPEATED RECOMMENDATIONS – 8

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 16

This review summarizes the auditors' report of the Department of Central Management Services (CMS) the two years ended June 30, 2023, filed with the Legislative Audit Commission on May 7, 2024. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

Central Management Services (CMS) is the operational engine working behind the scenes to enable the State's more than 80 agencies, boards, and commissions to deliver efficient, reliable services to all Illinois citizens. The Agency's mission is to support the State by delivering innovative, responsive, and effective services that provide the best value for Illinois State government and the people it serves. Among the services CMS provides are human resources facilitation; benefits programs for employees, retirees and local governments; property and facilities management; diversity initiatives for State employment; joint purchasing support; vehicle fleet oversight and support; surplus property programs; print and electronic communications services; and administrative hearings coordination.

Raven DeVaughn was appointed Director in January 2023. Anthony Pascente was the Director during most of the audit period.

Appropriations and Expenditures

Appropriations (\$ thousands)	FY22		FY23	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Designated Purposes				
Awards & Exp. Of St. Gov't Suggestion Aw. Bd.	0.0	0.0	0.0	0.0
Back Wages Claims	1,900.0	1,886.0	1,500.0	1,499.8
Deposit into St. Garage Revolving Fund	30,000.0	30,000.0	0.0	0.0
Nurses' Tuition	30.0	23.7	86.1	86.0
Ordinary & Contingent Operational Lump Sum	47,092.1	46,314.2	53,514.5	53,099.2

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

Statewide Group Insurance	2,764,877.6	2,764,877.6	1,844,732.0	1,844,732.0
Upward Mobility Program	3,396.0	2,771.4	3,566.9	3,267.6
Total Designated Purposes	2,847,295.7	2,845,872.9	1,903,399.5	1,902,684.6
Grants				
Auto Liability, Adjust. & Admin. Of Claims, Loss Control & Prev. Serv., & Auto Liability Claims	5,460.3	4,890.5	3,600.0	1,479.4
Rep. & Indemnification for Pymt. Of Claims Under the St. Emp. Indemnification Act	1,445.3	1,313.4	2,001.3	2,001.2
Total Grants	6,905.6	6,203.9	5,601.3	3,480.6
TOTAL OTHER STATE FUNDS	2,854,201.3	2,852,076.8	1,909,000.8	1,906,165.2
OTHER STATE FUNDS				
Exp. Related to Admin. & Costs of Energy Transition Act	10,000.0	0.0	10,000.0	5,089.6
Exp. Related to Admin. & Costs of St. Garage	71,899.0	47,970.9	71,899.0	61,539.1
Exp. Related to Admin. Of St. Emp. Deferred Compensation Plan	1,600.0	921.8	1,400.0	779.6
Exp. Related to the Management of Facilities	286,102.3	226,893.1	290,102.3	267,937.4
Exp. Related to the Proc. Of Zero Emission Vehicles & Deploying Electrical Charging Infrastructure Throughout IL	30,000.0	0.0	30,000.0	0.0
Facilities Management Revolving Fund Int.	500.0	0.0	500.0	0.0
Group Insurance - Road Fund	130,993.4	130,993.4	110,283.1	110,283.1
Health Insurance Reserve Fund Prompt Pymt.	85,000.0	0.0	5,000.0	0.0
Life Insurance Cover. As Elected by Members per State Emp. Group Insurance Act	105,452.1	81,745.2	105,452.1	84,588.3
Professional Services	50,086.0	36,129.2	50,086.0	38,905.9
Provisions of Health Care Coverage as Elected by Members per State Emp. Group Insurance Act	4,915,000.0	3,010,091.2	3,695,000.0	3,002,362.9
Workers' Compensation Admin. Claims & Pymt.	118,516.2	104,725.7	113,667.3	110,771.4
TOTAL OTHER STATE FUNDS	5,805,149.0	3,639,470.5	4,483,389.8	3,682,257.3
TOTAL	8,659,350.3	6,491,547.3	6,392,390.6	5,588,422.5

Accountants' Findings and Recommendations

Condensed below are the ten findings and recommendations included in the audit report. Of these, eight are repeated from the previous audit. The following recommendations are

classified on the basis of information provided by CMS of, via electronic mail received May 7, 2024.

- 1. The auditors recommend the Department ensure premium rates meet the requirements established by the Act. Additionally, they recommend the Department either comply with the law by working with the Governor's Office of Management and Budget to obtain the necessary appropriation to supplement the Program or seek legislative relief from the statutory requirement.**

FINDING: *(Failure to determine premiums that allow for establishment of actuarial sound reserve) – First Reported 2019, Last 2023*

The Department of Central Management Services (Department) failed to determine premiums that will allow for the establishment of an actuarially sound reserve for the Community College Health Insurance Program (Program).

In the Fiscal Year 2018 and 2019 compliance examination, auditors first reported the Department had failed to determine premiums that would allow for the establishment of an actuarially sound reserve. During Fiscal Year 2023 testing, they continued to identify exceptions, as noted below:

- The State Employees Group Insurance Act of 1971 (Act) (5 ILCS 375/6.9(e)(2)) states the balance of the rate of insurance, including the entire premium for any coverage for community college dependent beneficiaries that has been elected, shall be paid by deductions authorized by the community college benefit recipient. During testing, auditors noted the Fund covered 13.42% of the total insurance rate for benefit recipients. The projected total additional cost to the Fund was \$340,388.
- The Act (5 ILCS 375/6.9(e)) requires the Department to determine premiums that will allow for the establishment of an actuarially sound reserve for the Program. As of June 30, 2023, the Program had a fund deficit of \$107.107 million. The Program does not have an actuarially sound reserve.

Department management stated the population enrolled in the non-MAPD plan in Community College Health Insurance Program represents roughly 1,350 lives (around 17%) of the overall program. This population, being so small in size, can experience significant volatility with its self-insured claims, making them less reliable. Additionally, fully insured HMO product rates are negated with increases across all health insurance programs administered by the Department. While the larger programs' impact on this can reduce volatility in year over year rate changes, the rates themselves are not completely accurate in representing the underlying claims experienced by the population in a given year. Finally, the poor financial condition of the program has created significant delays in the payment of claims for some vendors. Legislation has been passed which will allow for the establishment of an actuarily sound reserve in the future.

This significant deficiency in internal control over financial and fiscal operations poses a reasonable possibility that future misstatements of the Department's financial statements or noncompliance will occur and not be prevented or detected or corrected on a timely basis.

The premiums established for the fund were not in compliance with the Act, resulting in additional costs to the State. Additionally, failure to determine premiums that will allow for the establishment of an actuarially sound reserve makes the Program more vulnerable to negative economic impacts, could result in an inability to pay liabilities, and results in statutory noncompliance.

DEPARTMENT RESPONSE:

The Department agrees with the finding and has worked with the Governor's Office of Management and Budget (GOMB) to enact legislation that will allow for increases to the contributions provided by active employees, districts, and the General Revenue Fund. Additionally, the Department worked with GOMB to provide for an additional \$50M in transfers to the fund which was used to reduce the payment back log. These two remedies, based upon current projections, are expected to completely eliminate the back log by Fiscal Year 2032. Subsequently, revenues will be accrued in order to establish a sound reserve balance.

UPDATED RESPONSE:

Partially Implemented. With the passage of the FY2024 Budget Implementation Act (PA103-0008), two changes were made to the funding mechanisms for the College Insurance Plan. First, a one-time interfund loan was made from the Health Insurance Reserve Fund (HIRF) to the Community College Health Insurance Security Fund in the amount of \$50M. The money must be repaid to HIRF within 108 months from the date it was borrowed. Second, for FY2024, the rate applied to active teacher salaries (and matched by college districts and GRF) was increased from 0.5% to 0.75%. Effective July 1, 2024, the rate was increased to 0.85%. Effective July 1, 2025, the rate will increase to 0.95%. Each fiscal year thereafter, the rate may increase by no more than 5%. These two changes are projected to reduce the payment backlog to zero and subsequently allow for the establishment of an actuarial sound reserve.

2. **The auditors recommend the Department refrain from entering into interagency agreements which result in agencies and the Department not maintaining their own full-time internal audit function. They recommend any other services provided to agencies be done only with the approval of the Governor. Further, auditors recommend the Department consistently establish and enforce reimbursement arrangements for its interagency agreements. Interagency agreements should be amended to reflect the reimbursement arrangements followed by the Department.**

FINDING: *(Failure to adhere to the provisions of the Fiscal Control and Internal Auditing Act) - First Reported 2019, Last 2023*

The Department of Central Management Services (Department) entered into interagency agreements that failed to adhere to provisions of the Fiscal Control and Internal Auditing Act (Act).

The Act requires each designated State agency to maintain a full-time program of internal auditing (30 ILCS 10/2001(a)). In addition, each chief internal auditor transferred under Executive Order 2003-10 to the Department of Central Management Services shall be transferred to the auditor's designated State agency, and if an auditor does not have a designated State agency or has more than one designated State agency, then the chief executive officer of a State agency shall appoint such person as the chief internal auditor of a State agency (30 ILCS 10/2001(a-5)). The Act also states, "[a]gencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services" (30 ILCS 10/2001(b)).

During the engagement period, the Department was party to interagency agreements with the following designated State agencies to provide internal audit services:

- Illinois Finance Authority
- Illinois Department of Agriculture
- Illinois Department of Corrections
- Illinois Department of Financial and Professional Regulation
- Illinois Department of Human Rights
- Illinois Department of Public Health
- Illinois Department of Veterans' Affairs

Auditors noted the following issues with these interagency agreements:

- The Illinois Finance Authority, the Illinois Department of Agriculture, the Illinois Department of Financial and Professional Regulation, and the Illinois Department of Human Rights are defined as designated State agencies under 30 ILCS 10/1003(a). The Illinois Department of Agriculture, the Illinois Department of Financial and Professional Regulation, and the Illinois Department of Human Rights, are defined as departments of State government under the Civil Administrative Code (Code) (20 ILCS 5/5-15). The Act (30 ILCS 10/2001(a)) requires each designated State agency to maintain a full-time program of internal auditing. These agencies did not have a Chief Internal Auditor during the engagement period and strictly relied on the Department to provide internal audit services. The interagency agreements ultimately resulted in these four agencies not maintaining their own full-time internal audit function. Further, these interagency agreements resulted in the Department's Chief Internal Auditor not working full time with the Department's own internal audit function.

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois' State Programs of Internal Auditing. The audit report's conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law

as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as the Department of Central Management Services. In other words, each designated State agency must have a full-time program of internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from the Department.

In 2003, by Executive Order (2003-10) the Governor transferred the internal auditors from the various State agencies and consolidated them into a bureau at the Department. In 2009, the General Assembly unanimously rejected this consolidation of internal audit authority in the Department and directed that the internal auditors and their functions be returned to their respective designated State agencies (P.A. 96-795, effective July 1, 2010).

The Illinois Office of the Auditor General contacted the Illinois Attorney General for a ruling on the Department acting as the full-time internal audit function for these agencies. The Attorney General ruled in Opinion No. 19-001, issued August 9, 2019, on page 18, that multiple designated State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act. The ruling was issued after all these agreements were executed except for the Illinois Department of Public Health and the Illinois Department of Veterans Affairs. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

- The Department did not obtain the Governor's approval for the Department to provide professional internal auditing services for the following designated State agencies:
 - Illinois Finance Authority
 - Illinois Department of Agriculture
 - Illinois Department of Corrections
 - Illinois Department of Financial and Professional Regulation
 - Illinois Department of Human Rights

The Code (20 ILCS 405/405-293(a)) states the Department "is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10. . ." Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state that the Department may "with the approval of the Governor, provide additional services to or on behalf of State

agencies.” “Additional services” is not defined and no approval for the Department to provide internal auditing services specifically to these designated State agencies under the Act, was obtained from the Governor. The Department’s management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

- During testing of the reimbursement to the Department, auditors noted the following reimbursement arrangements for designated State agencies:

Agency	Reimbursement Arrangement
Illinois Finance Authority	The Department is to pay all expenses related to the agreement.
Illinois Department of Agriculture	Allows the Department to use Illinois Department of Agriculture appropriations for processing payroll.
Illinois Department of Corrections	When and if more than two full-time equivalent employees are hired, the payroll expenses will be supported by the Illinois Department of Corrections via payroll agreements.
Illinois Department of Financial and Professional Regulation	Allows the Department to use Illinois Department of Financial and Professional Regulation appropriations for processing payroll.
Illinois Department of Human Rights	The Illinois Department of Human Rights agrees to transfer one full-time equivalent employee to the Department. Upon termination of this agreement, the Department will reimburse the Illinois Department of Human Rights for the full-time equivalent employee.
Illinois Department of Public Health	No reimbursement arrangement noted in agreement.
Illinois Department of Veterans Affairs	No reimbursement arrangement noted in agreement.

- The Department inconsistently established reimbursement arrangements for these agreements and did not follow any of the reimbursement arrangements in the interagency agreement. The Department spent 11,198 and 12,589 hours in Fiscal Years 2022 and 2023, respectively, but did not seek reimbursement for providing internal audit services in accordance with the agreements containing reimbursement arrangements. The Department does not plan to charge these agencies for this service. Since the Department does not plan to process vouchers through the Illinois Department of Agriculture’s or the Illinois Department of Financial and Professional Regulation’s appropriations, we believe there is a significant internal control risk with potentially delegating a state’s appropriation

authority unnecessarily.

The Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; (2) obligations and costs are in compliance with applicable law; and (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2019. In the subsequent examinations, the Department has not been successful in completely implementing corrective action.

Department management indicated many of the agencies they support continue to have a difficult time finding candidates that meet their auditing needs. Department management indicated the Department's focus continued to be ensuring that audits and internal audit documents were completed so continued to honor the interagency agreements established. Department management also indicated the Department's billing practice did not reflect the most up-to-date intergovernmental agreements because the Department does not plan on charging for these services rather the Department will gain benefit from providing the services through the State-wide Cost Allocation Plan reimbursements in Section 1, which identifies, accumulates, and allocates indirect costs.

The establishment of intergovernmental agreements to provide internal audit functions to other designated agencies hinders the operational autonomy intended by the General Assembly for internal auditors and resulted in the Department's Chief Internal Auditor not working full time with the Department's own internal audit function. Management at these agencies cannot terminate an appointed chief internal auditor prior to the conclusion of their term without cause and a hearing before the Executive Ethics Commission, but management can terminate the interagency agreement with the Department at any time for any reason.

Failure to obtain the approval of the Governor for expanding the professional services provided by the Department limits governmental oversight and represents noncompliance with the Code.

Granting the Department authorization to expend the agency payroll appropriations weakens their overall internal control environment and represents noncompliance with State law.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. We have begun the process of updating the intergovernmental agreements with the necessary changes related to the billing issues. All intergovernmental agreements for internal audit services are now sent

through the Governor's Office for approval.

While the Department has been providing internal audit support for other designated state agencies, we are committed to training staff to become Chief Internal Auditors. As such, we are committed to encouraging qualified staff to consider these positions as they come available. We are further committed to training and preparing staff for other internal audit positions within the State.

UPDATED RESPONSE:

Partially Implemented. The Department has not entered into any new agreements for the provision of internal audit services with designated agencies who are not maintaining their own full-time internal audit function. Additionally, we will obtain Governor's Office approval prior to executing with designated agencies all intergovernmental agreements (IGA). Furthermore, the Department has updated its IGA templates to ensure they are compliant with the requirements of the State Finance Act and reflect its current billing practices. Lastly, we will execute amended agreements upon the approval of the Governor's Office.

- 3. The auditors recommend the Department enforce its procedures throughout the Department to ensure the completion of performance evaluations in accordance with State rules and internal personnel policy.**

FINDING: *(Failure to timely conduct yearly performance appraisals) – First Reported 2013, Last 2023*

The Department of Central Management Services (Department) failed to conduct employee evaluations on a timely basis.

During the auditors testing of 60 employees required to have annual performance evaluations, auditors noted evaluations for sixteen (27%) employees were not conducted in accordance with Department policies or the Illinois Administrative Code (Code) for at least one of the two evaluations required during the engagement period. The evaluations were performed one to 82 days late. In addition, annual evaluations were not performed for thirty-four of 60 (57%) employees tested for at least one of the two evaluations required during the engagement period.

The Department's internal personnel policy states, "Participation in the evaluation process is a requirement for all CMS employees. Evaluations take place every 12 months..." The Illinois Code (80 Ill. Admin. Code 302.270(d)) (Code) requires each agency to prepare such evaluations not less often than annually. Evaluations are due 30 days after the ending of the review period. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2013. In the subsequent examinations, the Department has not been successful

in completely implementing corrective action. Department management indicated, while the performance of timely employee evaluations has continuously been stressed by management, not all supervisors have followed this directive.

Performance evaluations are a systemic and uniform approach used for the development of employees and communication of performance expectations. These evaluations should serve as the foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. The Department has implemented additional procedures by assigning a Human Resources staff member to send monthly evaluation reports to Deputy Directors, notating upcoming evaluation deadline dates.

UPDATED RESPONSE:

Partially Implemented - Human Resources (HR) staff send out monthly evaluation reports to cover the fiscal year, notating upcoming evaluation deadline dates. The importance of the completion of employee evaluations is reiterated by CMS' HR Director at her quarterly meetings with each bureau's Deputy Director.

- 4. The auditors recommend the Department ensure the original, properly completed Form I-9 is retained in employee personnel files. In addition, we recommend the Department reinforce to employees the importance of submitting timesheets in accordance with Department policy.**

FINDING: *(Weaknesses related to personal services) – First Reported 2019, Last 2023*

The Department of Central Management Services (Department) demonstrated weaknesses related to personal services.

During testing, auditors noted the following:

- The Department failed to maintain and complete the *Employment Eligibility Verification Form* (I-9).
 - Form I-9 was absent for two of 60 (3%) employees tested.
 - Form I-9 was not signed by the employer within three business days of the hire for four (7%) of 60 employees tested.
 - Form I-9 was not signed by the employee at the time of hire for two (3%) of 60 employees tested.

The Immigration Reform and Control Act of 1986 (8 U.S. Code § 1324a) Part 274a: Control and Employment of Aliens (8 C.F.R. § 274a.2) states that a person or entity that hires an individual for employment must ensure the individual properly completes Section

1 of Form I-9 at the time of hire and sign Section 2 of Form I-9 within three business days of the hire. Section 274a.2 further states a paper (with original handwritten signatures), electronic, original paper scanned into an electronic format, or a combination of paper and electronic, or microfilm or microfiche copy of the original signed version of Form I-9 must be retained by an employer for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later. The Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

Department management indicated the assurance of employees completing/submitting the I-9 form was due to employee error.

Failure to comply with U.S. Department of Homeland Security regulations could subject the State to unnecessary legal costs and penalties.

- Three of 40 (8%) employees tested did not submit their timesheets within a week of the last day of the timesheet. Additionally, auditors noted three of 40 (8%) timesheets tested were not signed by the employee.

According to the CMS Policy Manual, "The daily timesheet must be submitted to the employee's supervisor for approval on a weekly basis." The Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

This finding was originally noted during the compliance examination of the two years ended June 30, 2019. In the subsequent examinations, the Department has not been successful in completely implementing corrective action. Department management indicated the issues noted were due to employee oversight.

Not submitting timesheet timely diminishes management oversight.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. The Department will begin discussing the importance of completing I-9 forms and submitting timesheets weekly to employees during the semi-monthly New Employee Orientation meetings.

UPDATED RESPONSE:

Partially Implemented - The Department will continue to emphasize the importance of completing the I-9 forms and submitting timesheets weekly during the semi-monthly New Employee Orientation meetings.

- 5. The auditors recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.**

FINDING: *(Inadequate monitoring of interagency agreements) – First Reported 2006, Last 2023*

The Department of Central Management Services' (Department) process to monitor interagency agreements was inadequate.

During the auditors testing of the Departments' interagency agreements, auditors noted three of five (60%) interagency agreements tested were not signed by all parties prior to the start date of the services. These agreements were signed between one and 111 days late.

The Department was first cited for this noncompliance in the compliance examination for the year ended June 30, 2006. In the years since the finding was first noted, the Department has not been successful in correcting this finding.

The Illinois Intergovernmental Cooperation Act (5 ILCS 220/5) states that an agency may contract with another agency to transfer authority or privileges, provided that the contract is approved by both agencies. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements. Good internal controls require the approval of agreements prior to the effective date. Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

Department management indicated the late signing of the agreements was due to continued difficulties encountered with multi-agency discussion and collaboration.

The Department entered into 46 agreements with other State agencies and other units of government during the examination period. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the contracts and agreements need to be approved prior to the effective date and executed before the commencement of services.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. The Department has implemented the introduction of language into agreements which allows for a flexible effective date upon full execution of the agreement. This implementation has led to a reduction in the number of agreements that are signed after the effective date. We continue to encounter scenarios where the timely execution of agreements is not possible due to factors outside the Department's control.

UPDATED RESPONSE:

Partially Implemented – No change

- 6. The auditors recommend the Department ensure all contracts are signed prior to the commencement of services or receipt of goods.**

FINDING: *(Untimely execution of contracts) – New*

The Department of Central Management Services (Department) did not obtain signed contracts from all vendors prior to commencement of services or receipt of goods.

During the auditors testing of 32 contracts, totaling \$2,222,360,461, auditors noted five (16%) contracts were not reduced to writing and signed by the Department prior to performance of services or receipt of goods. Work was performed by these five contractors from 42 to 136 days prior to when the Department signed the contract and filed it with the Illinois State Comptroller.

According to Procurement Code (30 ILCS 500/20-80(d)), no voucher shall be submitted to the Comptroller for a warrant...unless the contract is reduced to writing before the services are performed and filed with the Comptroller. Contractors shall not be paid for any supplies that were received or services that were rendered before the contract was reduced to writing and signed by all necessary parties.

Department personnel indicated the five contracts cited for noncompliance were not executed timely due to turnover in key management positions, including the Director, which occurred during the engagement period.

Failure to obtain signed contracts before the beginning of the Department's contract period does not bind the contractor to comply with applicable laws, regulations, or rules and may result in improper and unauthorized payments.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation and will work to ensure all contracts are reduced to writing and signed by all necessary parties prior to the commencement of services or receipt of goods.

UPDATED RESPONSE:

Partially Implemented - The Department is continuing to streamline ways to ensure all contracts are signed prior to the commencement of services or receipt of goods by writing standard operating procedures for each phase of the contract process to reduce the risk of filing delays.

- 7. The auditors recommend the Department enforce its procedures to ensure compliance with its internal policies and the Code.**

FINDING: *(Weaknesses in internal control over travel) - New*

The Department of Central Management Services (Department) did not maintain adequate controls over travel expenditures to ensure compliance with the Department's

internal travel policies and the Illinois Administrative Code (Code).

During the auditors testing of general travel vouchers, auditors noted the following:

- Five of 40 (13%) vouchers, totaling \$1,560, were not submitted timely, within 60 days of the last date of travel on the voucher. The untimeliness ranged from four to 92 days late. Section 4.5 of the Department Policy Manual states, "Employees shall submit Travel Vouchers for review and the employee's supervisor must signify approval by signing and dating the Travel Voucher within sixty (60) days of the last date of travel on the voucher."
- Two of 40 (5%) vouchers, totaling \$1,663, did not have out-of-state travel request forms submitted to the Governor's Office of Management and Budget's (GOMB) on- line travel system (eTravel) at least 30 days in advance of the departure date. Out-of- state travel request forms were submitted 6 days and 19 days late. The Code (80 Ill. Admin. Code 2800.70) requires travel outside of Illinois requests to be submitted to GOMB at least 30 days in advance of the departure date.

Department management stated issues noted were due to employee noncompliance with the Department Policy.

Noncompliance with the internal policy and the Code could result in improper expenditure of State funds.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. The Department will continue to emphasize its policies and procedures Department-wide to help ensure compliance with travel policies.

UPDATED RESPONSE:

Partially Implemented - The Department continues to send out reminder emails emphasizing its policies and procedures for travel. Additionally, the Department's Office of Finance and Management has addressed these issues with specific travelers and supervisors, as necessary.

8. The auditors recommend the Department:

- **Enforce vehicle maintenance schedules to reduce future year expenditures for repairs and to extend the useful lives of vehicles.**
- **Send a formal notice to those employees whose jobs involve travel to remind them of the requirement and importance of filing accident reports in a timely manner.**
- **Monitor the submission of accident reports to ensure the requirements**

are being met as required by the Illinois Administrative Code.

FINDING: *(Inadequate procedures regarding State vehicles) – First Reported 2021, Last 2023*

The Department of Central Management Services (Department) had several weaknesses regarding State vehicles. Auditors noted deficiencies over vehicle maintenance records and accident reports as follows:

- During the auditors testing of the Department's vehicle maintenance records during the engagement period auditors noted the following:
 - Fourteen of 19 (74%) vehicles tested for proper vehicle maintenance did not have oil changes performed at the required intervals. Days ranged from 364 to 805 days overdue for oil changes, and mileage overdue ranged from 33 to 8,989 miles.
 - Twelve of 19 (63%) vehicles did not have timely tire rotations performed. Out of these 12 vehicles, six (50%) vehicles did not have tire rotations performed at all during the examination period, and the other nine vehicles had tire rotations performed, but they were not performed timely.
 - Ten of 19 (53%) vehicles did not receive an inspection once per year. Five of the 10 (50%) vehicles did not have inspections performed during either Fiscal Year 2022 or 2023.

The Illinois Administrative Code (Code) (44 Ill Admin. Code 5040.400) requires all State-owned or leased vehicles undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition. The Code requires the driver to check oil, coolant, and battery water levels (if possible) regularly. The Code (44 Ill. Admin. Code 5040.410) also requires agencies have vehicles inspected by the Department at least once per year and maintain vehicles in accordance with the schedules provided by the Department or with other schedules acceptable to the Department that provide for proper care and maintenance of special use vehicles. Furthermore, according to the most recent authoritative memorandum on vehicle maintenance provided by the Department to its vehicle coordinator, the Department requires oil changes for vehicles ten model years and older every 3,000 miles or 12 months, whichever comes first. The recommended interval policy for nine model years and newer is 5,000 miles or 12 months, whichever comes first. Tire rotation is recommended every second oil change or once every two years, whichever comes first.

Department management indicated the issues with vehicle maintenance records were attributed to human error issues such as failure to properly track repair and maintenance intervals; inaccurate work orders related to data entry and job codes errors; work being completed using the State commercial fuel card, which does not require a work order; and, user divisions not bringing vehicles for repair and required maintenance.

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

The failure to maintain vehicles properly can cause these vehicles to not function at an optimum level and could cost the State additional amounts in future years through additional repair bills and shortened useful lives for the vehicles.

- During the auditors testing of the Department's accident reports filed during the engagement period, auditors noted one of four (25%) accident reports tested (SR-1 Form) were not submitted accurately and in a timely manner.

The Code (44 Ill. Adm. Code 5040.520) requires a driver of a State owned or leased vehicle which is involved in an accident of any type report such accident to the appropriate law enforcement agency, the State's insurance carrier and to the Department by completing the Motorist's Report of Illinois Motor Vehicle Accident (Form SR-1). The Form SR-1 is to be completed, as nearly as possible, in its entirety including a clear description of the accident and the conditions surrounding the accident no later than three days following an accident and submitted to the office of the current insurance carrier. All accidents must be reported to the Division of Risk Management within seven days to ensure coverage under the State's auto liability plan.

Department management indicated issues noted regarding accident reporting were due to a lack of employee training on how to report accidents.

When accident reports are not submitted timely and accurately, facts of the accident may become unclear and it is more difficult to follow up on any possible liability.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. Significant progress has been made to ensure that the fleet is properly maintained going forward. The fleet management system was upgraded to the latest subscription as a service enterprise asset management version in January of 2024. This is the first time it has been up to date in almost 14 years. Further action is being taken to ensure maintenance schedules can be driven by the implementation of telematics, which will remove the dependency on manual input of odometer readings. The automatic upload of odometer readings will allow the Department to drive maintenance requirements by automatic notifications and reports. Fleet Administration will continue to conduct vehicle coordinator training on accident reporting requirements.

UPDATED RESPONSE:

Partially Implemented - Vehicle coordinator access to the new fleet management system has been provided and maintenance schedules are being configured. A new accident report form has been drafted and vehicle coordinator training will be scheduled.

- 9. The auditors recommend the Department comply with the respective statutory requirements or seek legislative remedies as appropriate.**

FINDING: *(Noncompliance with statutory mandates) – First Reported 2019, Last 2023*

The Department of Central Management Services (Department) did not comply with various statutory mandates.

During testing auditors noted the following:

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-130(b)) created the State Government Suggestion Award Board (Board) to administer the State Government Suggestion Award Program (Program). The membership of the Board was to include eight members, appointed two each by the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives and, as ex-officio, non-voting members, the directors of the Governor's Office of Management and Budget and the Department. The Code (20 ILCS 405/405-130(a)) also requires the Department to assist in the implementation of the Program. The Board was mandated to meet monthly and annually report to the General Assembly by January 1st on the operation of the Program, including the nature and cost-savings of implemented suggestions, and any recommendations for legislative changes it deems appropriate.

During the examination, auditors noted the Board did not meet or submit any reports to the General Assembly. The Department did not provide evidence they took measures to implement the Program. The Department provided no evidence of actions taken during the examination period to communicate with the agency they believed was responsible for designating the Chair regarding any future meetings or assistance needed. Neither did the Department provide any evidence of internal correspondence prepared or considerations made during the examination period to ensure the Department's compliance with their responsibilities under this mandate. Department management indicated the Board was not appointed, the chair not identified, and the Department not contacted. As a result, the Department did not take additional action to implement this program.

The Department's failure to take measures in the implementation of the Program inhibited the Program's ability to encourage and reward improvements in the operation of State government that result in substantial monetary savings.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-125) requires the Department to collect information concerning each State agency's Hispanic, Asian- American, Native American, and bilingual employment budget allocations. The Department did not collect this information. In the previous examination the Department failed to timely submit the State Hispanic Employment Plan and a State Asian-American Employment Plan to the General Assembly by February 1 in accordance with the Code (20 ILCS 405/405-120). The reports submitted during the engagement period were submitted timely.

Department officials stated current tracking and reporting do not provide the data to determine specific budget allocations based on various demographic spending and collect information from each State agency on findings made by the Governor in his report to the General Assembly.

Failure to collect all information required by the Code could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-317) requires the Director of the Department take actions as necessary to ensure that actual bird mortality is monitored at state buildings that were constructed, acquired, or of which 50% of the façade is substantially altered after January 1, 2022. The Department failed to monitor bird mortality during the engagement period.

Department management stated they were unaware of the requirement.

Failure to monitor bird mortality rates could result in higher bird mortality rates.

- The Civil Administrative Code of Illinois (Code) (20 ILCS 405/405-540) requires the African Descent-Citizens Reparations Commission (Commission) to have the Governor or his or her designee, one member of the House of Representatives appointed by the Speaker of the House of Representatives one member of the Senate appointed by the President of the Senate; one member of the House of Representatives appointed by the minority Leader of the House; one member of the Senate appointed by the Minority Leader of the Senate; three representatives of a national coalition that supports reparations for African American descendants of slavery; and ten members of the public appointed by the Governor, of which at least eight of whom are African American descendants of slavery. The Code also requires the Commission develop and implement measures to ensure equity, equality, and parity for African American descendants of slavery, hold hearings to discuss the implementation of these measures, educate the public on reparations for African American descendants of slavery, and report their information and findings to the General Assembly. The Commission shall also discuss and perform actions regarding preserving African American neighborhoods and communities through investments, building and developing a Vocational Training Center for People of African Descent-Citizens, ensuring proportional economic representation in all State contracts, and creating and enforcing an Illinois Slavery Era Disclosure Bill. Lastly, the Code requires the Commission, beginning January 1, 2022, to submit an annual report regarding its actions and information as required under this section to the Governor and General Assembly, and to post this report to the Department's website.

During the auditors testing of the Code, auditors noted the following exceptions:

- The Commission did not have one member of the Senate appointed by the

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

President of the Senate, one member of the House of Representatives appointed by the Minority Leader of the House, one member of the Senate appointed by the Minority Leader of the Senate, one member of a national coalition that supports reparations for African Americans appointed by the Governor, four members of the public appointed by the Governor.

- The Commission did not file its annual report due January 1, 2022.

Department management indicated the exceptions occurred because the statute was enacted in June 2021, and the Commission accomplished all activities feasible during the engagement period with the time and resources available. Department management indicated the Department cannot control additional appointments as the Code dictates appointment authority.

Failure to fully staff the Commission hinders the ability of the Commission to function as intended by the General Assembly. Failure to submit, and do so timely, hinders the public exposure of the Commission's efforts.

- The African American Employment Plan Act (Act) (20 ILCS 30/20) requires the Department to collect information from each State agency on findings made by the Governor in his or her report to the General Assembly and information concerning each State agency's African American employment budget allocations. The Department did not collect this information. In the previous examination the department failed to timely submit the African American Employment Plan to the General Assembly by February 1 in accordance with the Act (20 ILCS 30/15). The reports submitted during the engagement period were submitted timely. Furthermore, the Act (20 ILCS 30/25) created the African American Employment Plan Advisory Council consisting of eleven members with the Department providing administrative support. The African American Employment Plan Advisory Council only consisted of ten members during the engagement period. In the previous examination the African American Advisory Council failed to timely submit the African American Advisory Council Annual Report to the General Assembly by February 1 in accordance with the Act. The reports submitted during the engagement period were submitted timely.

As it indicated in the previous engagement, Department management indicated the current tracking and reporting processes do not provide the data to determine specific budget allocations based on various demographic spending and collect information from each State agency on findings made by the Governor in his or her report to the General Assembly. Department management indicated no appointments were made by the Governor to fill the one vacant position on the Council during the engagement period.

Failure to collect all information required by the Act could deter efforts by State officials, administrators, and residents to achieve a more diversified State workforce. Failure to ensure the Council is fully staffed results in noncompliance with the Act and could deter efforts by State officials, administrators, and residents

to achieve a more diversified State workforce.

- The Illinois South Asian American Advisory Council Act (Act) (20 ILCS 4120) created the Illinois South Asian American Advisory Council to advise the Governor and the General Assembly on policy issues impacting South Asian Americans and immigrants; advance the role and civic participation of South Asian Americans in this State; enhance trade and cooperation between South Asian countries and this state; and, in cooperation with State agencies, boards, and commissions, build relationships with and disseminate information to South Asian American and immigrant communities across this State. The Act requires the Council to consist of 21 voting members, as well as six ex officio nonvoting members. One of the ex officio nonvoting members is to be appointed by the Department. The Department did not appoint a liaison to be an ex officio member during the engagement period.

Department officials indicated the ex officio member was not appointed during the engagement period because the Department did not believe the Council had other appointments, elected officers, or scheduled meetings. Auditors noted eight individuals were appointed by other entities to the Council by June 30, 2023. The Department continues outreach in order to make this appointment but has not yet done so.

Failure to appoint the ex officio to the Council could result in the inability of the Department to influence its activities to support the South Asian American community.

- The Illinois Muslim American Advisory Council Act (Act) (20 ILCS 5110) created the Illinois Muslim American Advisory Council to advise the Governor and General Assembly on policy issues impacting Muslim Americans and immigrants; advance the role and civic participation of Muslim Americans in this State; enhance trade and cooperation between Muslim-majority countries and this State; and build relationships with and disseminate information to, in cooperation with State agencies, boards, and commissions, Muslim American and immigrant communities across this State. The Council shall consist of 21 members and ten ex officio members. The Department is mandated to appoint a liaison to serve as an ex officio member of the Council. The Department did not appoint a liaison during the engagement period.

Department officials indicated the Council has been inoperable since the Commission on Equity and Inclusion was granted oversight authority and became effective in January 2022. The Department reached out to the Commission to appoint a liaison, but due to this state of change, the Department did not appoint a liaison during the engagement period.

Failure to appoint an ex officio member to the Council could result in the inability of the Department to influence its activities to support the Illinois Muslim community.

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

- The State Finance Act (30 ILCS 105/9.08) requires each State agency to report to the Illinois Office of Comptroller (Comptroller) identifying current State liabilities held at the agency, by fund source; whether the liabilities are appropriated; and an estimate of interest penalties accrued under the State Prompt Payment Act under criteria prescribed by the Comptroller. During testing auditors noted the Department failed to properly report the Agency's Liabilities for one of four (25%) months tested. The Department understated total liabilities by \$8,586,000.

Department officials indicated the error was due to receiving updated information after the report was initially compiled. The updated information was inadvertently excluded from the report.

Failing to accurately report total liabilities to the Comptroller resulted in inaccurate information being disseminated to the public.

- The Upper Illinois River Valley Development Authority Act (Act) (70 ILCS 530/4) requires that the governing and administrative powers of the Upper Illinois River Valley Development Authority (Authority) to be vested in a body consisting of 21 members including, as ex officio members, the Director of the Department, or his or her designee. Additionally, the Act requires that eleven members shall constitute a quorum, and the Board may not meet or take any action without a quorum present. The Department's designated ex-officio member of the Authority did not attend nine of nine (100%) of the Authority's meetings in Fiscal Year 2022 and two of seven (29%) meetings in Fiscal Year 2023.

Department officials indicated that the noncompliance was the result of employee turnover and unfamiliarity with the requirements of the statute requirements.

Failure to attend the meetings of the Authority could result in there being no quorum and hindering the Authority's ability to take necessary actions.

- The State Property Control Act (Act) (30 ILCS 605/8) requires the Department upon request from a local governmental unit, to make available information as provided in Section 7 of the Act. Section 7 of the Act states that when the Department determines property is to be disposed of by sale, notices of inspection or viewing dates and property lists shall be distributed in the manner provided in rules and regulations promulgated by the Administrator. The rules promulgated by the Administrator are in the Illinois Administrative Code (44 Ill. Admin. Code 5010.720) which requires notice of sales of transferable equipment to be given to local Illinois governments, Illinois school districts, and not-for-profit educational, charitable and public health organizations by means calculated to alert the largest number of prospective buyers. The notice of sales shall list items for sale, condition, price, terms of sale, and date and place of sale. The Department failed to distribute notice of sales of transferable equipment to local Illinois governments, by means to alert the largest number of prospective buyers. During the engagement period, local Illinois governments did not receive listings of items for sale, condition, price,

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

terms of sale, and date and place of sale. The practice followed by the Department was for local Illinois governments to contact the Department and inquire if items were available.

Management indicated they have not distributed the required information due to competing priorities.

Failure to provide local Illinois governments notice of sales of transferable equipment that includes a listing of items for sale, condition, price, terms of sale, and date and place of sale results in a lack of transparency of items available for sale and could result in available items going unused.

Noncompliance noted in the previous examination regarding the State Prompt Payment Act (30 ILCS 540/11), the Illinois Procurement Code (30 ILCS 500/45-35)(e)(4)), the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/5) and (30 ILCS 575/8g), the State Library Act (15 ILCS 320/21(a)), the Western Illinois Economic Development Authority Act (70 ILCS 532/20), the Civil Administrative Code of Illinois (20 ILCS 405/405-105(11) and the Native American Employment Plan Act (Act) (20 ILCS 60/15) was not repeated due to the corrective action implemented by the Department within the examination period.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendations and will take the necessary steps to comply with the respective statutory requirements or seek legislative remedies as appropriate.

UPDATED RESPONSE:

The responses for each statutory mandate tested are compiled below by implementation status.

Implemented. Illinois South Asian American Advisory Council Act (20 ILCS 4120) - Effective February 1, 2024, CMS appointed Kevin Jeong to the Council. The Secretary of State was notified of this appointment on January 12, 2024.

Illinois Muslim American Advisory Council Act (20 ILCS 5110) - Effective February 1, 2024, CMS appointed Ayesha Patel to the Council. The Secretary of State was notified of this appointment on January 12, 2024.

State Finance Act (30 ILCS 105/9.08) - The Department added a review process over the compilation of the Debt Transparency Report to help ensure the most recent accurate information is included.

Partially Implemented. Civil Administrative Code of Illinois (20 ILCS 405/405-130) - The Department believes that it has implemented the recommendation to comply with its statutory requirements. In June 2024, the Department conducted a legal review and explored submitting a legislative remedy through the Statutory Mandate Review process under the Budgeting for Results Commission. The Department will continue to maintain

the resources it developed that are associated with assisting with the implementation of the program. These resources (including a website, form, and email address) will be available to the Board when a workable quorum exists.

Civil Administrative Code of Illinois (20 ILCS 405/405-125) - The FY24 annual survey was updated to collect information concerning each State agency's Hispanic, Asian-American, Native American, and bilingual employment budget allocations. The revised surveys were distributed to all agencies in August 2024.

Civil Administrative Code of Illinois (20 ILCS 405/405-317) - The Department has written standard operating procedures for tracking bird mortality rates, as well as designed and implemented a bird strike tracker and a survey related to the legislation for Department-owned and Department-occupied facilities. The Department is continuing to work on procedures to deter bird strikes at Department-owned and Department-occupied facilities.

Civil Administrative Code of Illinois (20 ILCS 405/405-540) - Senate President appointed Senator Chris Belt on 8/25/2023. House Minority Leader appointed Representative Tom Weber on 7/17/2024. Office of the Governor appointed Dominic Watson as a board member on 6/14/2024. Additionally, the Commission's 2023 annual report regarding its actions has been submitted to the Governor and General Assembly.

African American Employment Plan Act (20 ILCS 30/20) - Diversity & Inclusion will work with cabinet and Government Affairs to document findings made by the Governor to determine pathways for report incorporation. The FY24 annual survey was updated to collect information concerning each State agency's African American employment budget allocations and was distributed to all agencies in August 2024.

Upper Illinois River Valley Development Authority Act (70 ILCS 530/4) - The Department continues to take action to comply with the Upper Illinois River Valley Development Authority Act by attending Board meetings.

State Property Control Act (Act) (30 ILCS 605/8) - Surplus Property Control has begun complying with the respective requirements of the State Property Control Act (30 ILCS 605/8) and 44 Ill. Adm. 5010.720 requiring notice of sales of transferrable equipment to local Illinois governments, Illinois school districts, and not-for-profit educational, charitable, and public health organizations. Surplus Property Control has created a property posting template that allows staff to easily distribute notice of available transferrable equipment to the largest number of prospective buyers via CMS-managed social media and other electronic platforms (i.e., Facebook, CMS Surplus Website, email distribution lists).

10. The auditors recommend the Department:

- **Ensure all employees and contractors complete security awareness training annually.**

- **Document a formal backup policy and change management policy and procedures.**
- **Include information related to retention and destruction to the data classification documentation.**

FINDING: *(Weaknesses in cybersecurity programs and practices) – First Reported 2019, Last 2023*

The Department of Central Management Services (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Department's mission to support the State by delivering innovative, responsive, and effective services that provide the best value for Illinois State government and the people it serves, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

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 the auditor's examination of the Department's cybersecurity program, practices, and control of confidential information, auditors noted the Department had not:

- Ensured all staff members and contractors completed cybersecurity training upon employment and annually thereafter. During testing they noted three of 40 (8%) employees tested did not complete security awareness training. Additionally, one of five (20%) contractors had enrolled in the course but had not completed it.
- Documented and implemented a formal backup policy related to backup verification and off-site storage.
- Documented a formal change management policy noting Department specific procedures.
- Ensured that data classification documentation included information related to data retention and destruction.

The Department was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2019. In the years since the finding was first noted, the Department has not been successful in correcting this finding.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo training by the Department of Innovation and Technology concerning cybersecurity. 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.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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.

Finally, the Department's management team is responsible for implementing timely corrective action on all the findings identified during a state compliance examination.

Department management indicated its ongoing resource shortage prevented it from addressing these requirements.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

DEPARTMENT RESPONSE:

The Department accepts the finding and recommendation. The Department is in the process of hiring an Information Risk Officer to oversee technology trainings and to develop and document a formal backup policy along with a retention and destruction policy. This position will also work with the Department of Innovation and Technology (DoIT) to ensure DoIT cybersecurity policies are followed within the Department.

UPDATED RESPONSE:

Partially Implemented - The Department tracks the completion of annual cybersecurity training for all employees and contractors. This initiative will be overseen by the new Information Risk Officer. Candidates have been interviewed. New Standard Operating Procedures have also been established for the Backup Process and Change Management to strengthen our security posture. Furthermore, the retention and destruction policy are being developed in collaboration with DoIT.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues,

or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

CMS had 7 emergency purchases in the first quarter of FY22:

- Estimated Cost - \$103,468.80 in state funds for a dedicated elevator repair foreman.
- Estimated Cost - \$98,727 in state funds for a HVAC contract for Sangamon County.
- Estimated Cost - \$52,903 in state funds for an electrical contract for the Chicago Region.
- Estimated Cost - \$96,480 in state funds for an electrical contract for the Southern Region.
- Estimated Cost - \$56,700 in state funds for an elevator maintenance contract.
- Estimated Cost - \$69,127.99 in state funds for an elevator maintenance contract in the Des Plaines area.
- Estimated Cost - \$269,511.40 in state funds for a contract for minor carpentry service repairs and alterations to interior and exterior structures in the Chicago area.

There were 4 emergency purchases in the third quarter of FY22:

- Estimated Cost - \$25,000,000 in state funds for the purchase of drugs and pharmaceuticals for the Departments of Human Services and Public Health.
- Estimated Cost - \$378,177.77 in state funds for an emergency lease for a DHS facility in Springfield.
- Actual Cost - \$42,053.74 in state funds for an emergency lease for a DES facility in Burbank.
- Estimated Cost - \$100,000 in other funds for a service station fuel pump repair service.

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

There was 1 emergency purchase in the fourth quarter of FY22 for an estimated cost of \$324,475 in state funds to replace a communications satellite system rendered inoperable by a lightning strike.

There were 6 emergency purchases in the first quarter of FY23:

- The first is a corrected contract for replacing the communications satellite system.
- Estimated Cost - \$14,740 in state funds to replace 2 failed sump pumps in a state building.
- Estimated Cost - \$71,550 in state funds for a parking contract in Chicago.
- Estimated Cost - \$30,000 in state funds for an electrical contract for emergency repairs.
- Estimated Cost - \$195,000 in state funds for a service contract to assist CMS with assigning departmental costs for professional licensure categories.
- Estimated Cost - \$39,915 for janitorial services at the Bilandic Building in Chicago.

There were 4 emergency purchases in the second quarter of FY23:

- Estimated Cost - \$39,915 in state funds for janitorial services at the Bilandic Building in Chicago.
- Estimated Cost - \$144,766 in state funds to replace a communications satellite system.
- Estimated Cost - \$175,000 in state funds for electrical work required due to a power failure at a state facility in Des Plaines.
- Estimated Cost - \$193,000 in state funds for construction work to be done to install a new communications satellite system.

There were 6 emergency purchases in the third quarter of FY23:

- Estimated Cost - \$19,500 in state funds to replace an existing fire suppression cylinder at a facility in DuQuoin.
- Estimated Cost - \$375,349.50 in state funds for a service contract for the HVAC in the Bilandic Building in Chicago.
- Estimated Cost - \$15,000 in state funds for clean up following a Halon Gas leak which activated the fire suppression system at a facility in DuQuoin.
- Estimated Cost - \$144,766 in state funds to replace a communications satellite system.
- Estimated Cost - \$25,000 in state funds to repair the compressor in the computer server room at the Bilandic Building in Chicago.
- Estimated Cost - \$20,000 in state funds to repair a leaking pipe that is part of the fire suppression system in the Thompson Center in Chicago.

There were 13 emergency purchases in the fourth quarter of FY23:

- Estimated Cost - \$42,000 in state funds to repair a leaking isolation valve on the system providing heat to the Thompson Center in Chicago.
- Estimated Cost - \$25,000 in state funds to repair a leak in the fire suppression system in the Thompson Center in Chicago.

REVIEW #4590, DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES, FY 22-23 COMPLIANCE

- Estimated Cost - \$25,000 in state funds to repair a leak in the fire suppression system in the Thompson Center in Chicago.
- Estimated Cost - \$2,000 in state funds to repair a gas leak on a main gas line feeding boilers at a state facility in Springfield.
- Estimated Cost - \$2,000 in state funds to repair a compressor in a computer server room at a state facility in Springfield.
- Estimated Cost - \$99,000 in state funds to repair HVAC system at the Chicago Med Center.
- Estimated Cost - \$65,000 in state funds to install a temporary chiller within the HVAC system at the Chicago Med Center.
- Estimated Cost - \$25,000 in state funds to repair a leak in the sprinkler line in the Thomson Center in Chicago.
- Actual Cost - \$5,283.10 in state funds to repair the fire sprinkler system at the Dickson Mounds Museum in Lewistown.
- Estimated Cost - \$6,000 in state funds to remove a tree that dropped a large branch onto the data line between two state facilities in Springfield.
- Estimated Cost - \$363,575 in state for 5,000 pounds of refrigerant for the HVAC system at the Thompson Center in Chicago.
- Estimated Cost - \$6,600 in state funds to test the wet fire sprinkler system at the Thompson Center in Chicago.
- Estimated Cost - \$5,000 in state funds to repair the roof of the Traffic Building in Carbondale following a large branch falling and causing damage.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2023, CMS had 53 employees assigned to locations others than official headquarters.

LEGISLATIVE AUDIT COMMISSION



Review of
Environmental Protection Agency
Two Years Ended June 30, 2022

620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

REVIEW: # 4591 ENVIRONMENTAL PROTECTION AGENCY TWO YEARS ENDED JUNE 30, 2022

RECOMMENDATIONS – 18

IMPLEMENTED/PARTIALLY IMPLEMENTED – 18

REPEATED RECOMMENDATIONS – 13

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 18

This review summarizes the auditors' report on the Environmental Protection Agency for the two years ended June 30, 2022, filed with the Legislative Audit Commission on July 20, 2023. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

The mission of the EPA is to safeguard environmental quality, consistent with the social and economic needs of the State, so as to protect health, welfare, property and quality of life. The EPA is organized into three Bureaus: Air, Water, and Land. The Agency has laboratory facilities in Springfield. Regional offices are located in Rockford, Des Plaines, Elgin, Peoria, Springfield, Chicago, Champaign, Collinsville, and Marion. Activities of the Agency include issuing permits for air, land and water to restrict pollutants into the environment from industrial and commercial sources; regulating pollution control facilities and solid waste disposal sites; testing the quality of water processing procedures for operators of sewage treatment plants and public drinking supplies and testing gasoline vehicles in Chicago and Metro-East ozone non-attainment areas. The Agency also administers grants and loans to local government for wastewater and drinking water treatment facilities and for Brownfield's redevelopment projects. Additionally, the Agency issues rebates and grants for the purchase of Electric Vehicles (EVs) and the installation of charging stations.

James Jennings was appointed Director of the Illinois Environmental Protection Agency on September 13, 2024. Mr. Jennings had previously served as Deputy Director since April 2023. John Kim was the Director during the audit period.

Appropriations and Expenditures

Appropriations (\$ thousands)	FY21		FY22	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Deposit into Elec. Vehicle Rebate Fund	0.0	0.0	10,000.0	10,000.0
IJA Match - Deposit into Water Revolving Fund	0.0	0.0	38,100.0	38,100.0

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

TOTAL GENERAL FUNDS	0.0	0.0	48,100.0	48,100.0
OTHER STATE FUNDS				
Total Personal Services & Fringe Benefits	45,034.7	33,882.6	47,405.0	37,987.5
Total Contractual Services	36,323.1	15,939.6	35,470.7	13,675.8
Total Other Operations & Refunds	7,938.1	3,596.3	7,112.7	4,994.2
Designated Purposes				
Admin. Of Activities Rel. to Used Tires	461.4	303.4	472.4	387.0
Admin. Of Drycleaner Env. Response Trust	3,200.0	1,064.1	3,200.0	1,099.9
Admin. Costs for Brownfields Grant Program	1,500.0	0.0	1,500.0	0.0
Case Processing of Leaking Underground Storage Tank	1,703.5	1,599.5	1,759.6	1,599.7
Clean Air Title V Act. In Acc. w/ Clean Air Act	18,000.0	12,013.0	18,000.0	11,921.8
Clean Water Admin. Loan Eligible Activities	10,000.0	0.0	10,000.0	0.0
Clean Water Program - Nat'l Poll. Disch. Elim.	14,000.0	10,665.1	14,000.0	10,512.3
Coal Combustion Resid. Surface Remediation	50,000.0	0.0	50,000.0	0.0
Consumer Electronics Recycling Act	750.0	398.6	750.0	333.7
Deposit into Vehicle Inspection Fund	23,000.0	19,000.0	23,000.0	23,000.0
Drinking Water Loan Admin. Fund	2,000.0	965.5	2,000.0	666.1
Drinking Water Loan Program Support	10,000.0	3,086.8	10,000.0	4,498.0
Emissions Reduction Market System	150.0	0.0	150.0	0.0
Enforcement of Clean Air Act	0.0	0.0	7,000.0	0.0
Exp. For Environ. Proj. & Internship Prog.	1,450.0	152.8	1,450.0	215.8
Exp. For Air Permit & Inspection Activities	6,500.0	4,576.8	6,500.0	5,408.5
Exp. For Responding to Spill on Waterways	50.0	30.0	100.0	0.0
Exp. For Electric Vehicle Rebate Program	225.0	0.0	225.0	0.2
Exp. Of Lab Testing of Comm. Water Samples	1,200.0	800.2	1,200.0	600.9
Household Hazardous Waste Collect. Prog.	4,500.0	2,277.3	4,500.0	1,874.0
Lab. Analysis of Samples from Spills	2,000.0	1,840.1	2,000.0	1,907.6
Landfill Closure & Post-Closure Program	400.0	0.0	400.0	0.0
Local Asst. & other 1452(k) Act. Set Aside	5,500.0	25.6	5,500.0	25.6
Nutrient Loss Reduction Strat. & Water Monitor.	0.0	0.0	1,075.0	0.0
Operation of the Lab. Certification Program	540.0	368.4	540.0	400.4
Pollution Control Board Operation Expenses	25.0	0.0	25.0	0.0
Small Systems Tech. Assist. Set Aside	735.0	102.3	735.0	99.4
State Program Management Set Aside	3,600.0	0.0	3,600.0	0.0
VW Settlement Environmental Mitig. Fund	89,072.3	0.0	89,072.3	0.0
Waste water Loan Administration	8,000.0	3,197.8	8,000.0	3,481.2
Waste water Program Support	20,500.0	10,263.2	20,500.0	12,329.1
Total Designated Purposes	279,062.2	72,730.5	287,254.3	80,361.2
Grants				
Alternate Fuels Rebate & Grant Program	5,000.0	0.0	5,000.0	0.0

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Alternate Fuels Rebate Program	0.0	0.0	3,000.0	0.0
Brownfields Redevelopment Grants	4,500.0	164.5	4,500.0	0.0
Electric Vehicle Rebates	3,000.0	0.0	0.0	0.0
Energy Efficiency Grants	2,000.0	0.0	2,000.0	0.0
Financial Assist. To Local Governments	3,000.0	1,570.4	3,000.0	1,573.5
Grant to Lewis & Clark CC for Nat'l Great Rivers Research & Educ. Center	2,000.0	2,000.0	4,000.0	4,000.0
Grants to Environ. Protect. Trust Fd. Comm.	4,000.0	2,000.0	4,000.0	1,800.0
Leaking Underground Storage Tanks Reimb.	40,100.0	17,364.6	40,100.0	18,712.4
Renewable Energy Grants	2,000.0	2,000.0	2,000.0	2,000.0
Worthy Park Hazardous Waste Remediation	1,300.0	0.0	1,300.0	0.0
Total Grants	66,900.0	25,099.5	68,900.0	28,085.9
TOTAL OTHER STATE FUNDS	435,258.1	151,248.5	446,142.7	165,104.6
FEDERAL FUNDS				
Total Personal Services & Fringe Benefits	28,172.6	21,012.1	28,465.3	17,323.2
Total Contractual Services	6,520.0	3,223.1	7,344.0	1,831.9
Total Other Operations & Refunds	3,564.1	2,491.9	4,503.8	1,547.6
Designated Purposes				
Air Pollution Control Proj. for Chicago	412.0	102.4	412.0	0.0
Clean Air Outreach & Diesel Retrofit Prog.	4,950.0	0.0	4,950.0	0.0
Exp. Of the Underground Storage Tank Prog.	2,850.0	1,021.4	2,850.0	857.6
Exp. Rel. to Remedial, Prev. or Corrective Actions in Acc. w/ Fed. Comprehensive Environ. Response, Comp. & Liability Act	10,500.0	1,740.0	10,500.0	1,532.9
For Use by Department of Agriculture	160.0	0.0	160.0	0.0
For Use by Department of Public Health	830.0	797.7	830.0	553.5
Nonpoint Source Control Activity Under Federal Clean Water Act	8,950.0	4,493.9	8,950.0	2,730.1
Proj. for Nat'l Enf. Infor. Exchange Network	400.0	59.8	400.0	26.5
Water Quality Planning	900.0	83.9	900.0	0.0
Total Designated Purposes	29,952.0	8,299.1	29,952.0	5,700.6
Grants				
Admin. Exp. & Grants Assoc. w/ St. Energy Pr.	6,000.0	3,019.4	6,000.0	2,417.0
Grant Expenses Assoc. w/ Energy Programs	5,000.0	13.8	5,000.0	0.0
Total Grants	11,000.0	3,033.2	11,000.0	2,417.0
TOTAL FEDERAL FUNDS	79,208.7	38,059.4	81,265.1	28,820.3
TOTAL	514,466.8	189,307.9	575,507.8	242,024.9

Accountants' Findings and Recommendations

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Condensed below are the 18 findings and recommendations included in the audit report. Of these, 13 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Environmental Protection Agency, via electronic mail received July 20, 2023.

- 1. The auditors recommend the Agency ensure reconciliation of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary is complete and accurate. They further recommend the Agency reevaluate the data for the base year ended June 30, 2021 to identify any other instances where data discrepancies may still exist and work with SERS to correct all such unresolved errors in the full reconciliation of Agency and SERS records.**

FINDING: *(Inadequate Internal Controls over Census Data) – First reported 2020, last reported 2022*

The Environmental Protection Agency (Agency) did not take sufficient measures to ensure that all census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate for the Water Revolving Fund (Fund).

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.

The auditors noted the Agency's employees within the Fund 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, they noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, auditors noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

The Agency performed an initial reconciliation of its census data recorded by SERS to its internal records in order to establish a base year ended June 30, 2021 of complete and accurate census data. During the testing of a sample of 40 transactions reported by the Agency to SERS, auditors noted two (5%) reporting errors which the Agency did not identify and correct in its reconciliation. One employee's birthdate was misstated by 10

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

years. This reporting error was subsequently corrected by the Agency in a later measurement period upon notification by the auditor. Additionally, one employee's monthly salary was understated by \$25. The auditors also noted the Agency did not maintain sufficient documentation that a complete reconciliation was properly performed.

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 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 Agency 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 Agency's activities.

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

Agency officials indicated the errors were due to oversight and their reconciliation being performed manually.

Failure to properly reconcile active members' census data reported to and held by SERS to the Agency'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.

AGENCY RESPONSE:

The Agency partially agrees with finding 2022-001. The Census reconciliation of employee data was performed screen by screen along with personnel (paper) file documents. The State Record's Act requirements are encompassed in the employees' system record and HR file which have been retained in accordance with the Records Act.

Two errors were found:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

1. The one issue was a simple error in the date. In reviewing hundreds of records, the birth date was misread. (human error)
2. The second issue was for a person on a leave of absence (for many years) and the error had no impact since the employee was not getting paid by IEPA. This would have been resolved had the person ever returned from leave (which they did not).

The two errors found could not have skewed reliance on actuarial statistics when combined with all other agencies' employee data. Both errors have been corrected.

In Fall 2023, the Agency plans to convert the personnel records to a new ERP/HCM system. We will need to ensure the data is correct and will go file by file to make sure the converted information is accurate. In addition, staff will be able to view their information and will be asked to ensure it is correct.

ACCOUNTANTS' COMMENT

The Agency did not provide the auditors documentation to support that information of each employee was verified using the source documents indicated in the SERS memo entitled "Annual Census Data Reconciliation Guidance" (Guidance). The Guidance requires each agency to be responsible for using staff rosters and personnel file contents to validate participation in the retirement plan and to verify the accuracy of each of the census data demographics for each employee of their agency. The Guidance identifies each of the census data fields to be reviewed and the recommended personnel file source documents for each. The Guidance also requires the Agency staff to verify, for each employee in service on June 30, 2021, that the employee's personnel file contents match the SERS census data extract provided and the Agency's personnel and payroll systems. The State Records Act (5 ILCS 160/8) requires the Agency to make and preserve records containing adequate and proper documentation of its essential transactions, which would also include documentation of the Agency's complete base year reconciliation and verification of agency and Plan records.

The errors identified in our sample indicated there could be other uncorrected errors in the population of the census data, and the reconciliation performed was not effective in detecting and correcting all errors. As a result, assurance cannot be obtained regarding the accuracy and reliability of the census data the Plan actuaries used to calculate pension and OPEB balances used for both the Agency's and the State's financial statements.

UPDATED RESPONSE:

Implemented. The two errors found could not have skewed reliance on actuarial statistics when combined with all other agencies' employee data. Both errors have been corrected.

In Fall 2023, the Agency plans to convert the personnel records to the new ERP/HCM system, and intend to go file-by-file to make sure the converted

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

information is accurate. In addition, staff will then be able to view their information and will be asked to ensure it is correct.

2. The auditors recommend the Agency:

- Review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance.
- Monitor the submission of accident reports to ensure compliance with the rules.
- Review and enforce procedures over the timely filing of the required annual certifications of license and liability insurance coverage.
- Develop a monitoring process to ensure all employee vehicle assignments and changes are timely and properly reported to CMS.
- Ensure fringe benefits are properly supported and accurately reported in the payroll to comply with laws and regulations.

FINDING: *(Inadequate Controls over State Vehicles) – First reported 2014, last reported 2022*

The Environmental Protection Agency (Agency) did not exercise adequate internal controls over automobiles. As of June 30, 2022, the Agency had 112 vehicles.

During testing, the auditors noted the following:

- The Agency did not ensure its vehicles were properly maintained during the engagement period. The auditors reviewed the maintenance records for 18 vehicles and noted the following:
 - Four (22%) vehicles tested had an oil change past the allowed oil change intervals.
 - Two (11%) vehicles tested did not receive tire rotations at the required intervals.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.410(a)) requires the Agency to maintain vehicles in accordance with the Department of Central Management Services (DCMS) schedules for the proper care and maintenance of vehicles. In addition, the Code (44 Ill. Adm. Code 5040.400) requires all State-owned or leased vehicles to undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition.

Agency officials stated these exceptions were due to lack of monitoring to ensure the policies and procedures were being followed.

The auditors analyzed the total activity of the Agency's 112 vehicles used during Fiscal Years 2021 and 2022. The Agency's vehicles traveled between 35 to 33,374 miles during Fiscal Year 2021 and 595 to 29,752 miles during Fiscal Year 2022, with the following charts showing the average monthly vehicle utilization:

The auditors noted the following underutilized vehicles during Fiscal Years 2021 and 2022:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Fiscal Year	Year	Make	Odometer	Total Usage	Average Monthly Usage
FY2021	2006	FORD	80,987	1,294	108
FY2021	2008	FORD	88,560	725	60
FY2021	2008	FORD	96,957	242	20
FY2021	2009	FORD	47,614	1,235	103
FY2021	2009	FORD	76,102	663	55
FY2021	2010	TOYOTA	74,624	1,313	109
FY2021	2012	CHEVROLET	39,652	1,483	124
FY2021	2012	CHEVROLET	49,681	726	61
FY2021	2012	CHEVROLET	46,759	163	14
FY2021	2012	CHEVROLET	63,591	1,121	93
FY2021	2010	CHEVROLET	94,789	35	3
FY2021	2010	CHEVROLET	92,874	798	67
FY2021	2010	CHEVROLET	86,944	909	76
FY2021	2019	FORD	8,989	1,189	99
FY2022	2009	FORD	49,444	595	50
FY2022	2012	CHEVROLET	127,477	1,110	93

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over vehicles includes performing an economic break-even analysis and keeping vehicles when the vehicle can be used at or beyond that level or when the Agency can justify why a less than economic break-even is necessary because there is no other alternative available to carry out the Agency's mission.

Additionally, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.620) requires the Agency to regularly survey its inventory to identify transferable equipment that is no longer needed and/or useful to the Agency and report it to the Property Control Division of DCMS.

Agency officials stated the issues were due to COVID-19. The vehicles were not being utilized like they normally would during Fiscal Year 2021 and Fiscal Year 2022.

- One of four (25%) vehicle accident reports tested was submitted to the DCMS Auto Liability Unit 42 days late. Additionally, two of four (50%) vehicle accident reports tested were completed and submitted to the Agency Vehicle Coordinator 43 and 12 days late.

The Code (44 Ill. Admin. Code 5040.520) requires vehicle accidents be reported to law enforcement, the CMS Auto Liability Unit, and the agency on the vehicle accident form within seven calendar days or the driver and agency risk forfeiture of coverage under the State's auto liability plan. The Agency's Vehicle Accident Report policy, Chapter 9, Section 6, of the Employee Handbook requires a Motorist's Report of Illinois Vehicle Accident (Form SR-1) be completed in its entirety and submitted to the Agency Vehicle Coordinator no later than two days following an accident.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Agency officials stated these exceptions were due to vacancy of the vehicle coordinator position.

- The Agency did not provide documentation to determine if 10 of 10 (100%) changes to vehicle assignments during Fiscal Year 2022 were reported to CMS as required by the Code.

The Code (44 Ill. Adm. Code 5040.340) requires the Agency to report to CMS annually and when changes occur, the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, and the employee's headquarters and residence.

Agency officials stated the vehicle assignments were not reported to CMS due to oversight.

- The Agency did not exercise adequate control over the required annual certifications of licensure and automobile liability coverage form (certification form). Five of 24 (21%) employees tested filed the certification forms 12 to 374 days late.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) requires every employee assigned to a specific vehicle owned or leased by the State on an ongoing basis affirm the driver is duly licensed and has liability insurance coverage extending to the vehicle when it is used for other than official State business. The certification must be filed during July of each calendar year or within 30 days of any new assignment of a vehicle, on an ongoing basis, whichever is later.

Agency officials stated the issue was due to oversight.

Population Completeness

The auditors requested the Agency to provide the population of its employees who are allowed the personal use of State vehicles in order to determine if employee fringe benefits were properly reported. In response to the request, the Agency provided its Personal Vehicle Use Report (Report) during Fiscal Years 2021 and 2022; however, there were discrepancies on the number of trips reported per commuting forms as against the Reports, therefore, they were unable to conclude the Agency's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, the auditors performed testing on a sample of the employees allowed the personal use of State vehicles.

- The Agency did not ensure commuting miles reported by the employees were properly reported in the payroll. The auditors noted the following:
 - One of eight (13%) employees tested did not submit the Approval to Use a State Vehicle for Commuting form.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

- For five of eight (63%) employees tested, commuting miles did not agree with the fringe benefit values reported in the payroll during the examination period, resulting in an overstatement of reported fringe benefit payments for tax purposes totaling \$1.50 for one employee and an understatement totaling \$15 for four employees.

The Agency's Off-Duty Use of State-Owned Vehicle policy, Chapter 9, Section 7, of the Employee Handbook requires an employee who has met the conditions for taking home a pool vehicle, and was authorized by the employee's supervisor, to document the reason for the take home use of the pool vehicle on the Agency's form, Approval to Use a State Vehicle, and obtain the supervisor's signature on the form.

The Internal Revenue Services' Employer's Tax Guide to Fringe Benefits (Publication 15-B) states any commute an individual makes with an assigned vehicle is considered a fringe benefit and is to be valued at \$1.50 per one-way commute. Fringe benefits are to be included in the employee's wages for tax purposes.

Agency officials stated the discrepancies were due to employee error and oversight.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Failure to properly monitor vehicle maintenance could result in the State incurring added costs through additional repairs to, and reduced lives of, vehicles. Failure to timely complete and submit accident reports risk forfeiture of coverage under the Self-Insured Motor Vehicle Liability Plan. Failure to timely obtain each driver's annual certification of licensure and automobile liability insurance coverage as required by State law could expose the Agency to unnecessary litigation risks. Failure to properly report vehicle assignments to CMS lessens government oversight for fleet efficiency and accountability for State resources. Improper reporting of fringe benefits results in the inaccurate reporting of employee wages for tax purposes.

AGENCY RESPONSE:

The Agency agrees with the 2022-002 finding and will perform an in-depth analysis of the Agency's vehicle fleet and its usage. COVID had an impact on vehicle usage during the audit period. A new Agency vehicle coordinator was hired in 2022 and will work to put procedures in place to address the issues raised in the audit.

UPDATED RESPONSE:

Partially Implemented. A new Agency vehicle coordinator was hired in 2022. The chapter in the Agency's Handbook on vehicles usage has been updated and is pending final review by management before it becomes final. The Agency is actively

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

working to address the other issues if not already specifically covered by the policy updates.

3. **The auditors recommend the Agency pursue all reasonable and appropriate procedures to collect outstanding debts as required by Agency policies, and State laws and regulations. They also recommend the Agency maintain records of accounts receivable and documentation of its collection efforts.**

FINDING: *(Inadequate Controls over Accounts Receivable) – First reported 2014, last reported 2022*

The Environmental Protection Agency (Agency) did not have adequate controls over the administration of its accounts receivable.

Excluding receivables from the Water Revolving Fund and the Environmental Protection Trust Fund, the Agency reported \$35.4 million in accounts receivable, of which \$12.3 million was over one year past due, as of June 30, 2022, and \$47.1 million, of which \$12.5 million was over one year past due, as of June 30, 2021.

During testing, the auditors noted the following:

- Five of 40 (13%) accounts receivable tested, amounting to \$268,372, were over 120 days to 13 years past due and the Agency had not made active collection efforts during the examination period on the account or referred the account to the Comptroller's Offset System, Department of Revenue's Debt Collection Bureau, or the Attorney General. Additionally, for eight of 40 (20%) accounts receivable tested, totaling \$27,134, the Agency did not timely refer the accounts to the Office of Comptroller's (Comptroller) Offset System. The accounts were placed in the Comptroller's Offset System from 13 to 696 days after the due dates.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(c-1)) and the Statewide Accounting Management System (SAMS) (Procedure 26.40.20) requires the Agency to place all debts over \$250 and more than 90 days past due in the Comptroller's Offset System. In addition, the Act (30 ILCS 210/5(g)) requires the Agency to refer qualifying delinquent debt to the Department of Revenue's Debt Collection Bureau. The Uncollected State Claims Act (30 ILCS 205/2(a)) requires the Agency, when it is unable to collect any claim or account receivable of \$1,000 or more due, request the Attorney General to certify the claim or account receivable to be uncollectible. The Act (30 ILCS 210/3) and SAMS (Procedure 26.40.10) require the Agency to pursue the collection of accounts or claims due and payable to the Agency through all reasonable and appropriate procedures.

- For six of 40 (15%) accounts receivable totaling \$162,540, the Agency did not provide documentation to determine if the Agency pursued collection efforts in accordance with the Agency's collection procedures and State rules and regulations.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The State Records Act (5 ILCS 160/8) requires the Agency make and preserve adequate and proper documentation of the 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. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over accounts receivable includes maintaining the documents to hold evidence of debtor's debt and keep track of collection efforts taken.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the delay in referring the accounts for collection was due to the difficulty in obtaining the necessary information such as federal identification numbers to pursue collections or write-off. Files that did not have the required information were either due to the age of the account or the nature of the case. Failure to timely refer receivables to the Comptroller's Offset System and to the Bureau increases the likelihood that past due amounts owed to the Agency will not be collected or the collection will be further delayed.

Failure to report uncollectible accounts to the Attorney General results in the Agency not writing off accounts receivable balances and the corresponding allowance for doubtful accounts, resulting in an overstatement of these balances in the Agency's accounts receivable reports. Failure to properly keep records of accounts receivable and to make collection efforts increases the risk of loss of revenues.

AGENCY RESPONSE:

The Agency agrees with finding 2022-003. The Agency has procedures in place to capture all necessary information for collecting Accounts Receivable. The Agency revised the accounts receivable processing plan to include a subscription to acquire necessary information and to utilize a debt collection agency to better move old accounts towards resolution and write-off. The Agency is actively working with the Attorney General's Office to complete write-off packets for the uncollectible debt.

UPDATED RESPONSE:

Partially Implemented. The Agency agrees with this finding, and has procedures in place to capture all necessary information for collecting Accounts Receivable. The Agency revised the accounts receivable processing plan to include a subscription to acquire necessary information and to utilize a debt collection agency to better move old accounts towards resolution and write-off. The Agency is actively working with the Attorney General's Office to complete write-off packets for the uncollectible debt.

4. The auditors recommend the Agency:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

- Take appropriate action to ensure performance evaluations are conducted annually and in a timely manner.
- Ensure personnel files contain all required documentation including payroll deduction and withholding forms and completed I-9 forms, and obtain missing documents from the employees.
- Develop and implement procedures on monitoring of the monthly reimbursement reports to ensure the employer's share of group insurance is paid for employees who are on unpaid leave of absence.
- Ensure leave requests and overtime requests are timely submitted, properly approved in advance, and pre-approval is documented and maintained.
- Strengthen its controls over the completion and review of the Agency Workforce Reports to ensure the report is accurate and filed timely.
- Independently review its payroll vouchers generated to ensure the System properly calculates payroll and related withholding taxes.

FINDING: *(Inadequate Controls over Personal Services) – First reported 1994, last reported 2022*

The Environmental Protection Agency (Agency) failed to maintain proper controls over personal services.

During testing, the auditors noted the following:

- Four of 40 (10%) employees tested did not have performance evaluations for the evaluation period tested. Of the four, one evaluation was for an employee who retired within the examination period, two evaluations were not completed during their probationary period, and one annual evaluation was for an active employee. Additionally, seven of 40 (18%) employees tested had performance evaluations not completed within the required timeframe. The delinquencies ranged from three to 46 days late.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Agency to evaluate certified employees not less often than annually. Additionally, the Code (80 Ill. Admin. Code 302.270(b)) requires the Agency to conduct two evaluations for any employee serving a six-month probationary period, one at the end of the third month of the employee's probationary period and another 15 days before the conclusion thereof.

Agency officials stated they continue to face challenges in performing administrative functions as the structure of the Agency does not have enough management employees outside of the union to perform timely evaluations.

- For two of 40 (5%) employee files tested, the employer's section of the Form I-9 was not completed and signed by the Agency's authorized representative. In addition, for one of 40 (3%) employees' personnel files tested, the Form I9 was not maintained.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Federal Immigration Law (8 USC § 1324a) requires an employer to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States. The employer is required to examine evidence of identity and employment authorization of each new employee no later than three business days after the employee's first day of employment. The employer is required to document the hire date, their signature, and date of review of the Form I-9.

Agency officials stated the exceptions were due to oversight. Agency officials further stated the employee with missing Form I-9 was a transferee and the Form I-9 was kept by the transferring Agency.

- For one of eight (13%) employees tested who was on leave of absence (LOA), the Agency did not pay the employer's share of group insurance for one semimonthly pay period.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/10) requires the basic non-contributory coverage from the basic program of group health benefits to be continued for each employee not in pay status or on active service by reason of leave of absence due to illness or injury, authorized educational leave of absence or sabbatical leave, or military leave and shall continue until expiration of authorized leave and return to active service.

Agency officials stated they rely on the monthly reimbursement report provided by the Department of Central Management System and there was no procedure in place to monitor and check whether the employer's share of group insurance for employees on LOA were paid.

- For 10 of 40 (25%) employees tested, 18 requests for 81 hours of vacation and personal leave were submitted from three to 25 days after the leave was taken. In addition, for six of 40 (15%) employees tested, 16 requests for 32 hours were not timely approved by the supervisors. These requests were approved two to 12 days after the leave was taken or the request was submitted.

The Agency's Leave and Vacation Policy (Policy), Chapter 7, of the Employee Handbook requires employees who request time off from work to make the request in writing and obtain approval from his or her immediate supervisor. For vacation and personal leaves, the Policy requires the requests to be made in advance.

Agency officials stated that when possible and practical, employees submit time off requests in advance of being out of the office. Agency officials further stated, employees may call in for the day or get verbal approval and submit the request when they return to the office. Approval for the time off may also have been given via email, with official request submitted later.

- For 12 of 40 (30%) employees tested, 19 requests for 46 hours of overtime were not properly approved by the supervisors. These requests were approved from one to five days after the overtime was worked or the request was submitted. In

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

addition, for 15 of 40 (38%) employees tested, 27 requests for 12 hours of EET and 76 hours of overtime were submitted from one to 15 days after the overtime was worked.

The Agency's Overtime Policy, Chapter 6, Section 8, and the Agency's Equivalent Earned Time Policy, Chapter 6, Section 9, of the Employee Handbook, require prior approval from the appropriate Bureau, Division or Office head or designee.

Agency officials stated a verbal request or email discussion is held and approval was given in advance.

- The figures reported on the Agency Workforce Reports (Reports), filed during the examination period, did not agree to the supporting documentation provided. Discrepancies were noted on the data and statistical percentages reported for 15 of 16 (94%) employee groups in the 2020 Report and 13 of 16 (81%) employee groups in the 2021 Report. Additionally, the Agency failed to include four and two employees in the 2020 and 2021 Reports, respectively.

The State Employment Records Act (5 ILCS 410 et seq.) requires State agencies to collect, classify, maintain, and report certain employment statistics for women, disabled, and minority groups.

Agency officials stated the discrepancies were due to human error.

- For six of 40 (15%) employees tested, the federal income taxes, for the pay periods ending December 31, 2020, December 31, 2021, and January 15, 2022, were inaccurately withheld by \$42. The Central Payroll System (System) of DoIT did not use the proper federal tax deduction table which became effective with that pay period.

The Internal Revenue Service Publication 15-T, Employer's Tax Guide, requires employers to withhold federal income tax from each wage payment or supplemental unemployment compensation plan benefit payment according to the employee's Form W-4 and the correct withholding table.

Further, the Office of the Comptroller's Office Payroll Bulletin, (Bulletin) 13- 20, required the use of the 2021 federal withholding tables effective with the December 16-31, 2020 pay period. Additionally, Bulletin 9-21, required the use of the 2022 federal withholding tables effective with the December 16-31, 2021 pay period. These Bulletins stipulated the applicable withholding rate for the amount to be withheld.

Agency officials stated they rely on the amount of tax withheld by the System, and there was no procedure in place to monitor and check whether the amount of federal tax was properly calculated.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

This finding was first reported during the period ended June 30, 1994. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Delays in evaluation may cause certain probationary employees to become certified prior to formal review. Inadequate maintenance of employee personnel files may result in personnel and payroll related issues not being resolved timely due to the absence of supporting documents. Failure to maintain adequate employee payroll deduction records may result in inaccurate or unauthorized deductions. Failure to properly complete I-9 forms within the required timeframe and retain the forms for a specified period after employment has ended may make the Agency subject to fines and penalties. Failure to ensure payment of the employer's share of group insurance for employees who are on unpaid LOA results in the Agency not paying its obligations. Failure to ensure pre-approval leave requests are timely submitted and approved may affect the Agency's scheduling to maintain operational efficiency. Failure to ensure pre-approval overtime requests are timely submitted and properly approved in advance undermines accountability controls and increase the risk the Agency will pay unnecessary personal service expenditures. Failure to file accurate information on the Agency Workforce Report (Report) prevents the appropriate oversight authorities from receiving relevant feedback and monitoring of programs and can decrease effectiveness of future decisions when accurate information is not available. Failure to ensure the System utilized accurate tax deduction table resulted in inaccurate taxes withheld from employees and remitted to the federal government.

AGENCY RESPONSE:

The Agency agrees with the 2022-004 finding and auditor's recommendations. The Agency will work to update the Agency Handbook to address that time off and overtime cannot always be requested in advance. Supervisors are receiving numerous reminders of evaluation due dates and the Agency will continue to push to get this completed. As for the tax tables, these are set up by DoIT Central Payroll and we have no way to adjust or change the tables so this is outside of the Agency's control.

ACCOUNTANTS' COMMENT:

The Agency did not identify the withholding errors in its review and approval of its payroll vouchers. The Independent Service Auditor's Report on DoIT's Shared Services dated August 4, 2021 reported inaccuracies in tax rates in the System and stated "agencies are responsible for reviewing the payroll voucher to ensure the accurate calculation of deductions". State agencies are ultimately responsible for the accuracy of payroll deductions and withholdings and any discrepancies should be reported for correction.

UPDATED RESPONSE:

Partially Implemented. The Agency will update the Agency Handbook to address that time off and overtime cannot always be requested in writing in advance.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Regarding evaluations, the Agency has a push notification system, and supervisors are receiving numerous reminders of due dates.

As for the tax tables, these are set up by DoIT Central Payroll and we have no way to adjust or change the tables; this is outside of the Agency's control.

5. **The auditors recommend the Agency strengthen its controls to ensure documentation is maintained and reviews of grantee's required reports are timely. In addition, they recommend the Agency ensure that grantees timely submit the progress reports to comply with the provisions of the grant agreements.**

FINDING: *(Inadequate Controls over Awards and Grants) – First reported 2018, last reported 2022*

The Environmental Protection Agency (Agency) did not adequately administer and monitor its awards and grants programs.

The Agency expended over \$533 million (72%) and \$518 million (69%) for awards and grants of its total expenditures of approximately \$737 million and \$754 million during Fiscal Year 2021 and Fiscal Year 2022, respectively. The auditors sampled five grant programs: Wastewater Treatment Plant Energy Efficiency (SEP), Section 319(h) - Nonpoint Source Pollution Control Financial Assistance Program, Section 604b - Water Quality Management Planning, Green Infrastructure Grant Opportunities (GIGO), and Prairie Du Pont. For the five grant programs selected for testing, 32 grant agreements totaling \$9,203,877 were tested. A total of 313 progress reports were submitted by the grantees for the applicable year tested.

- Fifty-seven of 313 (18%) progress reports tested were submitted to the Agency one to 297 days late.
- Four of 313 (1%) progress reports tested did not have documentation of submission date by the grantee to the Agency; therefore, timeliness of submission could not be determined.
- Sixteen of 313 (5%) progress reports tested did not have evidence of a review by Agency personnel.
- Seventy-two of 313 (23%) progress reports tested were reviewed by the Agency two to 265 days after the submission date by the grantee.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

The grant agreements require the grantees to submit financial reports and performance reports with frequency and deadlines specified in the executed grant agreements. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 7000.200) requires each State grantmaking agency, in order to effectively measure the performance of its awardees, to require its awardees to submit a Periodic Performance Report (PPR) quarterly unless otherwise specified in the uniform grant agreement. The Code requires each State

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

grantmaking agency to provide awardees with clear performance goals, indicators, and milestones through the Grant Agreement and to establish performance reporting frequency and content to not only allow the State agency to understand the awardee's progress, but also to facilitate identification of promising practices among awardees and build evidence upon which the State agency's program and performance decisions are made.

The Grant Accountability and Transparency Act (GATA) (30 ILCS 708/45(g)) requires each State grantmaking agency to enhance its processes to monitor and address noncompliance with reporting requirements and with program performance standards and to include a plan for tracking and documenting performance-based contracting decisions.

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

Agency officials stated the deficiencies were due to staff shortages and competing priorities.

Failure to ensure that grantees timely submit the required reports and document the timely submission date and reviews of grantees' required reports by Agency personnel decreases the Agency's accountability over funds granted and increases the risk of noncompliance with the provisions of the grant agreements. Further, the untimely receipt of required reports inhibits the Agency's ability to effectively track project completeness and milestones.

AGENCY RESPONSE:

The Agency agrees with finding 2022-005. The Agency will work to create and implement a database to track due dates and collection of required progress reports. The Agency will continue to emphasize the importance of timely and documented reviews of required reports to grant personnel. The Agency will continue to adopt rules and procedures as identified in the Grant Accountability and Transparency Act and the Illinois Administrative Code.

UPDATED RESPONSE:

Partially Implemented. The Agency is working to create and implement a database to track due dates and collection of required progress reports. The Agency will continue to emphasize the importance of timely and documented reviews of required reports to grant personnel. The Agency has hired additional staff to improve timely review of the progress reports. The Agency will continue to adopt rules and procedures as identified in the Grant Accountability and Transparency Act and the Illinois Administrative Code.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

6. The auditors recommend the Agency ensure monthly reconciliations of obligations, expenditures, appropriations, and revenues are performed and documentation of the timely completion and supervisory review of its reconciliations are maintained.

FINDING: *(Inadequate Controls over Monthly Reconciliations) – First reported 2018, last reported 2022*

The Environmental Protection Agency (Agency) did not maintain adequate controls over its monthly obligations, expenditures, appropriations, and revenue reconciliations.

During testing of monthly reconciliations between the Office of Comptroller (Comptroller) records and Agency records, the auditors noted the following:

- The Agency did not perform the required monthly reconciliations of its internal records to the Appropriation Transfer Report (SB03) during the engagement period.
- For the Monthly Appropriation Status Reports (SB01):
 - Four of 32 (13%) required monthly reconciliations were not performed for all the funds during the engagement period.
 - The Agency performs monthly reconciliations for 15 to 25 funds. For three of the required monthly reconciliations, there was one fund reconciliation that did not contain documentation of preparation date, therefore, the timeliness of preparation could not be determined. Further, there was no documentation of which employee prepared the reconciliations and performed the supervisory review.
- For the Monthly Revenue Report (SB04):
 - Unreconciled differences, totaling \$548,323, were noted for four of 30 (13%) funds tested on the Agency's June 30, 2021 reconciliation and nine of 30 (30%) funds tested on the Agency's June 30, 2022 reconciliation.
 - For one of 30 (3%) funds tested, a reconciliation was not performed as of June 30, 2022.
 - For one of 30 (3%) funds tested, the reconciling item totaling \$1,760 as of June 30, 2021, was not properly supported.
- For the Monthly Agency Contract Report (SC14) or Monthly Obligation Activity Report (SC15):
 - Seven of 24 (29%) required monthly reconciliations were not performed during the engagement period.
 - Six of 24 (25%) reconciliations did not contain the date the reconciliations were completed; therefore, the timeliness of preparation could not be determined.
 - For 15 of 24 (63%) reconciliations, there was no documentation of the date and which employee performed the supervisory review.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) states “the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied.” In addition, SAMS requires reconciliations be completed within 60 days of the month end and discrepancies be reported to the Comptroller immediately for corrections.

Agency officials stated the reconciliations were not performed, dated, and signed due to oversight and lapse period end date. Agency officials also stated the SB03 reconciliations were not performed in a formal manner due to the low volume of transfers. Further, Agency officials stated the SC14 and SC15 reconciliations were not performed because a useable report was not available.

Failure to perform reconciliations increases the risk of undetected and/or unresolved discrepancies and impairs the Agency’s and the Comptroller’s abilities to timely take corrective action to ensure accurate accounting of Agency obligations, expenditures, appropriations, and revenues. Failure to document when reconciliations are performed does not provide sufficient evidence to determine the Agency’s compliance with SAMS requirements.

AGENCY RESPONSE:

The Agency agrees with finding 2022-006. The Agency has a new procedure in place for the reconciliations, regardless of activity level in the fund/account. All required reconciliations now are performed timely for all months with proper reviews and support for unreconciled differences.

UPDATED RESPONSE:

Implemented. The Agency has a new procedure in place for the reconciliations, regardless of activity level in the fund/account. All required reconciliations now are performed timely for all months with proper reviews and support for unreconciled differences.

- 7. The auditors recommend the Agency ensure receipts are deposited in a timely manner and maintain documentation to support date of receipt of refunds. In addition, they recommend the Agency review and ensure fees reported in the Agency Fee Imposition Reports are accurate.**

FINDING: *(Inadequate Controls over Receipts, Refunds, and Agency Fee Imposition Reporting) – First reported 2020, last reported 2022*

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Environmental Protection Agency (Agency) did not have adequate controls over its receipts, refunds, and Agency Fee Imposition reporting.

During testing, the auditors noted the following:

- One of 40 (3%) receipts tested, totaling \$500, was deposited seven days late. Additionally, one of 12 (8%) refunds tested, totaling \$6,733, was deposited 24 days late.
- One of 12 (8%) refunds tested, totaling \$108,692, did not include documentation to support the date the refund was received; therefore, the timeliness of deposit could not be determined.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Agency to keep proper books and a detailed itemized account of all moneys received showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement and to deposit receipts collected into the State Treasury within a specific period of time, depending on the dollar amount of cash receipts on hand.

- The Agency did not properly report the required information on the Agency Fee Imposition Report Form (Report). The auditors noted the following:
 - For one fee, the Agency did not provide the degree to which program goals were met in its Fiscal Year 2021 and 2022 Reports.
 - Two fees did not agree with the Agency records. One fee had a discrepancy of \$1,500 in the Fiscal Year 2022 Report and another fee had a discrepancy of \$940 in the Fiscal Year 2021 Report.
 - Two fees were not segregated into two SAMS revenue codes in the Fiscal Year 2022 Report and one fee was not segregated into two SAMS revenue codes in the Fiscal Year 2021 Report.

The Illinois State Auditing Act (30 ILCS 5/3-8.5) requires the Agency to submit the Agency Fee Imposition Report Form containing the following information: (1) a list and description of fees imposed by the agency, (2) the purpose of the fees, (3) the statutory or other authority for the imposition of the fees, (4) the amount of revenue generated, (5) the general population affected by the fee, (6) the funds into which the fees are deposited, (7) the use of the funds, if earmarked, and (8) the cost of administration and degree to which the goals of the program are met.

Agency officials stated the deposits were late due to stay at home orders and staffing shortages due to the COVID-19 pandemic. Agency officials also stated the other issues noted were due to oversight.

Failure to document the timely deposit of funds collected could result in untimely deposits and reduce the amount available to pay current costs and increase the risk of loss of interest revenue. Failure to accurately report information regarding fees collected affects

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

the accuracy and reliability of Statewide fee information reported to the General Assembly compiled by the Comptroller.

AGENCY RESPONSE:

The Agency agrees with finding 2022-007. The Agency is requesting through the Illinois Office of Comptroller a deposit extension for all revenue types that require internal review prior to deposit of funds. The Fee Imposition report will receive a more detailed review prior to submission.

UPDATED RESPONSE:

Partially Implemented. The Agency is requesting through the Illinois Office of Comptroller a deposit extension for all revenue types that require internal review prior to deposit of funds. The Fee Imposition report will receive a more detailed review prior to submission. In addition, all refunds are date stamped.

- 8. The auditors recommend the Agency design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, they recommend the Agency process proper bills within 30 days of receipt, approve vouchers for payment of interest due to vendors, submit travel request forms timely, and ensure vouchers are properly recorded.**

FINDING: *(Voucher Processing Internal Controls Not Operating Effectively) – First reported 2018, last reported 2022*

The Environmental Protection Agency's (Agency) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to the ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), the auditors were able to limit their voucher testing at the Agency to determine whether certain key attributes were properly entered by the Agency's staff into the ERP. In order to determine the operating effectiveness of the Agency's internal controls related to voucher processing and subsequent payment of interest, auditors selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System 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.

The auditors testing noted 9 of 140 (6%) attributes were not properly entered into the ERP System. Therefore, the Agency's internal controls over voucher processing were not operating effectively.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Agency 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,

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Agency 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 Agency establish and maintain a system, or systems, 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, auditors qualified their opinion because they determined the Agency had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, auditors conducted an analysis of the Agency's expenditures data for fiscal years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). The auditors noted the following noncompliance:

- The Agency owed one vendor interest totaling \$111 in fiscal year 2022; however, the Agency had not approved the voucher for payment to the vendor.

The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Agency did not timely approve 2,001 of 14,678 (14%) vouchers processed during the examination period, totaling \$42,243,685. The auditors noted these late vouchers were approved between 1 and 368 days late.

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

- Two of 106 (2%) vouchers tested, totaling \$1,531, were not coded with the proper detail object code.

The SAMS Procedure (Procedure 11.10.50) states that the purpose of assigning a correct detail object code is to report expenditure information at a more refined level with common object.

- Three of 25 (12%) travel vouchers tested, totaling \$522, were not submitted 30 days in advance of the departure date to the Governor's Office of Management and Budget. The travel request forms were submitted 5 to 15 days late.

The Code (80 Ill. Adm. Code 2800.700) states travel outside of Illinois (including travel outside the contiguous United States) requires the approval of the Governor's Office of Management Budget prior to the travel. All requests are to be submitted to the Governor's Office of Management and Budget's on-line travel system (eTravel) at least 30 days in advance of the departure date.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures to remedy this deficiency.

Agency management stated the issues were the result of a longer review process due to the changes at the Agency caused by the remote work environment of staff and vendors due to COVID-19 and other errors were due to oversight. Agency management also stated out of state travel requests were approved late because the opportunity or need to travel out of state occurred within the 30-day time period.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills, approve vouchers for payment of interest due, submit travel requests form, and ensure vouchers are properly recorded represent noncompliance with the Code and the Acts.

AGENCY RESPONSE:

The Agency agrees with finding 2022-008. The Agency will ensure all interest is paid timely and review the SAMS manual for proper detail object codes. During COVID work from home order, the Agency transitioned into a new process and procedure allowing invoices to be processed using electronic files instead of paper files. The invoices are tracked to ensure all are processed timely.

UPDATED RESPONSE:

Partially Implemented. The Agency will ensure all interest is paid timely and review the SAMS manual for proper detail object codes. During the COVID work from home order, the Agency transitioned into a new process allowing invoices to be processed using electronic files instead of paper files. The invoices are tracked to ensure all are processed timely.

- 9. The auditors recommend the Agency implement procedures to strengthen controls over property and ensure accurate recordkeeping, accountability, and timely reporting for all State property.**

FINDING: *(Inadequate Controls over Property) - New*

The Environmental Protection Agency (Agency) did not maintain adequate controls over its property and related records.

During testing, the auditors noted the following:

- One of 40 (3%) equipment items tested, totaling \$49,000, was not recorded in the Agency's property listing. The State Property Control Act (Act) (30 ILCS 605/6.02) requires the Agency to maintain a permanent record of all items of property under its jurisdiction and control. The Statewide Accounting Management System

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

(SAMS) Manual (Procedure 29.10.10) requires the Agency to maintain a permanent record of all property.

- One of 40 (3%) equipment items, totaling \$1,242, was not found at the location indicated on the Agency's property listing. The Act (30 ILCS 605/4) requires every responsible officer to be accountable for the supervision, control, and inventory of all property under its jurisdiction.
- Four of 16 (25%) quarterly Agency Reports of State Property (Form C-15) required to be filed during Fiscal Years 2021 and 2022 for the Water Revolving Fund (Fund 0270) and the Other Funds of the Agency, were submitted from one to two days late. The SAMS Manual (Procedure 29.20.10) requires the Agency to submit the C-15 Report to the Office of Comptroller no later than the last day of the month following the last day of the quarter.
- One of 38 (3%) property deletions, totaling \$11,326, was recorded 356 days late. The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.400) requires the Agency to adjust their property records within 90 days of acquisition, change, or deletion of equipment items.
- With the approval of the Department of Central Management Services (DCMS), the Agency conducts 100% inventory over a two-year period with the regional inventory conducted in even calendar years and the headquarters in odd calendar years. During Fiscal Year 2021, the Agency reported 43 unlocated items totaling \$244,386 in the Annual Inventory Certification submitted to DCMS. The unlocated items represent 3.17% of the total dollar amount of required inventoried items in the headquarters and generally consisted of equipment used by the Bureau of Air / Air Monitoring. The Act (30 ILCS 605/4) requires the Agency to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies 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; and 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.

Agency management indicated the exceptions noted were due to transitioning of property information in the Enterprise Resource Planning (ERP) system asset management and staff turnover.

Failure to exercise adequate controls over State property, maintain accurate property control records, and timely submit reports increases the risk of loss, misappropriation, and inaccurate information being submitted to the Office of Comptroller and DCMS.

AGENCY RESPONSE:

The Agency partially agrees with finding 2022-009. Agency personnel will be routinely reminded of the requirement to notify the property control manager when property is

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

moved so it can be updated in the accounting system. The Agency will ensure timely submittal of the C-15 reports. The Agency will also follow up and document all deletions to ensure the records are updated accordingly. Lastly, the Agency is performing a thorough review of all Agency inventory records.

ACCOUNTANTS' COMMENT:

Since the Agency's response does not state which portion of the finding they do not agree with, we are unable to evaluate any such concerns.

UPDATED RESPONSE:

Partially Implemented. Agency personnel will be routinely reminded of the requirement to notify the property control manager when property is moved so it can be updated in the accounting system. The Agency will also ensure timely submittal of the C-15 reports. The Agency will also follow up and document all deletions to ensure the records are updated accordingly. Lastly, the Agency is performing a thorough review of all Agency inventory records.

- 10. The auditors recommend the Agency establish formal change management procedures to include user acceptance testing and approval prior to moving changes into the production environment.**

FINDING: *(Inadequate Change Management Procedures) – First reported 2018, last reported 2022*

The Environmental Protection Agency (Agency) did not have adequate change management procedures.

The Agency had several critical and/or financially sensitive systems including, the Program Reporting System, the Loans and Grants Tracking System, and the Cost Recovery System, among others, for meeting its mission objectives.

During testing, auditors noted the Agency had not documented formal change management procedures for the Loans and Grants Tracking System. Additionally, during the testing of 21 system changes, they noted 16 (76%) system changes did not have documentation of user acceptance testing and approval before its deployment to the production environment.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to change management procedures.

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, Configuration Management section, endorses the implementation of change management procedures that require modifications to application systems be consistently documented.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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.

Agency management indicated this issue was due to oversight.

Lack of adequate change management procedures increases the risk of unauthorized or improper changes to computer systems.

AGENCY RESPONSE:

The Agency partially agrees with finding 2022-010. The contractor tracks all changes to the system. The contractor makes the changes and tests the changes. Agency personnel also tests the changes and confirms via positive contact with the contractor that the change is effective. Additionally, the Agency now tracks all change requests and compiles documentation in a spreadsheet.

ACCOUNTANTS' COMMENT:

We are confused by the Agency's response stating they had completed testing, as no documentation was provided to demonstrate such.

UPDATED RESPONSE:

Partially Implemented. The Agency partially agrees with finding 2022-010. The contractor tracks all changes to the system with system logs. The contractor makes the changes and tests the changes. Agency personnel also tests the changes and confirms via positive contact with the contractor that the change is effective. Additionally, the Agency now tracks all change requests and compiles documentation in a spreadsheet log.

- 11. The auditors recommend the Agency establish the Environmental Laboratory Certification Committee and ensure the Advisory Board meet annually to comply with the Acts. They also recommend the Agency timely fill the vacancies on the Task Force as required.**

FINDING: *(Statutory Committee and Board Requirements) - New*

The Environmental Protection Agency (Agency) did not comply with committee and board requirements mandated by State law.

The Agency is required by State law to ensure the composition of certain committees as defined and for boards to perform mandated duties. The auditors testing noted the Agency failed to abide by the following statutory committee and board requirements during the examination period:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

- The Environmental Protection Act (Act) (415 ILCS 5/17.8(e)) requires the Director of the Agency to establish an Environmental Laboratory Certification Committee composed of 9 persons to perform the following duties: (1) consider any alternative assessment schedules submitted by the Agency; (2) review and evaluate the financial implications of current and future State and federal requirements for certification of environmental laboratories; (3) review and evaluate management and financial audit reports relating to the certification program and to make recommendations regarding the Agency's efforts to implement alternative assessment schedules; (4) consider appropriate means for long-term financial support of the laboratory certification program and to make recommendations to the Agency regarding a preferred approach; (5) provide technical review and evaluation of the laboratory certification program; (6) hold meetings at times and places designated by the Director or the Chairperson of the Committee; and (7) conduct any other activities as may be deemed appropriate by the Director. As of June 30, 2022, the Environmental Laboratory Certification Committee had not been created.
- The Public Water Supply Operations Act (415 ILCS 45/11) requires the Community Water Supply Operator's Advisory Board (Advisory Board) composed of the Director of the Agency, who is the Secretary of the Advisory Board, and 5 members appointed by the Governor to assist in the formulation of and review the policies and program of the Agency as developed under authority of the Public Water Supply Operations Act, and to make recommendations and to provide the Agency with such technical advice and assistance as may be requested. In addition, the Public Water Supply Operations Act requires the Advisory Board to meet annually and at such intervals as necessary to transact business which may come before it upon call of the Agency, the Chairman of the Advisory Board, or any 3 of its members. The Advisory Board failed to hold a meeting during the calendar year 2020.
- The Consumer Electronics Recycling Act (Act) (415 ILCS 151/1-85(a)-(b)) requires the Director of the Agency to appoint an Advisory Electronics Task Force composed of 10 members responsible for submitting to the Agency for posting on its website by November 1 of each year, a list of agreed-to best practices to be used at program collection sites and one-day collection events. The Act also requires vacancies to be filled by the Director of the Agency for the remainder of the current term. The Act (415 ILCS 151/1-85(c)) requires the Agency to provide the Task Force with administrative support as necessary. As of June 30, 2022, the Advisory Electronics Task Force (Task Force) was comprised of only seven members. The Agency failed to fill three vacancies in the Task Force. The Task Force lacked a representative each from the county recycling programs, recycling companies, and manufacturing industry. In addition, although the Agency is tasked to provide administrative support to the Task Force, the Agency did not assist the Task Force in ensuring it prepared and submitted a list of agreed-to-best practices to be used at program collection sites and one-day collection events for posting on the Agency's website.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

Agency officials stated the Committee requirement was submitted for consideration in the annual omnibus Governor's Office of Management and Budget (GOMB) repealer bill but was not actioned. This will be resubmitted for consideration. Additionally, Agency officials stated due to the conflicting interpretations of the Advisory Board's policies regarding ability to conduct meetings remotely, the Advisory Board did not meet in 2020 due to the COVID-19 pandemic. Agency officials also stated the vacant positions in the Task Force are due to resignations and retirements and the struggle to fill the vacancies. Agency officials stated the failure to submit the list of agreed-to-best practices to be used at program collection sites and one-day collection events for posting on the Agency's website is due to not having a quorum at any Task Force meetings since August 2021.

Failure to establish statutorily required committee and perform mandated board and task force duties lessens governmental oversight and does not achieve the legislative intent of the affected programs.

AGENCY RESPONSE:

The Agency generally agrees with the recommendations in finding 2022- 011. However, the Agency intends to resubmit the Committee for repeal via GOMB's annual Budgeting for Results bill and/or file a standalone legislative proposal to repeal the Committee, which has not been established since its creation in 2012. The Agency will ensure the Advisory Board meets its statutory obligation to meet annually. The Agency will also work to timely fill vacancies on the Task Force.

UPDATED RESPONSE:

Partially Implemented. The Agency submitted the Environmental Laboratory Certification Committee for repeal via GOMB's annual Budgeting for Results bill. The Agency will ensure the Advisory Board meets its statutory obligation to meet annually. The Agency continues to actively work to fill vacancies on the Task Force.

- 12. The auditors recommend the Agency ensure compliance with the provisions of the Act by performing the inspections of the release of radionuclides at nuclear power plants on a quarterly basis.**

FINDING: *(Failure to Perform Quarterly Inspections on the Release of Radionuclides at Nuclear Power Plants) - New*

The Environmental Protection Agency (Agency), in cooperation with the Illinois Emergency Management Agency, failed to perform inspections on the release of radionuclides at nuclear power plants.

During the testing, auditors noted for one of eight (13%) quarterly inspections tested, the Agency did not inspect a nuclear power plant in Illinois during the second quarter of Fiscal Year 2021.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Environmental Protection Act (Act) (415 ILCS 5/13.6(d)) requires the Agency and the Illinois Emergency Management Agency to inspect each nuclear power plant for compliance no less than once each calendar quarter for release of radionuclides.

Agency officials stated the inspection was missed due to the retirement of the staff member who conducted those inspections and there was a delay in getting those inspections re-established.

Failure to perform quarterly inspection on the release of radionuclides at nuclear power plants resulted in noncompliance of the Act.

AGENCY RESPONSE:

The Agency agrees with finding 2022-012. Since 1st quarter 2021, Champaign Regional Office field staff have conducted all of the required quarterly radionuclide inspections of the Clinton Power Station. Field Office supervisors will ensure that these required quarterly inspections will continue for all six nuclear power plants in the future.

UPDATED RESPONSE:

Implemented. Since 1st quarter 2021, Champaign Regional Office field staff have conducted all of the required quarterly radionuclide inspections of the Clinton Power Station. Field Office supervisors are ensuring that these required quarterly inspections will continue for all six nuclear power plants in the future.

- 13. The auditors recommend the Agency ensure applications are complete prior to issuance of the permit. They also recommend documentation of required notices are maintained.**

FINDING: *(Noncompliance with Application and Permit Requirements) – First reported 2020, last reported 2022*

The Environmental Protection Agency (Agency) did not ensure all applications for permits complied with the statutory requirements before permits and approvals were issued.

During testing of statutory mandates, the auditors noted for the one (100%) permit application the Agency received and approved during the examination period, for the development or construction of composting facility, the Agency did not ensure the applicant provided the required notices to the public and to the owners of all real property located within 250 feet of the site of the proposed facility prior to issuance of the permit.

During the prior engagement period, the Agency did not maintain a record of the evaluation of an applicant's prior experience in asphalt shingle recycling operations before the beneficial use determination was issued. In addition, a River Edge Redevelopment Zone Site Remediation Tax Credit received by the Agency did not include a certification from the Illinois Department of Commerce and Economic Opportunity that the site is an enterprise zone. This application was approved by the Agency 14 days late. During the current engagement period, the Agency maintained records of the evaluation

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

of an applicant's prior experience in asphalt shingle recycling operations. There were no River Edge Redevelopment Zone Site Remediation Tax Credits received by the Agency during the examination period.

The Environmental Protection Act (Act) (415 ILCS 5/22.26) requires the Agency to not issue a development or construction permit for any composting facility unless the applicant has given notice (1) in person or by mail to the members of the General Assembly from the legislative district in which the proposed facility is located, (2) by registered or certified mail to the owners of all real property located within 250 feet of the site of the proposed facility, and (3) to the general public by publication in a newspaper of general circulation in the county in which the proposed facility is located.

Agency officials stated the notices were misfiled.

Failure to ensure necessary requirements were satisfied prior to issuance of the permit could result in the Agency's inability to justify issuance of permits to qualified applicants or support its decisions in relation to the issued permits.

AGENCY RESPONSE:

The Agency agrees with finding 2022-013. The Agency will pursue the audit recommendations and ensure all notices are filed correctly.

UPDATED RESPONSE:

Partially Implemented. The Agency is pursuing the audit recommendations to ensure all notices are filed correctly prior to issuance of the permit.

14. The auditors recommend the Agency:

- **Finalize and approve the formal security program (policies and procedures) to ensure its resources and data are adequately protected.**
- **Complete a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.**
- **Complete the classification of its data to identify and ensure adequate protection of information.**
- **Ensure corrective action is timely taken to remediate identified vulnerabilities.**
- **Establish a policy for ensuring electronic media is adequately sanitized prior to disposal.**
- **Establish access provisioning procedures to ensure requested access is adequately documented and approved.**
- **Ensure employees and contractors complete the annual cybersecurity Awareness Training.**

FINDING: *(Weaknesses in Cybersecurity Programs and Practices) – First reported 2020, last reported 2022*

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Environmental Protection Agency (Agency) has not implemented adequate practices and controls to protect confidential information.

It is the mission of the Agency to “safeguard environmental quality, consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life.” As a result of their mission, the Agency maintains large volumes of confidential information including names, addresses, and social security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-24) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During the examination of the Agency’s cybersecurity program, practices, and control of confidential information, auditors noted the Agency had not:

- Approved a formal security program (policies and procedures) to ensure its resources and data were adequately protected.
- Completed a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information was protected from unauthorized disclosure.
- Completed the classification of all its data to identify and ensure adequate protection of information.
- Ensured corrective action was timely taken to remediate identified vulnerabilities.
- Established a policy for ensuring electronic media was adequately sanitized prior to disposal.
- Established a formal policy for granting access to systems and applications, including procedures for documenting access requests and approvals.
- Ensured all staff and contractors completed the annual cybersecurity training. Fourteen individuals (consisting of 9 employees and 5 contractors) did not complete the annual cybersecurity training as required by the Data Security on State Computers Act (20 ILCS 450/25), during calendar year 2021 training period.

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 require 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.

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

Agency management indicated the cybersecurity issues were due to lack of resources and competing priorities.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities which ultimately leads to the Agency's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

AGENCY RESPONSE:

The Agency agrees with finding 2022-014. The Agency has adopted a formal Cybersecurity Program Policy since the end of the 2022 fiscal year. The Agency has initiated a review of IT resources to identify corrective actions needed and to provide hardening of IT resources in coordination with DoIT security practices.

UPDATED RESPONSE:

Partially Implemented. A formal Agency Risk Assessment has been completed by the IEPA Doll CIO. The Agency has initiated a review of IT resources to identify corrective actions needed and to provide hardening of IT resources in coordination with Doll security practices. IEPA's data sanitization follows the Doll Enterprise practices and Cybersecurity Program.

- 15. The auditors recommend the Agency ensure compliance with the Act by creating a form for the registration of underground storage tanks containing hazardous waste or seek legislative remedy.**

FINDING: *(Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste) - New*

The Environmental Protection Agency (Agency) did not create a form for owners of underground storage tanks containing hazardous waste to register.

During the testing, auditors noted the Agency did not provide a form for registration of underground storage tanks containing hazardous waste.

The Environmental Protection Act (Act) (415 ILCS 5/22.12(b)) requires the owner of an underground storage tank containing hazardous waste to register the tank with the Agency on form provided by the Agency pursuant to Subtitle I of the Hazardous and Solid Waste Amendments of 1984 of the Resource Conservation and Recovery Act of 1976.

Agency officials stated the only registration form in the cited federal statute is for tanks containing petroleum or hazardous substances, therefore, there is no form to provide owners of hazardous waste tanks. Agency officials also stated pursuant to the Act (415 ILCS 5/7.2), the Illinois hazardous waste regulations are "identical in-substance" to the federal regulations, and these do not require the registration of hazardous waste tanks.

Failure to provide a form for registration of underground storage tanks containing hazardous waste is noncompliance with the Act.

AGENCY RESPONSE:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Agency agrees with finding 2022-015. The Agency is unsure if a form was ever provided for those tank owners to register their underground storage tanks containing hazardous waste by May 8, 1986 since that was over 37 years ago. A form may have been provided at that time but the Agency could not locate the form. In addition, since 1987 the Illinois Office of the State Fire Marshal's office was tasked with registering all underground storage tanks pursuant to their regulations. However, the Illinois EPA understands the finding and will repeal Section 22.12 (b-e) to address this finding.

UPDATED RESPONSE:

Partially Implemented. The Agency does not believe a form was ever provided for those tank owners to register their underground storage tanks containing hazardous waste by May 8, 1986 since that was over 37 years ago. In addition, since 1987 the Illinois Office of the State Fire Marshal's office was tasked with registering all underground storage tanks pursuant to their regulations. The Agency has proposed a legislative change to the Environmental Protection Act Repealing Section 22.12 (b-e), as well as a Budgeting for Results mandate review, which will address audit finding 2022-015.

16. The auditors recommend the Agency ensure planned audits are completed.

FINDING: *(Noncompliance with the Fiscal Control and Auditing Act) – First reported 2020, last reported 2022*

The Environmental Protection Agency (Agency) did not comply with the Fiscal Control and Internal Auditing Act (Act).

During the testing of the Agency's internal auditing activities, auditors noted seven of nine (78%) audits proposed to be performed in Fiscal Year 2022 were not completed. These seven internal audits were in process as of June 30, 2022.

The Act (30 ILCS 10/2003) requires the internal auditing program to include audits of major systems of internal accounting and administrative controls be conducted on a periodic basis so all major systems are reviewed at least once every two years. The audits must include testing of the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations. The Act further requires the chief executive officer of each designated State agency to ensure that the internal auditing program includes a two-year plan, identifying audits scheduled for the pending fiscal year and approved by the chief executive officer before the beginning of the fiscal year.

Agency officials stated the issues noted were due to competing priorities.

Failure to ensure planned internal audits are completed is a violation of the Act.

AGENCY RESPONSE:

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Agency agrees with finding 2022-016. The Agency's planned internal audits have been completed in the FY2022-2023 approved Internal Audit Plan. Some of the IT Project Pre-Implementation audits were ongoing at the end of FY2022 and have uncontrolled completion dates. Unforeseen audit activities during the audit period were addressed in response to organizational needs and risk assessment, as permitted by the approved Internal Audit Charter.

ACCOUNTANTS' COMMENT:

As reported in the finding, seven of nine planned internal audits were not completed as of June 30, 2022.

UPDATED RESPONSE:

Implemented. The Agency's planned internal audits have been completed in the FY2022-2023 approved Internal Audit Plan. Some of the IT Project Pre-Implementation audits take multiple years to complete and were ongoing at the end of FY2022. Unforeseen audit activities during the audit period must be addressed in response to organizational needs and Internal Audit activities are based on risk assessment as defined in the Standards and permitted by the approved Internal Audit Charter. All eleven named FCIAA internal control categories were covered by Internal Audits.

- 17. The auditors recommend the Agency establish a comprehensive contingency plan that covers all its critical applications to ensure adequate protection of its data and information systems. Additionally, they recommend the contingency plan be reviewed and updated at least annually and once updated, the Agency should ensure the contingency plan is tested at least annually.**

FINDING: *(Inadequate Contingency Planning and Testing) – First reported 2020, last reported 2022*

The Environmental Protection Agency (Agency) did not establish contingency plans and had not conducted recovery testing.

The Agency had several critical and/or financially sensitive systems including, the Program Reporting System; the Loans and Grants Tracking System; and the Cost Recovery System, among others, for meeting its mission objectives.

During testing, auditors noted contingency plans had not been established and tested during the examination period.

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, Contingency Plan section, requires entities to have an updated and regularly tested contingency plan to ensure the timely recovery of applications and data.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies 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.

Agency management indicated the Plan had not been updated due to competing priorities.

Without an adequately documented and tested contingency plan, the Agency cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster.

AGENCY RESPONSE:

The Agency agrees with finding 2022-017. The Agency intends to expand the repository of existing contingency plans to include all critical applications and testing. The Agency will start the testing in summer of 2023.

UPDATED RESPONSE:

Partially Implemented. The Agency intends to expand the repository of existing contingency plans to include all critical applications and testing. The Agency has communicated with DoIT and Agency CIO to begin failover testing with the system business owners.

18. The auditors recommend the Agency:

- **strengthen its enforcement mechanisms to ensure Quarterly Potentially Infectious Medical Waste Reports and the Hazardous Waste Summaries and the appropriate fees are received by the deadlines set by the Code;**
- **ensure accrual and collection of interest penalties;**
- **ensure fees collected were deposited to correct funds; and**
- **submit statutorily required reports and maintain documentation of its submission.**

FINDING: *(Required Reports and Fees Not Received and Reported in a Timely Manner)* *- New*

The Environmental Protection Agency (Agency) did not receive required reports and appropriate fees in a timely manner and did not properly submit statutorily mandated reports.

During testing of statutory mandates, auditors noted:

- For 23 of 29 (79%) Quarterly Potentially Infectious Medical Waste (PIMW) Reports tested, the Agency received the PIMW Reports and transporter fees four to 249 days late.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The Environmental Protection Act (Act) (415 ILCS 5/56.6(a)) requires the Agency to collect from each transporter of PIMW a fee in the amount of 3 cents per pound of PIMW transported. Additionally, the Act (415 ILCS 5/56.6(b)) requires the Agency to establish procedures to include, but not limited to: (i) necessary records identifying the quantities of potentially infectious medical waste transported; (ii) the form and submission of reports to accompany the payment of fees to the Agency; and (iii) the time and manner of payment of fees to the Agency, which payments shall be not more often than quarterly. The Code (35 Ill. Adm. Code 1450.202 (c)-(d)) states the Quarterly PIMW Report shall be received by the Agency on or before April 15, July 15, October 15, and January 15 of each calendar year and shall cover the three calendar months preceding the receipt date. The PIMW transporter fee required to be paid shall be included with the submission of the quarterly PIMW Report.

- For three of eight (38%) Quarterly Hazardous Waste Summary (Summary) tested, the Agency received the quarterly Summaries and the appropriate fee from owners or operators of hazardous waste sites seven to ten days late.

The Act (415 ILCS 5/22.2(b)(1)) requires the Agency to collect fees from the owner or operator of hazardous waste disposal sites. Additionally, the Act (415 ILCS 5/22.2(c)) to establish procedures to include, but not limited to: (1) necessary records identifying the quantities of hazardous waste received or disposed; (2) the form and submission of reports to accompany the payment of fees to the Agency; and (3) the time and manner of payment of fees to the Agency, which payments shall be not more often than quarterly. The Code (35 Ill. Adm. Code 855.210) states the Quarterly Hazardous Waste Summary, together with the applicable Monthly Hazardous Waste Summaries and the appropriate fee payment for that quarter shall be received by the Agency no later than the fifteenth day of the month following the calendar quarter (i.e., April 15, July 15, October 15, and January 15).

- For two of 40 (5%) National Pollutant Discharge Elimination System (NPDES) and domestic sewage sludge generator or user (sludge) permits tested, the Agency did not accrue and collect interest penalty for late payment of the permit fees. These fees were paid 14 and 36 days late with interest penalty of \$35.

The Act (415 ILCS 5/12.5(b)) requires the Agency to send a fee notice by mail to each existing permittee subject to a fee at his or her address of record. The notice shall state the amount of the applicable annual fee and the date by which payment is required. Additionally, the Act (415 ILCS 5/12.5(d)) requires an interest penalty be calculated at the rate in effect from time to time for tax delinquencies under subsection (a) of Section 1003 of the Illinois Income Tax Act, from the date the fee is due until the date the fee payment is received by the Agency.

- For one of eight (13%) 401 Water Quality Certification fees tested, the Agency did not deposit the fee collected totaling \$10,000 into the Illinois Clean Water Fund

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

(Fund 0731) but instead was deposited in the Environmental Laboratory Certification Fund (Fund 0336).

The Act (415 ILCS 5/12.6) requires the Agency to collect a fee from each applicant for a state water quality certification required by Section 401 of the federal Clean Water Act to be deposited into the Illinois Clean Water Fund.

- The Agency did not provide documentation to support its submission of its 2020/2022 Integrated Water Quality Report to the Governor and members of the General Assembly. As such, auditors were unable to determine if the Agency complied with the reporting requirements of the Rivers, Lakes and Streams Act.

The Rivers, Lakes and Streams Act (615 ILCS 5/14a) requires the Agency to regularly conduct water quality and lake bed surveys to evaluate the ecology and the quality of water in Lake Michigan. Additionally, the Rivers, Lakes and Streams Act requires the Agency to report biennially or such other times as the Governor shall direct the results of surveys of the hydrologic, biologic, and chemical data together with recommendations to the Governor and members of the General Assembly. The requirement for reporting to the General Assembly shall be satisfied by filing copies of the report with the State Government Report Distribution Center for the General Assembly as required under paragraph (t) of Section 7 of the State Library Act.

- The Agency did not prepare and submit to the Office of the Governor an annual report during Fiscal Year 2020 and Fiscal Year 2021.

The State Finance Act (30 ILCS 105/3(a)) requires the Agency, at least 10 days preceding each regular session of the General Assembly, to make and deliver to the Governor an annual report of its acts and doings of each fiscal year. The Fiscal Year 2021 report was due on January 14, 2022, and the Fiscal Year 2021 report was due on January 4, 2021. The State Finance Act was amended effective May 13, 2022, and required the Agency make and deliver to the Governor, no later than January 7 of each year, the annual report of its acts and doings.

- The Agency prepared, but did not make available on its website, the electronic copy of the calendar year 2021 report on the status of the Drycleaner Environmental Response Trust Fund (Fund).

The Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/25(h)) requires the Agency, in calendar years 2021 and 2022 and as deemed necessary by the Director of the Agency thereafter, to prepare a report on the status of the Fund and convene a public meeting for purposes of disseminating the information in the report and accepting questions from members of the public on its contents. The reports prepared by the Agency shall, at a minimum, describe the current financial status of the Fund, identify administrative expenses incurred by the Agency in its administration of the Fund, identify amounts from the Fund that

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

have been applied toward remedial action and insurance claims under the Act, and list the dry-cleaning facilities in the State eligible for reimbursement from the Fund that have completed remedial action. The Agency shall make available on its website an electronic copy of the reports.

Agency officials stated the statutory provisions of the PIMW and hazardous waste disposal fees do not prohibit the Agency from accepting reports and fees after the statutory due date, and this is an obligation of the regulated community, not the Agency. The other issues were due to competing priorities and oversight.

The failure to receive the quarterly reports and summaries timely is noncompliance with the Code. Failure to accrue and collect interest penalty will result in a loss of revenue. Failure to submit statutorily required reports prevents the appropriate oversight authorities from receiving relevant feedback and monitoring of programs and could decrease the effectiveness of future decisions when accurate information is not available.

AGENCY RESPONSE:

The Agency partially agrees with finding 2022-018 as it applies to PIMW and hazardous waste reports. This finding mischaracterizes the Agency's authority. State law requires entities that handle certain types of waste to submit reports to the Agency by a specified date. The tested provision does not create an obligation on the Agency other than to accept the reports. State law does not prohibit the Agency from receiving reports late. In fact, refusing to accept the reports would be contrary to applicable law. By accepting the reports at the time, they were submitted, the Agency met its statutory obligation. The Agency will work with DoIT to explore a system change to allow daily accrual of interest and remind staff to ensure all fees are deposited in the appropriate fund. The Agency will work with the Illinois Department of Natural Resources to update Section 14a of the Rivers, Lakes, and Streams Act, 615 ILCS 5/14A, to better reflect the Agency and Illinois Department of Natural Resources current Lake Michigan programs. The Agency will prepare and submit the annual report of acts and doings timely on a go forward basis. In addition, the Agency will make Drycleaner Environmental Response Trust Fund reports available on the Agency website.

ACCOUNTANTS' COMMENT:

As reported in the finding, administrative rules (the Code) state PIMW and hazardous waste reports and fees "shall be received by the Agency" no later than the due dates outlined in the Code. The facts are 79% and 38% of PIMW and hazardous waste reports and fees, respectively, were received up to 249 days after the due dates required by the Code, in violation of adopted regulations.

UPDATED RESPONSE:

Partially Implemented. The Agency partially agrees with finding 2022-018 as it applies to PIMW and hazardous waste reports, but this finding mischaracterizes the Agency's authority. State law requires entities that handle certain types of waste to submit reports to the Agency by a specified date. The tested provision does not create an obligation on the Agency other than to accept the reports. State law does not prohibit

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

the Agency from receiving reports late. In fact, refusing to accept the reports would be contrary to applicable law. By accepting the reports at the time, they were submitted, the Agency met its statutory obligation.

The Agency will work with Doll to explore a system change to allow daily accrual of interest and remind staff to ensure all fees are deposited in the appropriate fund.

The Agency has proposed legislation to amend Section 14a of the Rivers, Lakes, and Streams Act, 615 ILCS 5/14A, to better reflect the Agency and Illinois Department of Natural Resources current Lake Michigan programs.

The Agency will prepare and submit the annual report of Acts and Doings timely going forward.

In addition, the Agency will make Drycleaner Environmental Response Trust Fund reports available on the Agency website.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

REVIEW #4591 - Environmental Protection Agency, FY21-22 Compliance

The EPA had no emergency purchases during the audit period.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2022, the Department had 5 employees assigned to locations others than official headquarters.

LEGISLATIVE AUDIT COMMISSION



Review of
Environmental Protection Agency
Two Years Ended June 30, 2024

620 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

REVIEW: #4592 ENVIRONMENTAL PROTECTION AGENCY TWO YEARS ENDED JUNE 30, 2024

RECOMMENDATIONS – 18

IMPLEMENTED/PARTIALLY IMPLEMENTED – 16 UNDERSTUDY – 2

REPEATED RECOMMENDATIONS – 13

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 18

This review summarizes the auditors' report on the Environmental Protection Agency for the two years ended June 30, 2024, filed with the Legislative Audit Commission on July 17, 2025. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

The mission of the EPA is to safeguard environmental quality, consistent with the social and economic needs of the State, so as to protect health, welfare, property and quality of life. The EPA is organized into three Bureaus: Air, Water, and Land. The Agency has laboratory facilities in Springfield. Regional offices are located in Rockford, Des Plaines, Elgin, Peoria, Springfield, Chicago, Champaign, Collinsville, and Marion. Activities of the Agency include issuing permits for air, land and water to restrict pollutants into the environment from industrial and commercial sources; regulating pollution control facilities and solid waste disposal sites; testing the quality of water processing procedures for operators of sewage treatment plants and public drinking supplies and testing gasoline vehicles in Chicago and Metro-East ozone non-attainment areas. The Agency also administers grants and loans to local government for wastewater and drinking water treatment facilities and for Brownfield's redevelopment projects. Additionally, the Agency issues rebates and grants for the purchase of Electric Vehicles (EVs) and the installation of charging stations.

James Jennings was appointed Director of the Illinois Environmental Protection Agency on September 13, 2024. Mr. Jennings had previously served as Deputy Director since April 2023. John Kim was the Director during the audit period.

Appropriations and Expenditures

Appropriations (\$ thousands)	FY23		FY24	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Deposit into Elec. Vehicle Rebate Fund	0.0	0.0	10,000.0	10,000.0
TOTAL GENERAL FUNDS	0.0	0.0	10,000.0	10,000.0

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

OTHER STATE FUNDS				
Total Personal Services & Fringe Benefits	42,771.7	34,181.5	44,158.9	37,332.0
Total Contractual Services	25,532.0	11,495.1	30,722.0	11,460.2
Total Other Operations & Refunds	7,100.3	4,694.1	9,710.3	5,639.1
Designated Purposes				
Admin. Of Activities Rel. to Permits & Inspect.	1,130.9	1,092.0	1,195.3	860.1
Admin. Of Activities Rel. to Clean Air Act	657.3	617.2	699.9	635.3
Admin. Of Activities Rel. to Drycleaner Env.	50.0	0.0	50.0	0.0
Admin. Of Activities Rel. to Used Tires	477.3	416.9	502.6	432.8
Admin. Of Drycleaner Env. Response Trust	3,200.0	1,262.8	3,200.0	1,221.9
Admin. Costs for Brownfields Grant Program	1,500.0	0.0	0.0	0.0
Case Processing of Leaking Underground Storage Tank	1,835.7	1,737.0	1,892.0	1,763.9
Clean Air Title V Act. In Acc. w/ Clean Air Act	18,000.0	8,543.4	18,000.0	10,928.1
Clean Water Admin. Loan Eligible Activities	10,000.0	0.0	10,000.0	0.0
Clean Water Program - Nat'l Poll. Disch. Elim.	14,000.0	9,088.3	14,000.0	9,760.5
Coal Combustion Resid. Surface Remediation	50,000.0	0.0	50,000.0	0.0
Consumer Electronics Recycling Act	750.0	214.1	750.0	245.0
Deposit into Vehicle Inspection Fund	23,000.0	23,000.0	23,000.0	23,000.0
Drinking Water Loan Admin. Fund	2,000.0	1,047.5	2,000.0	1,286.1
Drinking Water Loan Program Support	10,000.0	5,197.8	10,000.0	5,717.2
Drug Take-Back Program	0.0	0.0	750.0	0.0
Emissions Reduction Market System	150.0	0.0	150.0	0.0
Enforcement of Clean Air Act	7,000.0	0.0	7,000.0	0.0
Exp. For Environ. Proj. & Internship Prog.	1,450.0	346.8	1,450.0	214.4
Exp. For Air Permit & Inspection Activities	7,500.0	6,323.3	9,500.0	6,051.9
Exp. For Responding to Spill on Waterways	100.0	100.0	250.0	98.5
Exp. For Electric Vehicle Rebate Program	225.0	25.5	600.0	142.6
Exp. Of Lab Testing of Comm. Water Samples	1,200.0	677.7	1,200.0	625.4
Exp. Related to Hazardous Waste	17,430.0	6,999.6	17,430.0	6,515.8
Exp. Related to Subtitle D Management	2,781.0	2,000.0	2,781.0	2,109.9
Household Hazardous Waste Collect. Progr.	4,500.0	2,212.4	4,500.0	2,626.2
IJA - Drinking Water Loan Administration	6,449.0	0.0	6,449.0	0.0
Lab. Analysis of Samples from Spills	2,000.0	1,910.6	2,500.0	2,050.6
Landfill Closure & Post-Closure Program	400.0	0.0	400.0	0.0
Local Asst. & other 1452(k) Act. Set Aside	5,500.0	29.6	5,500.0	0.0
Oper. Of the Lab. Certification Program	540.0	331.3	540.0	154.3
Pollution Control Board Operat. Expenses	25.0	0.0	25.0	0.0
Small Systems Tech. Assist. Set Aside	735.0	95.4	735.0	0.0
State Program Management Set Aside	3,600.0	0.0	3,600.0	0.0
VW Settlement Environmental Mitig. Fund	80,000.0	0.0	80,000.0	0.0

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Waste water Loan Administration	8,000.0	3,050.8	11,000.0	3,690.4
Waste water Program Support	20,500.0	11,717.3	20,500.0	9,878.1
Total Designated Purposes	306,686.2	88,037.3	312,149.8	90,009.0
Grants				
Alternate Fuels Rebate & Grant Program	0.0	0.0	1,500.0	0.0
Brownfields Redevelopment Grants	4,500.0	1,536.6	4,500.0	63.1
Electric Vehicle Rebates	20,500.0	19,470.2	12,000.0	11,992.0
Energy Efficiency Grants	4,000.0	775.3	6,224.7	53.2
Financial Assist. To Local Governments	3,000.0	1,826.5	3,000.0	1,814.6
Grant to Lewis & Clark CC for Nat'l Great Rivers Research & Educ. Center	4,000.0	4,000.0	4,000.0	4,000.0
Grants to Environ. Protect. Trust Fd. Comm.	4,000.0	1,900.0	4,000.0	2,160.0
Leaking Underground Storage Tanks Reimb.	40,100.0	14,429.3	40,100.0	17,112.6
Renewable Energy Grants	2,000.0	2,000.0	2,000.0	2,000.0
Worthy Park Hazardous Waste Remediation	1,300.0	0.0	1,300.0	0.0
Total Grants	83,400.0	45,937.9	78,624.7	39,195.5
TOTAL OTHER STATE FUNDS	465,490.2	184,345.9	475,365.7	183,635.8
FEDERAL FUNDS				
Total Contractual Services	2,500.0	47.7	2,500.0	68.9
Total Other Operations & Refunds	2,500.0	1,455.2	2,500.0	826.9
Designated Purposes				
Air Pollution Control Proj. for Chicago	412.0	409.4	412.0	0.0
Clean Air Outreach & Diesel Retrofit Prog.	4,950.0	0.0	4,950.0	0.0
Exp. Of the Underground Storage Tank Prog.	2,850.0	147.2	2,850.0	1,861.4
Exp. Related to Federal Grants & Awards	35,313.1	22,576.1	35,313.1	27,280.5
Exp. Rel. to Remedial, Prev. or Corrective Actions in Acc. w/ Fed. Comprehensive Environ. Response, Compen. & Liability Act	10,500.0	1,667.8	10,500.0	2,295.9
For Use by Department of Agriculture	160.0	0.0	160.0	0.0
For Use by Department of Public Health	830.0	799.1	830.0	597.3
IJJA - Battery Labeling Guidelines	500.0	0.0	0.0	0.0
IJJA - Battery Recycling Best Practices	250.0	0.6	0.0	0.0
IJJA - Brownfields Sect. 128(a) Tech. Asst. Gr.	0.0	0.0	2,500.0	0.0
IJJA - Energy Efficiency Block Grant	1,460.5	0.0	2,910.0	0.0
IJJA - Energy Revolving Loan Program	1,280.1	0.0	15,310.0	14,366.9
IJJA - Gulf Hypoxia	1,765.0	0.0	1,765.0	301.5
IJJA - State Energy Programs	6,400.3	0.0	14,260.0	0.0
Inflation Reduction Act - High-Eff. Elec. Home	0.0	0.0	131,453.0	0.0
Inflation Reduction Act - HOMES Rebate	0.0	0.0	132,320.0	0.0
Nonpoint Source Control Activ. Under Fed. Clean Water Act	8,950.0	5,924.9	8,950.0	4,386.0

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Proj. for Nat'l Enf. Infor. Exchange Network	400.0	0.0	400.0	0.0
Water Quality Planning	900.0	0.0	900.0	0.0
Total Designated Purposes	76,921.0	31,525.1	365,783.1	51,089.5
Grants				
Admin. Exp. & Grants Assoc. w/ St. Energy Pr.	6,000.0	1,725.0	6,000.0	1,866.1
Grant Expenses Assoc. w/ Energy Programs	5,000.0	0.0	5,000.0	0.0
IRA - Climate Pollution Reduction Grant Plan.	0.0	0.0	3,000.0	199.9
IRA - Environ. Justice Gov't to Gov't Program	0.0	0.0	1,000.0	0.0
Total Grants	11,000.0	1,725.0	15,000.0	2,066.0
TOTAL FEDERAL FUNDS	92,921.0	34,753.0	385,783.1	54,051.3
TOTAL	558,411.2	219,098.9	871,148.8	247,687.1

Accountants' Findings and Recommendations

Condensed below are the 18 findings and recommendations included in the audit report. Of these, 13 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Environmental Protection Agency, via electronic mail received July 17, 2025.

- 1. The auditors recommend the Agency ensure a base year reconciliation of its active members' census data from its underlying records and source documents to a report of the census data submitted to the plan's actuary is complete and accurate. They also recommend the Agency maintain sufficient documentation of the reconciliations performed, including the methodology used, data traced, exceptions identified, and conclusions reached.**

FINDING: *(Inadequate Internal Controls over Census Data) – This has finding has been repeated since 2020.*

The Environmental Protection Agency (Agency) did not take sufficient measures to ensure that all census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate for the Water Revolving Fund (Fund).

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

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

The auditors noted the Agency's employees within the Fund are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the SEGIP sponsored by CMS for their OPEB. In addition, they noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, they noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

The auditors noted the Agency had not prepared or maintained sufficient documentation that a complete reconciliation was properly performed for census data used to calculate the Fund's pension and OPEB balances used for their Fiscal Year 2024 financial statements. Although the Agency performed a reconciliation of its census data, they did not take or document sufficient measures to ensure 100% of data in the base year was checked for completeness and accuracy.

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 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 Agency 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 Agency's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency 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 and to maintain accountability over the State's resources.

Agency staff indicated a sufficiently documented base year reconciliation was not completed due to competing priorities.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Failure to properly reconcile active members' census data reported to and held by SERS to the Agency'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.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency completed a base year reconciliation of active members' census data and maintained documentation to support the reconciliation process and conclusions reached.

- 2. The auditors recommend the Agency design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, they recommend the Agency timely approve proper bills and obligations due, approve vouchers for payment of interest due to vendors, submit travel vouchers, and properly record vouchers.**

FINDING: *(Voucher Processing Internal Controls Not Operating Effectively) – This finding has been repeated since 2018.*

The Environmental Protection Agency's (Agency) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to their ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), the auditors were able to limit their voucher testing at the Agency to determine whether certain key attributes were properly entered by the Agency's staff into the ERP. In order to determine the operating effectiveness of the Agency's internal controls related to voucher processing and subsequent payment of interest, they selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System 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.

Their testing noted 14 of 140 (10%) attributes were not properly entered into the ERP System. Additionally, the Agency was unable to provide support for one voucher tested; as such, they were unable to determine whether the 4 (3%) key attributes were properly entered into the ERP system. Therefore, the Agency's internal controls over voucher processing **were not operating effectively**.

The Statewide Accounting Management System (SAMS) Manual (Procedure 17.20.20) requires the Agency 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

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Comptroller's Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. In addition, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Agency to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Further, the State Records Act (5 ILCS 160/8) requires the Agency to make and preserve adequate and proper documentation of the 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. Finally, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, 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, the auditors qualified their opinion because they determined the Agency had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, they conducted an analysis of the Agency's expenditures data for Fiscal Years 2023 and 2024 and noted the following:

- The Agency owed one vendor interest totaling \$13 in Fiscal Year 2023; however, the Agency had not approved the voucher for payment to the vendor.

The State Prompt Payment Act (Act) (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Agency did not timely approve 1,005 of 23,175 (4%) vouchers processed during the examination period, totaling \$8,446,431. The auditors noted these vouchers were approved between 31 and 299 days after receipt of a proper bill or other obligating document.

The Code (74 Ill. Admin. Code 900.70) requires the Agency to timely review each vendor's invoice and approve proper bills within 30 days after receipt. The Code (74 Ill. Admin. Code 1000.50) also requires the Agency to process payments within 30 days after physical receipt of Internal Service Fund bills.

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

- Two of 100 (2%) vouchers tested, totaling \$1,747, were not coded with the proper detail object code.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The SAMS Manual (Procedure 11.10.50) states that the purpose of assigning a correct detail object code is to report expenditure information at a more refined level within a common object.

- One of 25 (4%) travel vouchers tested, totaling \$384, was submitted 81 days after the last day of travel.

The Internal Revenue Service (IRS) Publication 463, Travel, Gift and Car Expenses, notes employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time generally defined by Publication 463 as within 60 days after the expenses were paid or incurred and returned any excess reimbursements within a reasonable period of time.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures to remedy this deficiency.

Agency management stated that due to many review and approval paths within the Agency, the 30-day window could not always be met because some invoices had to have additional work for changes or confirmation of amounts. Agency management also indicated the other issues were due to staff error.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees. In addition, failure to approve vouchers for payment of interest due, submit travel vouchers, and ensure vouchers are properly recorded represent noncompliance with the Act and State regulations.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The agency updated its process for Level 1 approvers to review the entirety of the entered invoice in SAP before approving; weekly invoice aging reports are run to monitor timely processing.

3. The auditors recommend the Agency:

- **Review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance.**
- **Review and enforce procedures over the timely filing of the required annual certifications of license and liability insurance coverage.**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

- **Ensure the required annual report on Individually Assigned Vehicles are timely completed and submitted to DCMS.**
- **Ensure personal use of State vehicles and fringe benefits are monitored, including maintaining the complete list of employees allowed this benefit, to comply with laws and regulations.**

FINDING: *(Inadequate Controls over State Vehicles) – This finding has been repeated since 2014.*

The Environmental Protection Agency (Agency) did not exercise adequate internal controls over automobiles. As of June 30, 2024, the Agency had 100 vehicles.

During testing, the auditors noted the following:

- The Agency did not ensure its vehicles were properly maintained during the engagement period. The auditors reviewed the maintenance records for 18 vehicles and noted the following:
 - Five (28%) vehicles tested had an oil change past the allowed oil change intervals. Additionally, five (28%) vehicles tested had inadequate documentation; therefore, they were not able to determine whether these vehicles had oil changes within the allowed interval.
 - Three (17%) vehicles tested did not receive tire rotations at the required intervals.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.410(a)) requires the Agency to maintain vehicles in accordance with the Department of Central Management Services (DCMS) schedules for the proper care and maintenance of vehicles. In addition, the Code (44 Ill. Adm. Code 5040.400) requires all State-owned or leased vehicles to undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition.

Agency officials stated these exceptions were due to lack of monitoring to ensure the policies and procedures were being followed.

- The Agency did not exercise adequate control over the required annual certifications of licensure and automobile liability coverage form (certification form). They noted six of 13 (46%) employees tested submitted the certification forms from 10 to 84 days late.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) requires every employee assigned to a specific vehicle owned or leased by the State on an ongoing basis to provide

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

a certification affirming the driver is duly licensed and has liability insurance coverage extending to the vehicle when it is used for other than official State business. The certification must be filed during July of each calendar year or within 30 days of any new assignment of a vehicle, on an ongoing basis, whichever is later.

Agency officials stated the exceptions were due to staff error.

- The Agency submitted the Fiscal Year 2022 Individually Assigned Vehicle (IAV) Report 13 days late.

The Code (44 Ill. Adm. Code 5040.340) states that vehicles may be assigned to specific individuals if authorized in writing by the head of the agency to which the vehicle is assigned and requires agencies to report to DCMS annually and when changes occur, the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, and the employee's headquarters and residence.

Agency officials stated the issue was due to staff error.

Population Completeness

The auditors requested the Agency to provide the population of its employees who are allowed the personal use of State vehicles. However, the Agency indicated that it did not maintain a listing of such employees. Due to this deficiency, they were unable to conclude the Agency's records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Agency's controls over monitoring and reporting of employee fringe benefits.

The Agency's Off-Duty Use of State-Owned Vehicle policy, Chapter 9, Section 7, of the Employee Handbook requires an employee who has met the conditions for taking home a pool vehicle, and was authorized by the employee's supervisor, to document the reason for the take home use of the pool vehicle on the Agency's form, *Approval to Use a State Vehicle*, and obtain the supervisor's signature on the form.

The Internal Revenue Services' Employer's Tax Guide to Fringe Benefits (Publication 15-B) states any commute an individual makes with an assigned vehicle is considered a fringe benefit and is to be valued at \$1.50 per one-way commute. Fringe benefits are to be included in the employee's wages for tax purposes.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated that failure to monitor its personal use of vehicles was due to the vehicle coordinator's position being vacant during the examination period.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Failure to properly monitor vehicle maintenance could result in the State incurring added costs through additional repairs to, and reduced lives of, vehicles. Failure to timely obtain each driver's annual certification of licensure and automobile liability insurance coverage as required by State law could expose the Agency to unnecessary litigation risks. Further, failure to timely submit the annual IAV Report to DCMS lessens government oversight for fleet efficiency and accountability for State resources. Failure to monitor personal use of State vehicles and not maintaining a complete list of employees allowed this benefit may result in the inaccurate reporting of employee wages for tax purposes.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency updated procedures to increase internal controls over state vehicles; these address all parts of the finding.

- 4. The auditors recommend the Agency pursue all reasonable and appropriate procedures to collect outstanding debts as required by Agency policies and State laws and regulations. They also recommend the Agency maintain records of accounts receivable and documentation of its collection efforts. Further, they recommend the Agency ensure accounts receivable are properly recorded.**

FINDING: *(Inadequate Controls over Accounts Receivable) – This finding has been repeated since 2014.*

The Environmental Protection Agency (Agency) did not have adequate controls over the administration of its accounts receivable.

Excluding receivables from the Water Revolving Fund and the Environmental Protection Trust Fund, the Agency reported \$47.7 million in accounts receivable, of which \$13 million was over one year past due, as of June 30, 2024, and \$82 million, of which \$12.1 million was over one year past due, as of June 30, 2023.

During testing, the auditors noted the following:

- Two of 40 (5%) accounts receivable tested, amounting to \$222,951, were 13 and 14 years past due and the Agency had not made active collection efforts during the examination period on the account or referred the account to the Comptroller's Offset System, Department of Revenue's Debt Collection Bureau, or the Attorney General. Additionally, for three of 40 (8%) accounts receivable tested, totaling \$13,869, the Agency did not timely refer the accounts to the Office of Comptroller's (Comptroller) Offset System. The accounts were placed in the Comptroller's Offset System from 106 to 5,453 days after the due dates.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(c-1)) and the Statewide Accounting Management System (SAMS) Manual (Procedure 26.40.20) requires the Agency to place all debts over \$250 and more than 90 days past due in the Comptroller's Offset System. In addition, the Act (30 ILCS 210/5(g)) requires the Agency to refer qualifying delinquent debt to the Department of Revenue's Debt Collection Bureau. The Uncollected State Claims Act (30 ILCS 205/2(a)) requires the Agency, when it is unable to collect any claim or account receivable of \$1,000 or more due, to request the Attorney General to certify the claim or account receivable to be uncollectible. The Act (30 ILCS 210/3) and the SAMS Manual (Procedure 26.40.10) require the Agency to pursue the collection of accounts or claims due and payable to the Agency through all reasonable and appropriate procedures.

- For one of 40 (3%) accounts receivable tested, totaling \$273,224, the amount was improperly recorded. The amount reported was overstated by \$79,646.

To support the recognition and tracking of receivables, the SAMS Manual (Procedure 26.20.10) requires the Agency to record and maintain detail information related to each receivable.

- For four of 40 (10%) accounts receivable totaling \$5,109,241, the Agency did not provide documentation to determine if the Agency pursued collection efforts in accordance with the Agency's collection procedures and State rules and regulations.

The State Records Act (5 ILCS 160/8) requires the Agency to make and preserve adequate and proper documentation of the 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. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over accounts receivable includes maintaining the documents to hold evidence of debtor's debt and keep track of collection efforts taken.

- The amount of receivables reported in Quarterly Summary of Accounts Receivable Activity Reports (Form C-97) did not agree with Agency's Accounts Receivable Aging Reports and supporting documentation for eight of 18 (44%) Form C-97 Reports submitted to the Comptroller for the quarter ending June 30, 2023, and for 11 of 18 (61%) Form C-97 Reports submitted to the Comptroller for the quarter ending June 30, 2024. The auditors noted discrepancies between the Forms C-97 and Aging Reports and supporting documentation of \$39.459 million and \$1.218 million in accounts receivable balance and estimated uncollectibles, respectively, for the quarter ending June 30, 2023. Additionally, the auditors noted discrepancies between the Forms C-97 and Aging Reports and supporting

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

documentation of \$18.88 million and \$1.414 million in accounts receivable balance and estimated uncollectibles, respectively, for the quarter ending June 30, 2024.

The SAMS Manual (Procedure 26.30.10) requires the Agency to complete and submit to the Comptroller Form C-97 on a quarterly basis information on receivables activity such as totals for adjustments to receivables, additions to accounts receivable, collections, write-offs, estimated uncollectibles, and number of accounts from gross receivable at the end of the quarter and write-offs.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the files did not have the required information due to the age of the account and the other issues were due to staff error.

Failure to timely refer receivables to the Comptroller's Offset System and to the Department of Revenue's Debt Collection Bureau increases the likelihood that past due amounts owed to the Agency will not be collected or the collection will be further delayed. Failure to report uncollectible accounts to the Attorney General results in the Agency not writing off accounts receivable balances and the corresponding allowance for doubtful accounts, resulting in an overstatement of these balances in the Agency's accounts receivable reports. Failure to properly keep records of accounts receivable and to make collection efforts increases the risk of loss of revenues. In addition, failure to properly record the amount of accounts receivable could result in inaccurate reporting and is noncompliance with SAMS.

AGENCY RESPONSE:

The Agency accepts the recommendation. During the audit cycle the Agency has made great progress on removing the old account receivable balances.

UPDATED RESPONSE:

Partially Implemented.

The Agency has implemented a plan and process to expeditiously remove the uncollectible, aged debt, and continues to make great progress on this project.

5. The auditors recommend the Agency:

- **Take appropriate action to ensure performance evaluations are conducted in a timely manner.**
- **Ensure personnel files contain all required documentation, such as completed I-9 forms.**
- **Ensure leave requests and overtime requests are timely submitted, properly approved in advance, and pre-approval is documented and maintained. At**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

the same time, if the Agency believes that certain procedures are outdated, they suggest that the Agency update these policies and ensure timely communication with employees.

- Strengthen its controls to ensure all employees complete the required trainings.

FINDING: *(Inadequate Controls over Personal Services) – This finding has been repeated since 1994.*

The Environmental Protection Agency (Agency) failed to maintain proper controls over personal services.

During testing, the auditors noted the following:

- Fourteen of 40 (35%) employees tested had probationary performance evaluations not completed within the required timeframe. The delinquencies ranged from one to 62 days late.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(b)) requires the Agency to conduct two evaluations for any employee serving a six month probationary period, one at the end of the third month of the employee's probationary period and another 15 days before the conclusion thereof.

Agency officials stated management monitors completion of employee performance evaluations and reminds the individual bureaus and divisions responsible for the evaluations of the importance of completing them timely.

- For one of 40 (3%) employee files tested, the Agency was unable to provide the employer's section of the Form I-9; therefore, they were not able to determine whether it was completed and signed by the Agency's authorized representative.

Federal Immigration Law (8 USC § 1324a) requires an employer to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States. The employer is required to examine evidence of identity and employment authorization of each new employee no later than three business days after the employee's first day of employment. The employer is required to document the hire date, their signature, and date of review of the Form I-9.

Agency officials stated the employee with a missing Form I-9 was a transferee and the Form I-9 was kept by the transferring agency. Agency officials stated that current Agency practice is to complete a Form I-9 for all staff regardless of whether they are new to the Agency or transferred in.

- For four of 40 (10%) employees tested, five requests for 96 hours of vacation and personal leave were submitted from one to 10 days after the leave was taken. In

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

addition, for eight of 40 (20%) employees tested, 14 requests for 72 hours were not timely approved by the supervisors. These requests were approved two to 12 days after the leave was taken or the request was submitted.

The Agency's Leave and Vacation Policy (Policy), Chapter 7, of the Employee Handbook requires employees who request time off from work to make the request in writing and obtain approval from his or her immediate supervisor. For vacation and personal leaves, the Policy requires the requests to be made in advance.

Agency officials stated that when possible and practical, employees submit time off requests in advance of being out of the office. Agency officials further stated that employees may call in for the day or get verbal approval and submit the request when they return to the office. Agency officials further stated that approval for the time off may also have been given via e-mail, with an official request submitted later.

- For 10 of 40 (25%) employees tested, 37 requests for 29 hours of equivalent earned time (EET) and 41 hours of overtime were not timely approved by the supervisors. These requests were approved from one to 12 days after the overtime was worked or the request was submitted. In addition, for 17 of 40 (43%) employees tested, 43 requests for one hour of EET and 71 hours of overtime were submitted from one to 19 days after the overtime was worked.

The Agency's Overtime Policy, Chapter 6, Section 8, and the Agency's Equivalent Earned Time Policy, Chapter 6, Section 9, of the Employee Handbook, require prior approval from the appropriate Bureau, Division or Office head or designee.

Agency officials stated that frequently, verbal requests or e-mail discussions are held for EET and overtime requests, and approval is given in advance.

- Agency employees did not complete all mandatory trainings within the required timeframes. The auditors noted the following:
 - One of 17 (6%) new hires tested did not complete the initial ethics training and sexual harassment prevention training.
 - Two of 17 (12%) new hires tested did not complete the initial ethics training within 30 days after commencement of employment. The employees completed the initial ethics training 34 and 236 days late.

The State Officials and Employees Ethics Act (5 ILCS 430/5-10(c)) requires new employees entering a position requiring ethics training to complete an initial ethics training course within 30 days after commencement of employment. Additionally, the State Officials and Employees Ethics Act (5 ILCS 430/5-10(a)) requires each officer, member, and employee to complete an ethics training annually.

The Illinois Human Rights Act (775 ILCS 5/2-105(B)(5)(c)) requires the Agency to provide training on sexual harassment prevention and the Agency's sexual

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

harassment policy as a component of all ongoing or new employee training programs. Additionally, the State Officials and Employees Ethics Act (5 ILCS 430/5-10.5(a)) requires all new employees entering a position requiring sexual harassment training to complete their initial training within 30 days after commencement of employment. It also requires each officer, member, and employee to complete, at least annually, a harassment and discrimination prevention training.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo the online cybersecurity training established by the Department of Innovation and Technology (DoIT) which includes detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

- Agency officials stated that lack of workforce resources and enforcement deficiencies resulted in the exceptions.

This finding was first reported during the period ended June 30, 1994. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Delays in evaluation may cause certain probationary employees to become certified prior to formal review. Failure to properly complete I-9 forms within the required timeframe and retain the forms for a specified period after employment has ended may subject the Agency to fines and penalties. Failure to ensure pre-approval leave requests are timely submitted and approved may affect the Agency's scheduling to maintain operational efficiency. Failure to ensure pre-approval overtime requests are timely submitted and properly approved in advance undermines accountability controls and increase the risk the Agency will pay unnecessary personal service expenditures. Failure to complete training within the required timeframe may lead to employees being unaware of specific requirements for State employees and State policies regarding ethics, sexual harassment, cybersecurity and safeguarding of confidential information. As a result, there is a risk the Agency could be exposed to legal and financial risks due to noncompliance.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

The Agency continues to send out reminder notices and work with supervisors to submit timely performance evaluations.

The Agency completed a review of all personnel files and are collecting I-9s from employees if the I-9 was missing from their file.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The Agency is working to update employee handbook procedures for the approval of leave and overtime requests.

The Agency continues to remind staff to timely complete required trainings.

- 6. The auditors recommend the Agency strengthen its controls to ensure documentation is maintained and reviews of grantees' required reports are timely. In addition, they recommend the Agency ensure that grantees timely submit the progress reports to comply with the provisions of the grant agreements.**

FINDING: *(Inadequate Controls over Awards and Grants) – This finding has been repeated since 2018.*

The Environmental Protection Agency (Agency) did not adequately administer and monitor its awards and grants programs.

The Agency expended over \$468 million (71%) and \$701 million (78%) for awards and grants of its total expenditures of approximately \$661 million and \$895 million during Fiscal Year 2023 and Fiscal Year 2024, respectively. The auditors sampled nine grant programs: Driving a Cleaner Illinois Program, Wastewater Collection and Transport Infrastructure R&R Project, Solid Waste Planning Grant Program, Lead Service Line Inventory Program, National Great Rivers Research and Education Program, Residential Sharps Collection Program, Distribution System and Water Maintenance Rehabilitation Program, Unsewered Communities Planning Grant Program and Nonpoint Source Program. Forty grant agreements totaling \$49,394,703 were tested. A total of 274 progress reports were submitted by the grantees for the applicable year tested.

- Two of 274 (1%) progress reports tested were submitted to the Agency four to seven days late.
- Seventeen of 274 (6%) progress reports tested did not have evidence of a review by Agency personnel.
- Three of 274 (1%) progress reports tested were reviewed by the Agency 48 to 369 days after the submission date by the grantee.

The grant agreements require the grantees to submit financial reports and performance reports with frequency and deadlines specified in the executed grant agreements. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 7000.200) requires each State grantmaking agency, in order to effectively measure the performance of its awardees, to require its awardees to submit a Periodic Performance Report (PPR) quarterly unless otherwise specified in the uniform grant agreement. The Code requires each State grantmaking agency to provide awardees with clear performance goals, indicators, and milestones through the Grant Agreement and to establish performance reporting frequency and content to not only allow the State agency to understand the awardee's

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

progress, but also to facilitate identification of promising practices among awardees and build evidence upon which the State agency's program and performance decisions are made.

The Grant Accountability and Transparency Act (GATA) (30 ILCS 708/45(g)) requires each State grantmaking agency to enhance its processes to monitor and address noncompliance with reporting requirements and with program performance standards and to include a plan for tracking and documenting performance-based contracting decisions.

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

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the deficiencies were due to staff turnover. Further, Agency officials stated they do not have control over when the grantee submits their reports and there is no GATA rule to document review of the grantee progress reports.

Failure to ensure that grantees timely submit the required reports and document the timely submission date and reviews of grantees' required reports by Agency personnel decreases the Agency's accountability over funds granted and increases the risk of noncompliance with the provisions of the grant agreements. Further, the untimely receipt of required reports inhibits the Agency's ability to effectively track project completeness and milestones.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency has implemented a suggested 30-60-90-day timeline for reports received from grantees. Thirty days from receipt by the Agency, program staff will review and submit to the Illinois EPA GATA unit. Within 60 days, the GATA unit will complete their review, and the CAO or CFO will approve by the 90th day. These are all date stamped on the reports.

- 7. The auditors recommend the Agency ensure monthly reconciliations of obligations, expenditures, appropriations, and revenues are performed and**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

documentation of the timely completion and supervisory review of its reconciliations are maintained.

FINDING: *(Inadequate Controls over Monthly Reconciliations) – This finding has been repeated since 2018.*

The Environmental Protection Agency (Agency) did not maintain adequate controls over its monthly obligations, expenditures, appropriations, and revenue reconciliations.

During testing of monthly reconciliations between the Office of Comptroller (Comptroller) records and Agency records, they noted the following:

- For the Monthly Appropriation Status Reports (SB01):
 - Thirteen of 32 (41%) reconciliations were not reviewed timely. The reconciliations were reviewed 4 to 110 days late.
 - The Agency performs monthly reconciliations for 28 funds. For 10 of the required monthly reconciliations, there were eight fund reconciliations that did not contain documentation of preparation date; therefore, the timeliness of preparation could not be determined. Further, there was no documentation of which employee prepared the reconciliations and performed the supervisory review.
- For the Monthly Revenue Report (SB04):
 - The Agency performs monthly reconciliations for 21 funds. The Agency did not perform reconciliations for two of the funds, while the remaining funds have missing reconciliations for one to 18 months. Additionally, all funds had no documentation of supervisory review for one to 11 monthly reconciliations.
 - Seven of 24 (29%) monthly reconciliations were not reviewed timely. The reconciliations were reviewed 13 to 89 days late.
- For the Monthly Cash Reports (SB05):
 - The Agency performs monthly reconciliations for 23 funds. Twenty-one of 24 (88%) required monthly reconciliations did not contain documentation of preparation date; therefore, the timeliness of preparation could not be determined. Further, there was no documentation of which employee prepared the reconciliations and performed the supervisory review.
 - One of 23 (4%) fund reconciliations was not performed for the month of June 30, 2023. Additionally, six (26%) fund reconciliations were not performed for the month of June 30, 2024.
 - One of 24 (4%) reconciliations was not reviewed timely. The reconciliation was reviewed 19 days late.
- For the Monthly Agency Contract Report (SC14) or Monthly Obligation Activity Report (SC15):

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

- Three of 24 (13%) reconciliations did not contain the date the reconciliations were completed; therefore, the timeliness of preparation could not be determined. Additionally, these reconciliations have no documentation of the date and which employee performed the supervisory review.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) states “the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied.” In addition, the SAMS Manual requires reconciliations be completed within 60 days of the month end and discrepancies be reported to the Comptroller immediately for corrections.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the reconciliations were not performed, dated, and signed due to oversight and unexpected employee turnover. Agency officials also stated system issues and limitations contributed to the exceptions.

Failure to perform reconciliations increases the risk of undetected and/or unresolved discrepancies and impairs the Agency’s and the Comptroller’s abilities to timely take corrective action to ensure accurate accounting of Agency obligations, expenditures, appropriations, cash and revenues. Failure to document when reconciliations are performed hinders the Agency from demonstrating compliance with SAMS requirements.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

The Agency has new processes in place to ensure the monthly reconciliations of SAP to SAMS monthly reports is being performed and reviewed.

8. The auditors recommend the Agency review and ensure fees reported in the Agency Fee Imposition Reports are accurate.

FINDING: *(Inaccurate Agency Fee Imposition Reports) – This finding has been repeated since 2020.*

The Environmental Protection Agency (Agency) failed to accurately report fees in the Agency Fee Imposition Reports.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

During testing, the auditors noted the Agency did not accurately report fees collected on its Fiscal Year 2023 and Fiscal Year 2024 Agency Fee Imposition Reports (Report). Three of 48 (6%) fees on the Fiscal Year 2023 Report and three of 47 (6%) fees on the Fiscal Year 2024 Report did not agree with the Agency's records, resulting in an overstatement of fees reported, totaling \$868,647 and \$10,413, respectively.

The Illinois State Auditing Act (30 ILCS 5/3-8.5) requires the Agency to submit the Agency Fee Imposition Report Form containing the following information: (1) a list and description of fees imposed by the agency, (2) the purpose of the fees, (3) the statutory or other authority for the imposition of the fees, (4) the amount of revenue generated, (5) the general population affected by the fee, (6) the funds into which the fees are deposited, (7) the use of the funds, if earmarked, and (8) the cost of administration and degree to which the goals of the program are met.

During the prior examination period, there were issues noted on late deposit of a receipt and a refund, and date of receipt of a refund was not documented, and this finding was described as *Inadequate Controls over Receipts, Refunds, and Agency Fee Imposition Reporting*. During the current examination period, they did not identify any issues in their sample testing of receipts and refunds; therefore, the finding description was revised to pertain only to *Inaccurate Agency Fee Imposition Reports*.

Agency officials stated the issues were due to staff error.

Failure to accurately report information regarding fees collected affects the accuracy and reliability of Statewide fee information reported to the General Assembly compiled by the Comptroller.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency implemented a new process for populating the Agency Fee Imposition reports.

- 9. The auditors recommend the Agency implement procedures to strengthen controls over property and ensure accurate recordkeeping and accountability for all State property.**

FINDING: (*Inadequate Controls over Property*) – *This finding has been repeated since 2022.*

The Environmental Protection Agency (Agency) did not maintain adequate controls over its property and related records.

During testing, The auditors noted the following:

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

- One of 80 (1%) equipment items tested, totaling \$88,983, was not found at the location indicated on the Agency's property listing. The State Property Control Act (30 ILCS 605/4) requires the Agency to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control.
- The Agency was not able to provide supporting documents for two of 40 (5%) property deletions tested, totaling \$4,900. Therefore, they were not able to test whether deletions were properly approved and timely removed from the property records. The Illinois Administrative Code (Code) (44 Admin. Code Section 5010.310) requires the Agency to maintain documentation for certain deletions from the Agency's inventory. The Code also requires deletions from agency property records to be approved by the Department of Central Management Services (DCMS) prior to completing the transaction. Further, the Code (44 Ill. Admin. Code 5010.400) requires the Agency to adjust its property records within 90 days of acquisition, change, or deletion of equipment items.
- One of 40 (3%) property additions tested, totaling \$10,628, was not accurately recorded. The cost of the property reported in the Agency's property listing did not include the shipping cost of \$528. The Statewide Accounting Management System (SAMS) Manual (Procedure 03.30.20) requires capital assets to be reported at historical cost and to include ancillary costs to place the asset in service such as freight charges, in-transit insurance, applicable taxes, the cost of special foundations or bases; and assembly, installation, and testing costs.

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

Agency management indicated the exceptions noted were due to human error and staff turnover.

Failure to exercise adequate controls over State property and maintain accurate property control records increases the risk of loss, misappropriation, and inaccurate information being submitted to the Office of Comptroller and DCMS.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The Agency implemented procedures for interagency transfers to ensure accurate record keeping of property.

- 10. The auditors recommend the Agency establish the Environmental Laboratory Certification Committee or seek legislative remedy. Additionally, they recommend the Agency timely fill the vacancies on the Advisory Board and Task Force as required. They also recommend the Advisory Board meet annually to comply with the Act.**

FINDING: *(Statutory Committee and Board Requirements) – This finding has been repeated since 2022.*

The Environmental Protection Agency (Agency) did not comply with committee and board requirements mandated by State law.

The Agency is required by State law to ensure the composition of certain committees as defined and for boards to perform mandated duties. Their testing noted the Agency failed to abide by the following statutory committee and board requirements during the examination period:

- The Environmental Protection Act (Act) (415 ILCS 5/17.8(e)) requires the Director of the Agency to establish an Environmental Laboratory Certification Committee (Committee) composed of 9 persons to perform the following duties: (1) consider any alternative assessment schedules submitted by the Agency; (2) review and evaluate the financial implications of current and future State and federal requirements for certification of environmental laboratories; (3) review and evaluate management and financial audit reports relating to the certification program and to make recommendations regarding the Agency's efforts to implement alternative assessment schedules; (4) consider appropriate means for long-term financial support of the laboratory certification program and to make recommendations to the Agency regarding a preferred approach; (5) provide technical review and evaluation of the laboratory certification program; (6) hold meetings at times and places designated by the Director or the Chairperson of the Committee; and (7) conduct any other activities as may be deemed appropriate by the Director. As of June 30, 2024, the Environmental Laboratory Certification Committee had not been created.

Agency officials stated the Committee requirement was submitted to a legislative panel for dissolution but was rejected. This will be resubmitted for consideration.

- The Public Water Supply Operations Act (415 ILCS 45/11) requires the Community Water Supply Operator's Advisory Board (Advisory Board) to be composed of the Director of the Agency, who is the Secretary of the Advisory Board, and 5 members appointed by the Governor to assist in the formulation of and review the policies and program of the Agency as developed under authority of the Public Water Supply Operations Act, and to make recommendations and to provide the Agency

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

with such technical advice and assistance as may be requested. In addition, the Public Water Supply Operations Act requires the Advisory Board to meet annually and at such intervals as necessary to transact business which may come before it upon call of the Agency, the Chairman of the Advisory Board, or any 3 of its members. As of June 30, 2024, the Advisory Board lacked three members. Additionally, the Advisory Board failed to hold meetings during Fiscal Years 2023 and 2024.

Agency officials stated they provided candidates to the Governor's Office to consider for appointment, but appointments have not yet been made to cause a quorum.

- The Consumer Electronics Recycling Act (Act) (415 ILCS 151/1-85(a)-(b)) requires the Director of the Agency to appoint an Advisory Electronics Recycling Task Force (Task Force) composed of 10 members responsible for submitting to the Agency for posting on its website by November 1 of each year, a list of agreed-to best practices to be used at program collection sites and one-day collection events. The Act also requires vacancies to be filled by the Director of the Agency for the remainder of the current term. The Act (415 ILCS 151/1-85(c)) requires the Agency to provide the Task Force with administrative support as necessary. As of June 30, 2024, the Task Force was comprised of only seven members. The Agency failed to fill three vacancies in the Task Force. The Task Force lacked a representative each from the county recycling programs, recycling companies, and manufacturing industry.

Agency officials stated vacant positions in the Task Force are due to struggles finding replacements for members who resign or retire.

Failure to establish statutorily required committees and perform mandated board and task force duties lessens governmental oversight and does not achieve the legislative intent of the affected programs.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

The Agency is seeking legislative change regard the Environmental Laboratory Certification Committee and continues to seek candidates to fill the vacancies on the Community Water Supply Operator's Advisory Board and Advisory Electronic Recycling Task Force.

11. The auditors recommend the Agency:

- **Finalize and approve the formal security program (policies and procedures) to ensure its resources and data are adequately protected.**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

- Adequately complete a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.
- Adequately complete the classification of its data to identify and ensure adequate protection of information.
- Establish a policy for ensuring electronic media is adequately sanitized prior to disposal.
- Maintain documentation of access request and approval.

FINDING: *(Weaknesses in Cybersecurity Programs and Practices) – This finding has been repeated since 2020.*

The Environmental Protection Agency (Agency) had not implemented adequate internal controls related to cybersecurity programs and practices.

It is the mission of the Agency to “safeguard environmental quality, consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life.” As a result of its mission, the Agency maintains large volumes of confidential information including names, addresses, and social security numbers.

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 their examination of the Agency’s cybersecurity program, practices, and control of confidential information, the auditors noted the Agency had not:

- Approved a formal security program (policies and procedures) to ensure its resources and data were adequately protected.
- Adequately completed a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information was protected from unauthorized disclosure.
- Adequately completed the classification of all its data to identify and ensure adequate protection of information.
- Established a policy for ensuring electronic media was adequately sanitized prior to disposal.
- Ensured access request and approval were documented. they noted five of five (100%) sampled newly created user accounts did not have documented access request and approval.

The Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to cybersecurity programs and practices.

Agency management indicated that they continue to address the cybersecurity issues; however, limited Agency information technology resources and competing priorities slowed additional progress during the examination period.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities which ultimately leads to the Agency's data and information being susceptible to cyber-attacks and unauthorized disclosure.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

The Agency continues to implement processes and procedures needed to address this finding.

- 12. The auditors recommend the Agency ensure planned audits are completed and that internal audit documentation contain sufficient, reliable, relevant, and useful information to support the engagement results and conclusions in order to comply with the Act and the Standards.**

FINDING: *(Noncompliance with the Fiscal Control and Internal Auditing Act) – This finding has been repeated since 2020.*

The Environmental Protection Agency (Agency) did not comply with the Fiscal Control and Internal Auditing Act (Act).

During their review of the Agency's internal auditing activities, the auditors noted the following:

- Four of ten (40%) audits proposed to be performed in Fiscal Year 2024 were not completed.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The Act (30 ILCS 10/2003) requires the internal auditing program to include audits of major systems of internal accounting and administrative controls be conducted on a periodic basis so all major systems are reviewed at least once every two years. The audits must include testing of the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations. The Act further requires the chief executive officer of each designated State agency to ensure that the internal auditing program includes a two-year plan, identifying audits scheduled for the pending fiscal year and approved by the chief executive officer before the beginning of the fiscal year.

- During their testing of three internal audits completed by the Agency during Fiscal Years 2023 and 2024, the auditors noted the following:
 - For two (67%) internal audits, entrance conferences were not documented in the audit file.
 - For one (33%) internal audit, the audit file did not contain supporting documentation for the findings.

The International Standards for the Professional Practice of Internal Auditing (Standards) (2410 – Criteria for Communicating) require internal auditors to communicate the results of the engagements to the appropriate parties, including the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The Standards (2330 – Documenting Information) also require internal auditors to document sufficient, reliable, relevant, and useful information to support the engagement results and conclusion.

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the internal audits were not completed due to the Chief Internal Auditor position being vacant for a period during Fiscal Year 2024. Agency officials also stated that the four internal audits noted in the finding were not carried over to the subsequent two-year internal audit plan. In addition, Agency officials stated the issues noted on the audit documentation were due to employee oversight.

Failure to ensure audits are conducted and documented appropriately represents noncompliance with the Act and the Standards.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency implemented procedures to completed scheduled audits and properly document entrance conferences and finding.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

13. The auditors recommend the Agency establish a comprehensive contingency plan that covers all its critical applications to ensure adequate protection of its data and information systems. Additionally, they recommend the contingency plan be reviewed and updated at least annually and once updated, the Agency should ensure the contingency plan is tested at least annually.

FINDING: *(Inadequate Contingency Planning and Testing) – This finding has been repeated since 2020.*

The Environmental Protection Agency (Agency) did not establish contingency plans and had not conducted recovery testing.

The Agency had several critical and/or financially sensitive systems including the Program Reporting System; the Loans and Grants Tracking System; and the Cost Recovery System, among others, for meeting its mission objectives.

During testing, the auditors noted contingency plans had not been established and tested during the examination period.

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, Contingency Plan section, requires entities to have an updated and regularly tested contingency plan to ensure the timely recovery of applications and data.

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

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to contingency planning and testing.

Agency management indicated that they continue to address these issues, however, limited Agency information technology resources and competing priorities slowed additional progress during the examination period.

Without an adequately documented and tested contingency plan, the Agency cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

Agency departments are completing Business Impact Analysis documents which will be used to develop a comprehensive contingency plan for applications.

- 14. The auditors recommend the Agency assign staff to ensure implementation and administration of the mandated program, including timely development of guidelines and funding criteria for providing grant assistance.**

FINDING: *(Noncompliance with the Illinois Solid Waste Management Act) – New*

The Environmental Protection Agency (Agency) did not comply with the Illinois Solid Waste Management Act (Act).

The Act (415 ILCS 20/3.1(g)) effective August 20, 2021, requires the Agency to develop guidelines and funding criteria for providing grant assistance to institutions for the implementation of approved waste reduction plans. During testing, the auditors noted the Agency has not developed the guidelines and funding criteria required by the Act.

Agency officials stated the Department of Commerce and Economic Opportunity's (DCEO) recycling programs were transferred to the Agency effective August 20, 2021, however, that transfer came without any staff for continued implementation of the transferred programs. Additionally, Agency officials stated that since that time, the Agency has had to focus on programs already existing at the Agency as well as new programs that have been recently created. Additionally, Agency officials stated that the Agency has yet to fully integrate all of the transferred DCEO programs with the Agency's, but will continue to review the programs and implement or make changes as necessary.

Failure to carry out the mandated program and duties is noncompliance with the Act and does not achieve the legislative intent of the program to reduce waste and seek solutions to solid waste management problems, thereby protecting the environment and public health and safety.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Under Study.

The Agency is determining corrective action needed to address the issues noted in the finding.

- 15. The auditors recommend the Agency update the list of toxic substances based upon examination of toxic release inventory reports filed with the Agency at least every two years to comply with the Act or seek legislative remedy.**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

FINDING: *(Noncompliance with the Toxic Pollution Prevention Act) – New*

The Environmental Protection Agency (Agency) did not comply with the Toxic Pollution Prevention Act (Act).

The Act (415 ILCS 85/4) requires the Agency to establish a Toxic Pollution Prevention Program (Program). The Act requires the Program to develop a list of toxic substances which it believes should receive priority consideration for toxic prevention based upon examination of toxic release inventory reports filed with the Agency pursuant to Section 313 of the federal Emergency Planning and Community Right to Know Act of 1986. The Act also requires the Program to review and update the list at least once every two years.

During their testing, the auditors noted the Agency developed a listing of toxic substances reported in its 21st Annual Toxic Chemical Report (Report) dated November 2009. The listing of toxic chemicals in the Report was based on reported releases of toxic chemicals in Illinois for the calendar year 2007. The toxic substances listing has not been updated since then.

Agency officials stated they believe the mandate is outdated compared to other regulations designed to reduce the disposal and release of toxic pollutants, and that the intent of this mandate has been largely addressed by other regulations passed since the mandate's effective date.

Failure to update the list of toxic substances at least once every two years is noncompliance with the Act and does not achieve the legislative intent of the program to provide high level attention to toxic pollution prevention policies and reduce the disposal and release of toxic substances which may have adverse and serious health and environmental effects.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Under Study.

The Agency is reviewing the statute to determine the next steps needed to address the issue.

16. The auditors recommend the Agency implement the requirements of the Act or seek legislative remedy.

FINDING: *(Noncompliance with the Recycled Newsprint Use Act) – New*

The Environmental Protection Agency (Agency) failed to comply with the Recycled Newsprint Use Act.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

Public Act 102-444, effective August 20, 2021, transferred certain rights, powers, duties, responsibilities, employees, property, funds, and functions from the Department of Commerce and Economic Opportunity to the Agency. One of the functions transferred to the Agency was the implementation of the Recycled Newsprint Use Act (Act). The Act (415 ILCS 110/2004) requires each consumer of newsprint within the State to certify to the Agency, on or before March 1 of each year, the amount in tons of every type of newsprint used by the consumer of newsprint the previous year and the percentage of recycled fibers present in each type of newsprint so that the Agency can calculate the recycled fiber usage for that consumer of newsprint. It also stated that only consumers of newsprint who provide timely usage certificates will receive credit for recycled fiber usage. Additionally, the Act (415 ILCS 110/2007) requires the Agency to develop and maintain a list that identifies every consumer of newsprint in Illinois and every person who supplies a consumer of newsprint with newsprint. In addition, for the purposes of implementing and enforcing the Act, the Act (415 ILCS 110/2008) requires the Agency to set comparable quality standards for each of the grades of newsprint available from all suppliers of newsprint to determine the comparable quality of recycled content newsprint to virgin material. The Act requires the Agency to review its standards at least once every two years and determine whether they should be adjusted to reflect changes in industry standards and practices. Further, the Act (415 ILCS 110/2010) and (415 ILCS 110/2011) requires the Agency to refer to the Attorney General for prosecution, within 30 days of making a determination, instances in which a person knowingly provides a consumer of newsprint with a false or misleading certificate concerning the recycled fiber percentage of the delivered newsprint, and instances in which a consumer of newsprint knowingly provides the Agency with a false or misleading certificate concerning the percentage of recycled fiber used, respectively.

During testing of the statutory mandates, the Agency was unable to provide documentation to support its implementation of the Act.

Agency officials stated the recycling and newsprint industry and markets have changed considerably since the mandate was originally written.

Failure to carry out these mandated duties is noncompliance with the Act.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Implemented.

The Agency is seeking legislative change.

- 17. The auditors recommend the Agency ensure community water supply facilities submit the required comprehensive water service line material inventory and lead service line replacement plan and maintain documentation. Additionally, they recommend the Agency timely fill the vacancies on the Advisory Board to comply with the Act.**

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

FINDING: *(Noncompliance with the Environmental Protection Act Pertaining to Lead Service Line Replacement) – New*

The Environmental Protection Agency (Agency) did not comply with certain provisions of the Environmental Protection Act (Act) (415 ILCS 5/17.12) pertaining to lead service line replacement.

During testing of statutory mandates, the auditors noted the following:

- The Act (415 ILCS 5/17.12) requires the owners and operators of community water supplies to develop, implement, and maintain a comprehensive water service line material inventory and a comprehensive lead service line replacement plan. Additionally, the Act (415 ILCS 5/17.12(f)) requires the community water supply to submit a complete inventory to the Agency by April 15, 2024. The community water supply may apply for an extension to the Agency no less than 3 months prior to April 15, 2024, if they cannot submit by the due date. During testing, the Agency was unable to provide documentation to support the community water supply facilities submitted the required comprehensive water service line material inventory and lead service line replacement plan for 3 of 40 (8%) community water supply facilities tested. Therefore, they were unable to test compliance with the requirements of the Act for the referenced water supply facilities.
- The Act (415 ILCS 5/17.12(x to y)) requires the Agency to create the Lead Service Line Replacement Advisory Board (Advisory Board). The Advisory Board is composed of 28 members which includes the Director of the Agency, Director of Revenue, Director of Public Health, 15 members appointed by the Agency and 10 members who are mayors of the 10 largest municipalities in Illinois by population. The duties of the Advisory Board are: (1) advise the Agency on best practices in lead service line replacement; (2) review the progress of community water supplies toward lead service line replacement goals; (3) advise the Agency on other matters related to the administration of the provisions of this Section; (4) advise the Agency on the integration of existing lead service line replacement plans with any statewide plan, and (5) provide technical support and practical expertise in general. As of June 30, 2024, the Agency failed to fill three vacancies in the Advisory Board. The Advisory Board lacked a representative from the public health advocacy group, a representative from the publicly owned water utilities, and a research professional employed at an Illinois academic institution and specializing in water infrastructure research.

Agency officials stated vacant positions in the Advisory Board are due to struggles finding candidates. Agency officials also stated the missing documents are due to oversight.

Failure to carry out these mandated duties is noncompliance with the Act and does not achieve the legislative intent of the program to protect the general health, safety, and welfare of the public against potentially harmful substances conveyed to the drinking water supply from the lead service lines.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

The Agency has issued non-compliance advisories (NCA) to Community Water Supplies (CWS) that have failed to submit service line inventories and is preparing to issue NCAs to CWS that have failed to submit lead service line replacement plans as part of the pre-enforcement process. The Agency may issue Violation Notices through Section 31 of the Act to CWS that fail to submit these items after continues Agency outreach and NCAs.

There are currently 5 vacancies the Lead Service Line Replacement Advisory Board. The Agency will work to fill these vacancies.

- 18. The auditors recommend the Agency strengthen its controls to ensure the proper completion of CODs and filing of contracts with the Comptroller as required. They also recommend the Agency exercise adequate controls to ensure proper implementation of the requirements of GASB Statement No. 96.**

FINDING: *(Inadequate Controls over Contractual Agreements) – New*

The Environmental Protection Agency (Agency) did not have adequate controls over contractual agreements to ensure they were timely filed, properly completed, and accurately reported.

During their testing of 19 contractual agreements, the auditors noted:

- One (5%) contractual agreement tested, totaling \$30,000, was not filed with the Office of Comptroller (Comptroller).

The Illinois Procurement Code (Code) (30 ILCS 500/20-80) requires the Agency to file with the Comptroller a copy of a contract, purchase order, grant, lease, cancellation or modification within 30 days of execution. When a contract, purchase order, grant, or lease obligation has not been filed within 30 days of execution, the Agency must file an affidavit with the Comptroller. The affidavit must be signed by the chief executive officer of the Agency or his or her designee, setting forth an explanation of why the contract liability was not filed within 30 days of execution.

- For eight (42%) contracts tested, the Contract Obligation Documents (CODs) were not properly completed. Specifically:
 - Five CODs totaling \$1,690,125 included incorrect award codes.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

- One COD amounting to \$119,780,100 indicated no subcontractor utilization and disclosure, however, the contract indicated subcontractor utilization and disclosure.
- One COD amounting to \$31,760 indicated terms that were not consistent with the terms of the contracts.
- One COD amounting to \$31,800 did not indicate the Illinois Procurement Bulletin/Bidbuy publication date and reference number.

The Statewide Accounting Management System (SAMS) Manual (Procedure 15.20.10) requires the contract obligation document to contain data elements, detailed description of the contract, and other procurement information required by the SAMS Manual.

Additionally, during their testing of the Agency's implementation of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), the auditors requested the Agency provide the population of subscription-based information technology arrangement (SBITAs) contracts during Fiscal Years 2023 and 2024. The Agency provided the lists of contracts that could possibly fall under GASB 96. The Agency did not identify any contracts on the lists as SBITAs; however, during our testing, they noted one contract, totaling \$90,858, as a SBITA. The Agency failed to provide the auditors its supporting documentation of its determination that the referenced contract was not a SBITA.

Additionally, the Agency did not submit the Accounting for SBITAs Form (Form SCO-560S) for this contract.

GASB Statement No. 96 defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period in an exchange or exchange-like transaction. GASB Statement No. 96 requires governments with SBITAs to recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability.

The Statewide Accounting Management System (SAMS) Manual (Procedure 27.20.60S) requires all Agencies to report to the Comptroller's Office those arrangements that meet the definition of a SBITA by completing a Form SCO-560S. During Fiscal Year 2024, the Comptroller's Office only required each agency to prepare this form if the total subscription payments for the software and related IT asset(s) are greater than \$25,000.

Agency officials indicated the issues noted were due to employee data entry errors and oversight.

The lack of proper controls over contract obligation documents may result in inaccurate recording and a lack of accountability by the Agency. Failure to file a copy of the contract with the Comptroller is noncompliance with the Code. Failure to establish and maintain adequate internal fiscal and administrative controls over the determination, accurate

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

recording, and proper reporting of SBITAs reduces the reliability of Statewide financial reporting.

AGENCY RESPONSE:

The Agency accepts the recommendation.

UPDATED RESPONSE:

Partially Implemented.

IEPA has taken preventative measures to minimize data entry errors based on the FY23 and FY24 audit findings, which were implemented in FY26, including but not limited to utilizing different documents for data entry. This is also something the approver is checking during the review. Procurement will send IT subscription purchase orders and contracts to IEPA's Cash Management Unit Manager for review, and further action will be taken by the manager to vet and verify the purchase orders and contracts for GASB Statements No. 96 requirements.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

REVIEW #4592 - Environmental Protection Agency, FY23-24 Compliance

The EPA had 3 emergency purchases in the fourth quarter of FY23:

- Estimated Cost - \$172,400 in state funds for three 2023 2500 Tradesman Crew Cab 4x4 trucks.
- Estimated Cost - \$148,656 in state funds for three 2023 Chevy Silverado 1500 LT trucks.
- Estimated Cost - \$76,910 in federal funds for one 2022 F-450 Chassis 4x4 SD Crew Cab 203" WB DRW XL truck.

There were 2 in the first quarter of FY24:

- Estimated Cost - \$148,656 in state funds for three 2023 Chevy Silverado 1500 LT trucks.
- Estimated Cost – 13,915 in state funds for PFAS testing that the state lab is unable to perform.

There was 1 emergency purchase in the second quarter of FY24 for an estimated cost of \$326,745 in state funds for four 2023 Ford Explorers and two 2023 Ford F-150s.

There were 5 emergency purchases in the third quarter of FY24:

- Actual Cost - \$72,467 in state funds for one 2024 Chevy Tahoe.
- Actual Cost - \$118,295 in state funds for one 2024 Ford Edge and one 2024 Ford Expedition.
- Estimated Cost - \$100,000 in federal funds to contract with an entity to create and submit a Priority Climate Action Plan and Climate Pollution Reduction Grant application.
- Estimated Cost - \$50,050 in federal funds to contract with an entity to create and submit a Priority Climate Action Plan and Climate Pollution Reduction Grant application.
- Actual Cost - \$155,085 in state funds for three Ford Transit 250 Cargo Vans.

There were 2 in the fourth quarter of FY24:

- Actual Cost - \$63,884 in federal funds for one Dodge Ram 3500 4x4 quad cab diesel truck.
- Estimated Cost - \$24,083 in state funds for PFAS testing that the state lab is unable to perform.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2024, the Department had 5 employees assigned to locations others than official headquarters.

LEGISLATIVE AUDIT COMMISSION



Review of
Governors State University
Year Ended June 30, 2024

620 Stratton Office Building
Springfield, Illinois 62706
(217) 782-7097

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

REVIEW: #4593 GOVERNORS STATE UNIVERSITY YEAR ENDED JUNE 30, 2024

RECOMMENDATIONS – 17

IMPLEMENTED/ PARTIALLY IMPLEMENTED – 17

REPEATED RECOMMENDATIONS – 10

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 12

This review summarizes the auditors' report of Governors State University of for the year ended June 30, 2024, filed with the Legislative Audit Commission on May 22, 2025. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

Agency Narrative

Governors State University (GSU) was founded in 1969, originally as an upper-division institution with a primary focus of serving community college graduates pursuing baccalaureate degrees. During the five intervening decades, GSU has grown to become the only regional, public, comprehensive university in Chicago's south suburban area

GSU is led by Dr. Joyce Ester, who began on July 1, 2025. Before her appointment as President of Governors State University, Dr. Ester served as President of Normandale Community College in Minnesota—the state's largest community college. Prior to Normandale, Dr. Ester served as President of Kennedy-King College, one of the seven City Colleges of Chicago, where she led initiatives focused on student success, workforce development, and community engagement. A native of Phoenix, Illinois, Dr. Ester holds a bachelor's degree in Sociology from Northern Illinois University and both a master's and a doctorate in Education from the University of California, Santa Barbara.

Dr. Cheryl Green served as President from July 2020 until she retired on March 1, 2025. Dr. Green passed away on April 23, 2025, after a long battle with cancer.

Appropriations and Expenditures

Appropriations (\$ thousands)	FY23		FY24	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Operational Expenses	24,353.3	24,353.3	26,058.1	26,058.1
TOTAL GENERAL FUNDS	24,353.3	24,353.3	26,058.1	26,058.1

Accountants' Findings and Recommendations

Condensed below are the 17 findings and recommendations included in the audit report. Of these, ten are repeated from the previous audit. The following recommendations are classified on the basis of information provided by Governors State University, via electronic mail received May 22, 2025.

1. The auditors recommend the University update its policies and procedures to describe testing and documentation requirements for each type of change.

Further, they recommend the University strengthen controls to ensure proper segregation of duties are established by restricting developers' access to the production environment.

FINDING: *(Weaknesses in Change Control Processes) – First reported 2023, Last reported 2024*

Governors State University (University) did not have adequate controls around its change control process and had not adequately controlled developer access to its production environment.

The University established a change management process describing the process from initiation until post-implementation review. However, during the review of the University's change control policies and procedures, the auditors noted the following:

- The change policy did not describe standard testing and documentation requirements for each type of change.
- Developers had access to the production environment, resulting in a segregation of duties weakness.

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, Configuration Management and System and Communication Protection sections, requires entities to develop and document control over changes, for changes to follow the documented controls, and developers' access to the production environment is restricted.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls with proper segregation of duties to provide assurance that resources are utilized efficiently and effectively.

University officials stated these exceptions were due to resource constraints and competing priorities.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Failure to establish adequate controls and documentation around the change control process may lead to the University being unable to monitor and ensure only valid, authorized changes are deployed in the University's Information Technology Environment. Also, allowing developers to access the production environment results in segregation of duties weakness and increases the risk of unauthorized changes being made to the computing system.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University has built a robust change control program to ensure system changes are completed with minimal impact and security implications. The University will also prioritize establishing the necessary procedures. Additionally, the University plans to engage with a third party which will be responsible for implementing changes to the Colleague production environment, remedying the separation of duties weakness.

UPDATED RESPONSE:

Implemented.

University procedure has been adopted and includes testing and documentation requirements for each type of change. ITS employees are reminded of the change control procedures in a weekly email. In addition to University procedure adopted, a managed services vendor (Toad Code) has been engaged to apply all Ellucian Colleague updates to the production environment. This ensures segregation of duties by preventing members of the University's Applications Team from applying their own changes to the production environment. All changes must be approved via established change control processes

- 2. The auditors recommend the University improve its procedures to ensure timely and accurate reporting of student enrollment status to the NSLDS both in Program-Level Record and Campus-Level Record.**

FINDING: *(Enrollment Reporting) – This finding has been repeated since 2021.*

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K240567, P268K230567
Questioned Cost:	None
Program Expenditures:	\$21,113,430
Cluster Expenditures:	\$32,781,904

Governors State University (University) did not timely and accurately report student enrollment information to the U.S. Department of Education's National Student Loan Data System (NSLDS).

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

During testing of 40 enrollment status changes, the auditors noted the following:

- Seven of 40 (18%) enrollment status changes were not reported timely to the NSLDS. These enrollment status changes were reported 1 to 228 days late after the date of occurrence. In addition, 2 of the 7 enrollment status changes pertain to students with direct loans who ceased to be enrolled on at least a half-time basis for the period for which the loan was intended.
- Ten of 40 (25%) enrollment status changes data had discrepancies in Program Begin Date ranging from 1,254 days early to 2 days late when compared to their official program start dates.

The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (34 CFR 685.309) requires the University, upon the receipt of an enrollment report from the Secretary of the Department of Education (ED), to update all information included in the report and return the report to the ED within the timeframe prescribed by the ED. It further requires the University to report enrollment changes within 30 days unless a roster file is expected within 60 days, in which case the enrollment data may be updated on that roster file changes. This report should include changes such as when a Direct Loan was made to or on behalf of a student who was enrolled or accepted for enrollment at the University, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

The NSLDS Enrollment Reporting Guide states the University is responsible for accurately reporting all Program-Level Record and Campus-Level Record data elements. The Program Begin Date is the date the student first began attending the program being reported. Typically, this would be the first day of the term in which the student began enrollment in the program, unless the student enrolled in the program on an earlier date.

The Uniform Guidance (2 CFR 200.303) requires nonfederal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal statutes, regulations, and terms and conditions of the federal award. Effective internal controls should include procedures to ensure accurate and timely student enrollment status reports are submitted to NSLDS.

University officials stated the delay in reporting status changes was attributable to challenges within the reporting protocols to the NSLDS for various status change scenarios occurring after the term end date and delays in the internal reporting process.

The University reports enrollment status changes to NSLDS through the National Student Clearinghouse (NSC), a third-party servicer. As part of the enrollment reporting process, system-generated files are uploaded to the NSC, which then provides the data to NSLDS. Upon review of the system-generated files, there are various dates contained within the files, which may have caused inaccurate Program Begin Dates reflected in the NSLDS' Program-Level Record.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Accurate, timely, and complete enrollment information is critical for effective and proper administration of the student financial aid programs. Noncompliance with enrollment reporting regulations may result in a loss of future federal funding.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. Following consultation with the NSC, guidelines were provided for handling various status change scenarios. These guidelines will enhance the accuracy of enrollment status change reporting, particularly for students with changes occurring before or after the subsequent enrollment file submission. Status changes are now being reported to the NSLDS in a timely and accurate manner, in accordance with the NSC guidelines. The University has also implemented a reporting timeline and review protocols to ensure status changes are reported to the NSLDS in a timely manner. Additionally, the University will collaborate with its Information Technology Services and representatives from the NSC and NSLDS to verify the accuracy of the file layouts and the data flow of the information provided.

UPDATED RESPONSE:

Implemented.

3. The auditors recommend the University continue towards completion and full implementation of the written incident response plan.

FINDING: *(Noncompliance with Gramm-Leach-Bliley Act) – First reported 2023, Last reported 2024*

Federal Department:	U.S. Department of Education, U.S. Department of Health and Human Services
Assistance Listing Number:	84.268, 84.063, 84.038, 84.033, 84.007, 84.379, 93.925, 93.264
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans, Federal Pell Grant Program, Federal Perkins Loan Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Grants, Teacher Education Assistance for College and Higher Education Grants, Scholarships for Health Professions Students from Disadvantaged Backgrounds, and Nurse Faculty Loan Program
Award Numbers:	P268K240567, P268K230567, P063P230567, P063P220567, P033A231156, P033A221156, P007A231156, P007A221156, P379T240567, 5 T08HP39308-04-00, and E01HP27019
Questioned Cost:	None
Program Expenditures:	\$21,113,430; \$7,760,752; \$1,938,618; \$512,881; \$227,850; \$31,236; \$576,000; \$621,137

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Cluster Expenditures: \$32,781,904

Governors State University (University) did not establish a written incident response plan designed to promptly respond to, and recover from, any security event materially affecting the confidentiality, integrity, or availability of customer information in their control.

During their audit, the auditors noted the University was unable to complete the development of the written incident response plan as of the end of the audit period.

On December 9, 2021, the Federal Trade Commission issued final regulations to amend the Standards for Safeguarding Customer Information (Safeguards Rule), an important component of the Gramm-Leach-Bliley Act's (GLBA) requirements for protecting the privacy and personal information of consumers.

The Code of Federal Regulations (16 CFR 314.4(h)) requires the University to develop, implement and maintain an information security program which includes establishing a written incident response plan designed to promptly respond to, and recover from, any security event materially affecting the confidentiality, integrity, or availability of customer information in its control.

At a minimum, such incident response plan shall address the following areas:

- the goals of the incident response plan;
- the internal processes for responding to a security event;
- the definition of clear roles, responsibilities, and levels of decision-making authority;
- external and internal communications and information sharing;
- identification of requirements for the remediation of any identified weaknesses in information systems and associated controls;
- documentation and reporting regarding security events and related incident response activities; and
- the evaluation and revision as necessary of the incident response plan following a security event.

Additionally, the Uniform Guidance (2 CFR 200.303(a)) requires nonfederal entities receiving federal awards to establish and maintain effective internal control designed to reasonably ensure compliance with federal laws, statutes, regulations, and the terms and conditions of the federal award.

University officials stated the University has been actively engaged in the development of a written incident response plan; however, the plan was not completed by the end of Fiscal Year 2024 due to the extensive range of tasks required for its completion.

The intent of the GLBA Safeguards Rule is to enhance security over confidential information. Without a documented response to all applicable requirements, the

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

University is more susceptible to vulnerabilities as it relates to protecting the privacy and personal information of students than it will be following full implementation.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University has recently completed the development of the written incident response plan during Fiscal Year 2025.

UPDATED RESPONSE:

Implemented.

The Incident Response Plan has been completed and adopted.

- 4. The auditors recommend the University improve its procedures to ensure proper notification is made to the parent Direct PLUS borrowers.**

FINDING: *(Noncompliance with Notification Requirements on Direct PLUS Loans Disbursements) - New*

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K240567, P268K230567
Questioned Cost:	None
Program Expenditures:	\$21,113,430
Cluster Expenditures:	\$32,781,904

Governors State University (University) did not comply with the notification requirements on Direct PLUS Loans disbursements.

During testing of 25 Direct Loans disbursements, the auditors noted 2 (8%) students with Direct PLUS loans, where the parents were not properly notified. Notifications were made only to students.

The Code of Federal Regulations (34 CFR 668.165) requires the University when Direct Loans are being credited to a student's account to notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan (a minimum of 14 or 30 days depending on confirmation process). Further, the Federal Student Aid (FSA) handbook clarified that general notification must be provided to the parent Direct PLUS borrower and all students receiving FSA funds.

University officials stated they were aware of the notification requirements and believed the existing process was compliant with the requirements.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Proper notifications protect the borrower's rights and give the parent borrower a chance to reconsider the loan, adjust disbursements or cancel within the specified timeframe. In addition, failure to implement notification requirements represents noncompliance with federal regulations.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University has implemented changes to procedures to send proper notification to the parent Direct PLUS borrowers.

UPDATED RESPONSE:

Implemented.

- 5. The auditors recommend the University improve its procedures to ensure documentation is retained to demonstrate timely completion of reconciliations.**

FINDING: *(Failure to Retain Adequate Documentation of Internal Direct Loans Reconciliation) - New*

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.268
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Direct Student Loans
Award Numbers:	P268K240567, P268K230567
Questioned Cost:	None
Program Expenditures:	\$21,113,430
Cluster Expenditures:	\$32,781,904

Governors State University (University) did not retain documentation of its internal monthly Direct Loans reconciliation to demonstrate timely completion.

During testing of Direct Loans, the auditors were unable to verify whether the University completed the monthly internal reconciliation in a timely manner due to the absence of supporting documentation.

The Federal Student Aid (FSA) issued Electronic Announcement General-22-86 covering reconciliation requirements for all Title IV programs between Department of Education's G5 system records and the University's internal records. It further requires the University to reconcile internally, disbursement data between Financial Services and Comptroller Office and Financial Aid Office.

Additionally, the Uniform Guidance (2 CFR 200.303(a)) requires nonfederal entities receiving federal awards to establish and maintain effective internal control designed to

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

reasonably ensure compliance with federal laws, statutes, regulations, and the terms and conditions of the federal award.

University officials stated the University performs the monthly internal reconciliation process. However, the monthly internal reconciliation spreadsheet is updated each month without retaining the prior versions.

Failure to properly document internal monthly reconciliations between the Financial Services and Comptroller Office and Financial Aid Office may result in inaccurate and incomplete financial information.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. Existing procedures have been revised to require the retention of internal reconciliation records on a monthly basis.

UPDATED RESPONSE:

Implemented.

6. The auditors recommend the University improve its procedures to ensure compliance with records retention requirements.

FINDING: *(Noncompliance with Perkins Loans' Retention of Records Requirements) – New*

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.038
Cluster Name:	Student Financial Assistance Cluster
Program Name:	Federal Perkins Loan Program
Award Number:	None
Questioned Cost:	None
Program Expenditures:	\$1,938,618
Cluster Expenditures:	\$32,781,904

Governors State University (University) did not maintain a copy of the master promissory note (MPN) for a Perkins Loan program loan.

During testing of Perkins Loan receivables, the auditors identified 1 of 12 (8%) students with a missing MPN.

The Code of Federal Regulations (34 CFR 674.19(e)) requires the University to retain a record of disbursements for each loan made to a borrower on a promissory note. In addition, the University is required to keep the original MPN until the loans are satisfied. If required to release original documents in order to enforce the loan, the University must retain certified true copies of those documents.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

University officials stated the University maintains copies of the MPNs; however, the one MPN pertained to a Perkins Loan disbursed over 18 years ago. Consequently, it may have been misplaced due to staffing changes over the years.

Failure to properly maintain loan documentation may result in inaccurate loan balances, potential disputes with borrowers, and noncompliance with federal regulations.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. Existing University procedures ensure MPNs and other Perkins-related documentation requirements are properly maintained. The University will continue its ongoing process of reviewing Perkins's documentation to comply with the requirements.

UPDATED RESPONSE:

Implemented.

- 7. The auditors recommend the University improve its procedures to ensure fringe benefits allocated to the grant align consistently with the salaries and wages charged to the grant.**

FINDING: *(Noncompliance with Activities Allowed or Unallowed and Allowable Costs and Cost Principles Requirements) - New*

Federal Department:	U.S. Department of Education
Assistance Listing Number:	84.425D
Cluster Name:	Education Stabilization Fund
Program Name:	Elementary and Secondary School Emergency Relief Fund
Award Number:	S425D210041
Questioned Cost:	None
Program Expenditures:	\$1,222,010
Cluster Expenditures:	\$1,466,030

Governors State University (University) did not comply with activities allowed or unallowed and allowable costs and cost principles requirements.

During their review of the Illinois Tutoring Initiative program under the Elementary and Secondary School Emergency Relief (ESSER) Fund which had total expenditures of \$1,222,010, the auditors identified 1 of 25 (4%) expenditures was inappropriately charged to the grant. The University inadvertently charged Central Management Services (CMS) insurance of \$414 for an employee who did not work on the program. The sample was not intended to be, and was not, a statistically valid sample.

The Code of Federal Regulations (2 CFR 200.431(c)) requires the University to allocate fringe benefits to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

and wages are chargeable to such federal awards and other activities, and charged as direct or indirect costs following the University's accounting practices.

Additionally, the Uniform Guidance (2 CFR 200.303(a)) requires nonfederal entities receiving federal awards to establish and maintain effective internal control designed to reasonably ensure compliance with federal laws, statutes, regulations, and the terms and conditions of the federal award.

University officials stated the charge was meant for a different federal grant, but was inadvertently assigned to the ESSER grant due to a formula error in the supporting spreadsheet.

Failure to accurately charge the correct grant may result in disallowance of federal expenditures and questioned costs, and could jeopardize future federal funding.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. More stringent review procedures have been implemented to prevent the recurrence of this issue.

UPDATED RESPONSE:

Implemented.

- 8. The auditors recommend the University continue to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either the University or SURS, with the impact of these errors communicated to both SURS' actuary and CMS' actuary.**

Further, they recommend the University ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

FINDING: *(Inadequate Internal Controls over Census Data) – This finding has been repeated since 2020.*

The Governors State University (University) did not have adequate internal control over reporting its census data 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

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

internal controls over these records and transmitting the 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.

The auditors noted the University's employees are members of the State Universities Retirement System (SURS) 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, they noted these plans have characteristics of different types of pensions and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Additionally, CMS' actuary uses census data for employees of the State's public universities provided by SURS, along with census data for the other participating members provided by the State's four other pensions plans, to prepare their projection of the liabilities of CMS' plan. Finally, SURS' actuary and CMS' actuary used census data transmitted by the University during Fiscal Year 2022 to project pension and OPEB-related balances and activity at the plans during Fiscal Year 2023, which is incorporated into the University's Fiscal Year 2024 financial statements.

During their cut-off testing of data transmitted by the University to SURS, the auditors noted 3 instances of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. These instances have been previously reported, however still impacted the June 30, 2022 census data. SURS determined the total potential impact of these errors was the instructors' service credit was off by a combined 6.75 years.

The auditors provided SURS' actuary and CMS' actuary with the exceptions they identified during their testing, along with the results of census data testing at the State Employees Retirement System of Illinois, and determined the net effect of these errors, along with the errors of other plan participants, was immaterial to SURS' and CMS' pension and OPEB-related balances and activity at the plans during Fiscal Year 2023.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University 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 reports and to maintain accountability over the State's resources.

University officials indicated the 3 instances of late reported events occurred before the current procedures were put into place.

Failure to ensure complete and accurate census data was reported to SURS reduces the overall reliability of pension and OPEB-related balances and activity reported in the University's financial statements, the financial statements of other employers within both plans, and the State of Illinois' Annual Comprehensive Financial Report.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University has already established procedures that will address timely and accurate reporting of census data events to SURS.

UPDATED RESPONSE:

Implemented.

The University developed SURS eligibility procedures and trained appropriate Human Resources staff about census data submittal to SURS.

- 9. The auditors recommend the University strengthen its internal controls to ensure partial tuition waivers for children of University employees comply with statutory limits. In addition, they recommend the University seek repayment of waived tuition amount.**

FINDING: *(Inadequate Controls over Monitoring of Partial Tuition Waivers) – New*

The Governors State University (University) did not maintain adequate controls over monitoring of partial tuition waivers granted to children of University employees.

During their testing of University employee waivers, the auditors noted one of 3 (33%) students selected for testing received partial tuition waiver benefits for more than four years while enrolled at the University and another participating State university. The student exceeded the limit by one academic year or equivalent to \$7,199.

The Governors State University Law (Law) (110 ILCS 670/15-90(c)) states the eligible applicant who has continued to maintain satisfactory academic progress toward graduation may have his or her partial tuition waiver renewed until the time as he or she has expended 4 years of undergraduate partial tuition waiver benefits.

University officials stated the University lacked formal procedures for administering dependent tuition waivers.

Failure to monitor tuition waivers resulted in financial loss to the University and noncompliance with the Law.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University has begun updating its process to comply with the mandate by requiring students complete the new form and implementing regular monitoring procedures of each waiver submitted. Written procedures will also be developed to ensure staff members processing dependent tuition waivers understand the process.

UPDATED RESPONSE:

Partially Implemented.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

New forms have been developed and are currently in use. An additional review of all submitted waivers will be conducted just before the start of each semester. University procedures are currently being developed with completion expected by December 2025.

- 10. The auditors recommend the University maintain the report on file along with all supporting documentation to ensure accurate record keeping and compliance with the Act.**

FINDING: *(Inadequate Internal Controls over Compliance with College Student Immunization Act) – New*

The Governors State University (University) did not have adequate internal control over compliance with the College Student Immunization Act (Act).

During the auditors review of the University's annual immunization report for Fall 2023 covered students, the University did not retain the supporting population immunization records of enrolled students.

As a result, they were unable to perform detailed testing of the University's immunization records as reported to the Illinois Department of Public Health (Department), and unable to determine accuracy of the annual immunization report submitted by the University.

The Act (110 ILCS 20/5) requires the University to maintain on file the proof of immunization, certification of medical exemption or statement of religious objection for all persons attending the institution.

The State Records Act (5 ILCS 160/8) requires the University to make and preserve records containing adequate and proper documentation of the functions, policies, decisions, procedures and essential transitions designed to protect the legal and financial rights of the State.

University officials stated their files were inadvertently overwritten when reports were updated. The University's ERP System maintains student immunization data in real time, and it was not possible to run a historical report from a date in the past.

Failure to retain supporting population records of reports submitted to the Department may compromise the University's ability to ensure compliance with the Act and could adversely impact future decision making when such information is required to address public health risks from communicable diseases.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. Since Fall of 2024, any data source used for Department reporting has been saved in multiple locations with detailed indexes to demonstrate how data was calculated for each reporting section of the College Student Immunization Status Certification Form. This will reduce the possibility of losing or corrupting information that cannot be recreated for prior years.

UPDATED RESPONSE:

Implemented.

- 11. The auditors recommend the University improve its procedures to ensure timely finalization of its audit documentation. They further recommend the University to conduct a periodic external assessment of the internal audit function, in compliance with the IPPIA standards.**

FINDING: *(Internal Audit Deficiencies) – New*

The Governors State University (University) had deficiencies within its internal audit activities during Fiscal Year 2024.

During their testing, the auditors noted the following:

- Three of 4 (75%) audit reports had not been provided to the auditors. Additionally, the internal audit workpapers for two sample audit reports remain outstanding. The University's Chief Internal Auditor (CIA) reported four completed audits in the annual report dated September 30, 2024 to the University President.
- The University's internal audit function failed to conduct a new external assessment during the examination period as required. The last external assessment was conducted in July 2018. Additionally, the annual audit report dated September 30, 2024, incorrectly stated that internal audit engagements were conducted in accordance with International Standards for the Professional Practice of Internal Auditing (IPPIA).

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003(a)(1)) requires the CIA to submit a written report to the chief executive officer detailing how the audit plan for that year was carried out, the significant findings, and the extent to which recommended changes were implemented. In addition, the IPPIA Section 2330 requires internal auditors to document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

The University's Internal Audit Charter also includes the following in its description of the audit process:

- Adequate documentation supporting the audit procedures performed, the results of testing, analysis, and conclusions.
- A written report of the Office of Internal Audit's evaluation of the risks and controls, including the results of testing, exceptions noted, weaknesses identified, and recommendations.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

The IPPIA Section 1312 requires external assessments to be conducted at least every five years by a qualified, independent assessor or assessment team from outside the organization.

The IPPIA Section 1321 states “Indicating that the internal audit activity conforms with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the quality assurance and improvement program.”

University officials stated the issues were primarily due to the historical resource constraints within the internal audit function, which operated as a one-person department until June 1, 2023, delays in obtaining the requested information and documents from the auditees, along with competing priorities and ongoing audit engagements. Despite efforts to manage the audit workload, these limitations affected their ability to meet key audit requirements during the audit period. Further, the nonconformance with the IPPIA was communicated to management and Board of Trustees as part of the annual internal audit reporting at the Board of Trustees on March 10, 2025.

Reporting audits as completed when the supporting documentation had not been finalized precludes management from having a clear picture of internal audit activity. In addition, the lack of a periodic external assessment may delay the detection of deficiencies in the internal audit program and results in noncompliance with the IPPIA standards.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The Office of Internal Audit is committed to ensuring the efficient completion of planned audits including the preparation of comprehensive supporting documentation, and timely issuance of the reports thereon. As part of the external quality assessment process, the Office of Internal Audit has already initiated the self-assessment phase, which will be followed by independent validation conducted by a qualified, independent external assessor. Furthermore, the Office of Internal Audit has hired an additional staff member to alleviate resource limitations.

UPDATED RESPONSE:

Partially Implemented.

The planned audits have been completed, and the supporting documentation and reports have been finalized. The Office of Internal Audit is currently in the process of completing the external quality assurance review. The self-assessment component of the external quality assessment has been initiated, and the office continues to coordinate the next steps for independent validation.

- 12. The auditors recommend the University revise its procedures, policies, and/or contracts to ensure all employees submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.**

FINDING: *(Time Sheets not Properly Maintained) – This finding has been repeated since 2005.*

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

The Governors State University (University) did not maintain time sheets for its faculty members and advisors in compliance with the State Officials and Employees Ethics Act (Act).

During their testing of 25 employee time sheets. The auditors noted 4 (16%) faculty members/advisors used "negative" timekeeping whereby the employee is assumed to be working unless noted otherwise.

The University was first cited for this noncompliance in the compliance examination for the year ended June 30, 2005. In the years since the finding was first noted, the University has failed to take substantive corrective actions to resolve the condition noted in this finding.

The Act required the Illinois Board of Higher Education (IBHE), with respect to State employees of public universities, to adopt and implement personnel policies. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour; contractual State employees may satisfy the time sheets requirement by complying with the terms of their contract, which shall provide for means of compliance with this requirement." The IBHE adopted personnel policies for public universities on February 3, 2004 in accordance with the Act. The University has not incorporated these policies into the University's policies.

University officials indicated they have not changed timesheet procedures for faculty members and advisors to comply with the Act since its inception, and have continued to review, along with other State universities, time reporting for faculty members and advisors, as it relates to existing collectively bargained contractual obligations. The University's efforts to establish new time reporting requirements for faculty members and advisors in accordance with the Act were completed, but these changes were not implemented until after Fiscal Year 2024.

By not requiring positive time reporting from all its employees, the University is not in compliance with the Act.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University implemented new time reporting requirements effective for the pay period beginning October 1, 2024, mandating that faculty members and advisors submit semi-monthly timesheets documenting the time spent each day on official State business to the nearest quarter hour, in compliance with the Act.

UPDATED RESPONSE:

Implemented.

- 13. The University has the ultimate responsibility for ensuring its information system resources are available for authorized use and confidential**

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

information is protected from accidental or unauthorized disclosure. Specifically, the auditors recommend the University:

- Implement appropriate controls to reduce the risk of unauthorized disclosure in response to risk assessments and vulnerability monitoring.
- Develop the University's security program (formal and comprehensive policies, procedures and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Develop detailed guidance on controls for storage media, access permissions, data retention, and data destruction policies in alignment with the University's classification of data.
- Regularly communicate security policies to employees, students and contractors and maintain a record of such.
- Develop a project management framework to guide the process of developing and implementing new applications.
- Develop written procedures for security event monitoring and maintain a log of security events.

FINDING: *(Weaknesses in Cybersecurity Programs and Practices) – This finding has been repeated since 2019.*

Governors State University (University) had not fully implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the University's mission to provide higher educational opportunities to its student body, the University maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, educational records, and Social Security numbers within its computerized systems.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies, including universities, and their cybersecurity programs and practices. During their examination of the University's cybersecurity program, practices, and control of confidential information, the auditors noted the University had not:

- Documented and implemented appropriate controls to reduce the risk of unauthorized disclosure in response to risk assessments and vulnerability monitoring.
- Developed a formal, comprehensive, and adequate security program (policies, procedures, and processes) to manage and monitor the regulatory, legal, environmental and operational requirements.
- Developed detailed guidance on controls for storage media, access permissions, data retention, and data destruction policies in alignment with the University's classification of data.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

- Developed formal policies and procedures for dissemination of all of its information system policies to employees, students, and contractors utilizing the University's resources.
- Developed a project management framework to ensure new applications were developed and implemented in accordance with management's intentions.
- Developed and adopted policies and procedures for monitoring and logging of security events.

Finally, this finding was first noted during the University's Fiscal Year 2019 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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

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

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated resource constraints and competing priorities have prevented the development and adoption of formal cybersecurity plan and programs.

The lack of adequate cybersecurity programs and practices could result in unidentified risks and vulnerabilities and ultimately lead to the University's information system resources and volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation, and has taken the following corrective actions:

- The University currently performs an annual risk assessment and continuous vulnerability monitoring of internet-facing systems. Vulnerability monitoring of internal systems has been included in a Request for Proposal (RFP) for a managed security services provider, which is currently in the evaluation phase.
- The University has adopted Policy 92, Information Security, and is adopting additional security-related policies and procedures as appropriate. The University will continue to prioritize the creation of the recommended policies and procedures.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

- The University now notifies employees and students of new security-related policies and procedures via the quarterly Information Technology Services newsletter. For contractors, an onboarding document has been developed, which includes a link to the University's public policies. This document is planned for distribution to contractors soon.
- A Project Oversight Committee has been formed, and a project management framework is being developed as resource capacity allows.
- Policies and procedures for monitoring and logging of security events are planned pending the outcome of the aforementioned RFP for a managed security services provider.

UPDATED RESPONSE:

Partially Implemented.

Several procedures were adopted during FY25 to strengthen the University's information security program, with additional procedures to be adopted to address the remaining recommendations. A project oversight committee has been formed, along with a dedicated Microsoft Teams site containing project templates and tracking tools. The adoption of formal documentation is expected to begin within the current fiscal year.

Information security policies are publicly accessible, and updates or substantive changes are communicated to all employees and students through the ITS newsletter.

The University is preparing to release the third iteration of the RFP for managed security services. Completion of the RFP process will precede the development of formal procedures for security event monitoring. Known security events are now logged in the ITS ticketing system.

14. The auditors recommend the University establish and adopt formal policies and procedures for physical access security, and monitoring, testing, and installing vendor released patches.

FINDING: *(Computer Security Weaknesses) – This finding has been repeated since 2016.*

Governors State University (University) had not established adequate controls for its computing environment.

During review of the University's controls around system security, the auditors noted the University had not established formal policies and procedures for:

- Restricting physical access to computer resources.
- Monitoring, testing, and installing vendor released patches.

This finding was first noted during the University's Fiscal Year 2016 State compliance examination. As such, University management had been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Technology, System and Information Integrity section requires implementation of security protection mechanisms; System and Services Acquisition section requires a properly secured infrastructure; and Configuration Management section requires the development of configuration management policies and procedures.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated resource constraints and competing priorities have prevented the development and adoption of formal guidelines and controls around system security.

Inadequate security controls may result in unauthorized access to, damage to, or theft of University data and computing equipment.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University currently engages in the practices listed in the recommendations but has not adopted formal policies and procedures. The University will prioritize the creation and adoption of the requisite policies and procedures before the end of Fiscal Year 2025.

UPDATED RESPONSE:

Implemented.

To address the recommendation related to physical access to computer resources, the University has implemented procedure on Data Center Access. Additionally, to address the recommendation regarding the application of vendor-released patches, procedure on Patch Management has been adopted.

15. The auditors recommend the University:

- **Establish policies and procedures to ensure performance measures are monitored to comply with contractual terms and service level agreements.**
- **Obtain and review the SOC reports of all service providers.**
- **Perform timely review of SOC reports of the service providers.**
- **Monitor and document the operation of the CUECs noted in the SOC reports that are relevant to the University's operations.**
- **Obtain and review the SOC reports of subservice providers or perform alternative procedures to determine the impact on the internal control environment of the University.**

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

- **Conduct an analysis to determine the impact of noted deviations in the SOC reports to the University's internal control environment.**

FINDING: *(Inadequate Controls around Service Providers) –This finding has been repeated since 2021.*

Governors State University (University) did not have adequate controls around its service providers.

In Fiscal Year 2024, the University identified 86 service providers. The University maintains numerous cloud-based solutions with various service providers. These service providers maintain the hardware, software and data for various applications regarding many sectors, such as campus news and events, student orientation, employment, photographs, student organizations, visitor tracking, course evaluations, and emergency notifications.

During testing of 21 service providers, the auditors noted the University had not:

- Developed formal, documented policies and procedures to ensure performance measures are monitored to comply with contractual terms for the service providers tested (100%).
- Performed a review of the System and Organization Control (SOC) reports for two (10%) service providers.
- Timely reviewed the SOC reports or equivalent, for 16 (76%) service providers, with reviews conducted between 100 to 863 days after report issuance.
- Assessed and documented the operation of Complementary User Entity Controls (CUECs) relevant to the University's operations for 12 (57%) service providers.
- Obtained and reviewed SOC reports for the subservice providers or performed alternative procedures to determine the impact on the University's internal control environment for 19 (90%) service providers.
- Conducted an analysis to determine the impact of modified opinions and control deviations on 2 (50%) of 4 SOC reports.

The University is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

Finally, this finding was first noted during the University's Fiscal Year 2021 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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), Maintenance and System and Service Acquisition sections, requires entities outsourcing their information technology environment or operations to obtain

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via timely review of the System and Organization Control reports or independent reviews.

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and in compliance with applicable law.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated resource constraints and competing priorities have prevented full implementation of the review process including development of formal policies and procedures on ensuring due diligence on service providers and ensuring performance measures are monitored to comply with contractual terms.

Without having adequate monitoring controls over service providers, including proper and timely reviews of SOC reports or another form of independent internal control review, the University does not have assurance the service provider's internal controls are adequate to support the University's processes and ensure its data are secured.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. As previously noted, the University has allocated substantial resources to meet the recommendations; however, compliance is becoming more challenging as the requirements imposed upon State agencies in the pursuit of adequate third-party risk management continue to tighten. The University currently conducts a risk assessment on all known cloud service providers and assigns a risk rating based partly on the type of documentation provided by the service providers; no new contracts are signed with service providers until this review is complete. The University will continue its efforts toward compliance with the recommendations.

UPDATED RESPONSE:

Partially Implemented.

Significant progress has been made toward resolving this finding, with the review of security controls documentation and completion of risk assessments for all known third-party and subservice providers nearing 100%. Additionally, Complementary User Entity Controls (CUECs) are formally communicated to application owners, who assume responsibility for ensuring compliance.

- 16. The auditors recommend the University establish and adopt formal policies and procedures to perform and document a periodic user access review for applications.**

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Further, they recommend the University adopt formal policies on provisioning, deprovisioning, and monitoring of remote user access.

FINDING: *(Weaknesses in System Access Controls) – This finding has been repeated since 2021.*

Governors State University (University) had not established adequate controls for system access.

Upon review of the University's controls around system access, the auditors noted the University had not established and adopted formal policies and procedures for periodic review of access rights to applications to ensure appropriateness of access granted.

Additionally, they noted the University did not have formal approved policies for provisioning, deprovisioning, and monitoring of remote user access.

Finally, this finding was first noted during the University's Fiscal Year 2021 State compliance examination. As such, University management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

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, Access Control and System and Communication Protection sections, requires entities to implement adequate internal controls over access to their environments, applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University 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 to maintain accountability over the University's resources.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials indicated resource constraints and competing priorities have prevented the development and adoption of formal system access controls and procedures.

Inadequate system access and security controls may result in exposing information assets and resources to unauthorized disclosure, modification, or destruction.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University is currently building a process for periodic review of access rights to applications and plans to begin implementation shortly. Additionally, the University has formally adopted

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

a procedure for provisioning, deprovisioning, and monitoring of remote user access during Fiscal Year 2025.

UPDATED RESPONSE:

Partially Implemented.

The University's Acceptable Use Policy procedure has been revised to address both recommendations. Additionally, a quarterly review process has been initiated to ensure that application owners verify user access and permissions for cloud-based applications. Full implementation across all applications is anticipated within the current fiscal year.

17. The auditors recommend the University:

- **At least annually, assess each location accepting credit card payments and match the method of acceptance to the appropriate SAQ and complete the appropriate SAQ(s) for its environment and maintain documentation.**
- **Validate merchants for all elements of its cardholder data environment verifying PCI DSS compliance.**
- **Provide annual security training to employees involved in the processing of cardholder data.**
- **Maintain an agreement with each service provider which requires the service provider to ensure validated PCI compliance for the services/solutions being provided.**

FINDING: *(Weaknesses with Payment Card Industry Data Security Standards) – This finding has been repeated since 2021.*

Governors State University (University) had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

In Fiscal Year 2024, the University accepted approximately 18,815 credit card transactions estimated at \$15.3 million.

Upon review of the University's efforts to ensure compliance with PCI DSS, the auditors noted the University had not:

- Completed formal assessments of each merchant accepting credit card payments, including the appropriate Self-Assessment Questionnaire (SAQ) and certifying compliance;
- Validated merchants for all elements of its cardholder data environment verifying PCI-DSS compliance;
- Ensured all employees involved in the processing of cardholder data received annual security training; and

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

- Maintained an agreement with each service provider which requires the service provider to ensure validated PCI compliance for the services/solutions being provided.

This finding was first noted during the University's Fiscal Year 2021 State compliance examination. As such, University management had been unsuccessful in implementing a corrective action plan to remedy this deficiency.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. To assist merchants in the assessments of their environment, the PCI Council has established SAQ for validating compliance with PCI's core requirements. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the University to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Finally, the University's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

University officials stated resource constraints and competing priorities hindered efforts to bring University merchants into compliance with PCI DSS during Fiscal Year 2024.

Failure to complete SAQs on all merchants, and validate merchants for PCI compliance, could result in noncompliance with PCI DSS requirements or identity theft or the loss of credit card data, or loss of the right to utilize certain credit card providers if not in compliance with current PCI standards.

UNIVERSITY RESPONSE:

The University agrees with this finding and accepts the recommendation. The University continues its compliance efforts with each merchant individually, including the migration of a second merchant to a Point-to-Point Encryption solution with a third planned, easing the completion of the requisite SAQs. The University is considering options to help bring select merchants into compliance, including the possibility of engaging a third-party provider to assist with PCI-DSS compliance. In addition to mandatory annual cybersecurity awareness training, the University has established basic training for employees involved in the processing of card payments and is implementing it on a per-merchant basis.

UPDATED RESPONSE:

Partially Implemented.

Three merchants have been brought into compliance with PCI-DSS. For these merchants, employees receive annual PCI-specific security training in addition to the general cybersecurity awareness training required of all staff. Appropriate contractual language is also in place.

REVIEW #4593 GOVERNORS STATE UNIVERSITY – FY24 COMPLIANCE

Efforts are underway to bring additional merchants into compliance as resources allow. While a definitive completion date is not available, significant progress is anticipated with up to nine remaining merchants during the current fiscal year.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to state property in order to protect against further loss of or damage to state property, to prevent or minimize serious disruption in critical state services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

GSU had no emergency purchases in FY24.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2024, GSU had 2 employees assigned to locations others than official headquarters.

Legislative Audit Commission

Financial Statement for August Lapse, 2025

FROM APPROPRIATION FOR FY 2025

Voucher Number	Date	Purpose	Paid To	Account	Amount
99	8/18/2025	Drinking Water Services for June	Waddell (Puritan Springs)	Contractual Services	21.52

TOTAL EXPENDED DURING AUGUST LAPSE -----	<u><u>\$ 21.52</u></u>
--	------------------------

Status of FY 2025 Appropriation at August 31, 2025

Expenditure Object	FY25	Expenditures		Balance
	Appropriation	August Lapse	YTD Total	
Personal Services	\$ 349,700.00	\$ -		\$ -
Retirement, Employer	\$ 14,000.00	\$ -		\$ -
Social Security	\$ 26,800.00	\$ -		\$ -
Contractual Services	\$ 46,400.00	\$ 21.52		\$ 21.52
Travel	\$ 9,300.00	\$ -		\$ -
Commodities	\$ 7,000.00	\$ -		\$ -
Printing	\$ 200.00	\$ -		\$ -
Equipment	\$ 18,000.00	\$ -		\$ -
Electronic Data Proc.	\$ -	\$ -		\$ -
Telecommunications	\$ 3,600.00	\$ -		\$ -
Interest Prompt Paymt (Included in Lines /	\$ -			\$ -
TOTAL	<u><u>\$ 475,000.00</u></u>	<u><u>\$ 21.52</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 475,000.00</u></u>

Legislative Audit Commission

Financial Statement for August 2025

FROM APPROPRIATION FOR FY 2026

Voucher Number	Date	Purpose	Paid To	Account	Amount
4	8/5/2025	Travel Expense for Senator Rose	Senator Rose	Travel	219.60
12	8/4/2025	Blue Room Stream for August	Advanced Digital Media, Inc	Telecommunications	275.00
13	8/7/2025	Salaries August 1-15, 2025	Employees	Personal Services	11,125.00
				Retirement, Employer	814.46
				Social Security	445.60
14	8/15/2025	Billable Copies	Watts Copy Systems, Inc	Contractual Services	22.12
15	8/19/2025	Drinking Water for August	Waddell (Puritan Springs)	Contractual Services	21.52
16	8/21/2025	Salaries August 16 - 31, 2025	Employees	Personal Services	11,125.00
				Retirement, Employer	814.46
				Social Security	445.60
17	8/26/2025	Payroll and Mainframe usage for July	DoIT	Contractual Services	20.73
18	8/26/2025	Fax Line usage for July	DoIT	Contractual Services	17.40
19	8/28/2025	Telephone Services for July & August	AT&T Corp	Telecommunications	117.20

TOTAL EXPENDED DURING AUGUST -----

\$ 25,463.69

Status of FY 2026 Appropriation at September 1, 2025

Expenditure Object	FY26 Appropriation	Expenditures		Balance
		August	YTD Total	
Personal Services	\$ 340,000.00	\$ 22,250.00	\$ 44,500.00	\$ 295,500.00
Retirement, Employer	\$ 14,000.00	\$ 1,628.92	\$ 2,520.12	\$ 11,479.88
Social Security	\$ 26,500.00	\$ 891.20	\$ 2,520.12	\$ 23,979.88
Contractual Services	\$ 78,500.00	\$ 81.77	\$ 499.67	\$ 78,000.33
Travel	\$ 15,000.00	\$ 219.60	\$ 1,505.92	\$ 13,494.08
Commodities	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00
Printing	\$ 1,000.00	\$ -	\$ -	\$ 1,000.00
Equipment	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00
Electronic Data Proc.	\$ -	\$ -	\$ -	\$ -
Telecommunications	\$ 5,000.00	\$ 392.20	\$ 667.20	\$ 4,332.80
*Interest Prompt Paymt (Included in Line:	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 500,000.00	\$ 25,463.69	\$ 52,213.03	\$ 447,786.97

Legislative Audit Commission

Financial Statement for September 2025

FROM APPROPRIATION FOR FY 2026

Voucher Number	Date	Purpose	Paid To	Account	Amount
20	9/2/2025	Blue Room Stream for September	Advanced Digital Media, Inc	Telecommunications	275.00
21	9/5/2025	Salaries Sept 1-15, 2025	Employees	Personal Services	11,125.00
				Social Security	814.46
				Retirement, Employer	445.60
22	9/10/2025	Travel Expenses for Rep. Moore	Representative Moore	Travel	156.80
23	9/5/2025	Search Services for Auditor General	Pauly Group Inc.	Contractual Services	18,600.00
24	9/9/2025	Trascription for LAC Meeting 8-22-25	Vanan Online Services	Contractual Services	424.20
25	9/22/2025	Salaries September 16-30, 2025	Employees	Personal Services	11,125.00
				Social Security	814.46
				Retirement, Employer	445.60
26	9/29/2020	Telephone Services for September	AT&T Corp	Telecommunications	59.28
27	9/29/2020	Fax Line Usage for August	DoIT	Contractual Services	17.40
28	9/29/2020	Payroll and Mainframe usage for August	DoIT	Contractual Services	10.51

TOTAL EXPENDED DURING SEPTEMBER -----

\$ 44,313.31

Status of FY 2026 Appropriation at October 1, 2025

Expenditure Object	FY26		Expenditures		Balance
	Appropriation		September	YTD Total	
Personal Services	\$ 340,000.00		\$ 22,250.00	\$ 66,750.00	\$ 273,250.00
Retirement, Employer	\$ 14,000.00		\$ 891.20	\$ 3,411.32	\$ 10,588.68
Social Security	\$ 26,500.00		\$ 1,628.92	\$ 4,149.04	\$ 22,350.96
Contractual Services	\$ 78,500.00		\$ 19,052.11	\$ 19,551.78	\$ 58,948.22
Travel	\$ 15,000.00		\$ 156.80	\$ 1,662.72	\$ 13,337.28
Commodities	\$ 10,000.00		\$ -	\$ -	\$ 10,000.00
Printing	\$ 1,000.00		\$ -	\$ -	\$ 1,000.00
Equipment	\$ 10,000.00		\$ -	\$ -	\$ 10,000.00
Electronic Data Proc.	\$ -		\$ -	\$ -	\$ -
Telecommunications	\$ 5,000.00		\$ 334.28	\$ 1,001.48	\$ 3,998.52
Interest Prompt Paymt	\$ -		\$ -	\$ -	\$ -
TOTAL	\$ 500,000.00		\$ 44,313.31	\$ 96,526.34	\$ 403,473.66

Legislative Audit Commission

October 14, 2025

Acknowledgement of Receipt of following reports:

1. Follow-Up Report on the Program Audit of the Business Interruption Grant (BIG) Program.
2. Follow-Up Report on the Performance Audit of the Economic Development for a Growing Economy (EDGE) Tax Credit Program.
3. Follow-Up Report on the Management Audit of the Firearm Owner's Identification Card and Concealed Carry License Programs.
4. Follow-Up Report on the Management and Program Audit of the Illinois State Police's Division of Forensic Services.
5. Follow-Up Report on the Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Card Act.
6. Follow-Up Report on the Management Audit of the Department of Children and Family Services' Search for Missing Children.
7. Follow-Up Report on the Performance Audit of the Department of Children and Family Services LGBTQ Youth In Care.
8. Follow-Up Report on the Performance Audit of the Department of Children and Family Services Investigations of Abuse and Neglect.
9. Follow-Up Report on the Performance Audit of the Department of Children and Family Services' Placement of Children.
10. State Universities Retirement System Special Funding Situation Allocation Schedules for FY 24.
11. Follow-Up to Performance Audit Recommendations.

Legislative Audit Commission

October 14, 2025

Acknowledgement of Receipt of following reports:

1. Follow-Up Report on the Program Audit of the Business Interruption Grant (BIG) Program.
2. Follow-Up Report on the Performance Audit of the Economic Development for a Growing Economy (EDGE) Tax Credit Program.
3. Follow-Up Report on the Management Audit of the Firearm Owner's Identification Card and Concealed Carry License Programs.
4. Follow-Up Report on the Management and Program Audit of the Illinois State Police's Division of Forensic Services.
5. Follow-Up Report on the Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Card Act.
6. Follow-Up Report on the Management Audit of the Department of Children and Family Services' Search for Missing Children.
7. Follow-Up Report on the Performance Audit of the Department of Children and Family Services LGBTQ Youth In Care.
8. Follow-Up Report on the Performance Audit of the Department of Children and Family Services Investigations of Abuse and Neglect.
9. Follow-Up Report on the Performance Audit of the Department of Children and Family Services' Placement of Children.
10. State Universities Retirement System Special Funding Situation Allocation Schedules for FY 24.
11. Follow-Up to Performance Audit Recommendations.