

**STATE OF ILLINOIS
COURT OF CLAIMS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

STATE OF ILLINOIS
COURT OF CLAIMS
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STATE OF ILLINOIS
COURT OF CLAIMS
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2021

AGENCY OFFICIALS

Court of Claims

Court Administrator	Mr. Brad Bucher
General Counsel	Mr. Michael Mathis
Fiscal Officer (4/16/22 – Present)	Ms. Lisa Robinson
Fiscal Officer (7/1/19 – 4/15/22)	Mr. Christopher Valasek

Secretary of State (Clerk of Court of Claims)

Director and Deputy Clerk	Ms. Erica Katava
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COURT MEMBERS¹

Chief Justice	Mr. Peter Birnbaum
Judge	Ms. Mary Patricia Burns
Judge	Mr. Joseph Gagliardo
Judge	Mr. Robert Sprague
Judge (5/1/22 – Present)	Ms. Aurora Austriaco
Judge (3/15/22 – 4/30/22)	Vacant
Judge (7/1/19 – 3/14/22)	Ms. Nancy Zettler
Judge (3/19/21 – Present)	Ms. Sonia Antolec
Judge (7/1/19 – 3/18/21)	Vacant
Judge (3/15/21 – Present)	Mr. Marcellus Moore Jr.
Judge (7/1/19 – 3/14/21)	Mr. Michael McGlynn

¹ The Illinois Court of Claims Act (705 ILCS 505/1) states the Court shall consist of seven judges, one of whom shall be the Chief Justice, who are attorneys licensed to practice law in the State of Illinois, to be appointed by the Governor with the advice and consent of the Senate.

AGENCY OFFICES

Court of Claims offices are located at:

630 South College St.
Springfield, IL 62756

160 N. LaSalle, 10th FLR-C1000
Chicago, IL 60601



STATE OF ILLINOIS

COURT OF CLAIMS

MANAGEMENT ASSERTION LETTER

June 1, 2022

GW & Associates, P.C.
Certified Public Accountants
4415 West Harrison Street, Suite 434
Hillside, Illinois 60162

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Court of Claims. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Court of Claims' compliance with the following specified requirements during the two-year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the State of Illinois, Court of Claims has materially complied with the specified requirements listed below.

- A. The State of Illinois, Court of Claims has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Court of Claims has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Court of Claims has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Court of Claims are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

State of Illinois, Court of Claims

SIGNED ORIGINAL ON FILE

Brad Bucher, Agency Head

SIGNED ORIGINAL ON FILE

Lisa Robinson, Fiscal Officer

SIGNED ORIGINAL ON FILE

Michael Mathis, General Counsel

STATE OF ILLINOIS
 COURT OF CLAIMS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2021

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	2	1
Repeated Findings	1	0
Prior Recommendations Implemented or Not Repeated	0	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2021-001	8	2019/2019	Inadequate Controls over Expenditures	Significant Deficiency and Noncompliance
2021-002	10	NEW	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The Court waived an exit conference and declined to provide responses to the recommendations in a correspondence from Brad Bucher, Court Administrator, on May 27, 2022.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Court of Claims

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Court of Claims (Court) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2021. Management of the Court is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Court’s compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Court has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Court has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Court has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Court are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we

plan and perform the examination to obtain reasonable assurance about whether the Court complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Court complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Court's compliance with the specified requirements.

In our opinion, the Court complied with the specified requirements during the two years ended June 30, 2021, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2021-001 and 2021-002.

The Court's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Court's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Court is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Court's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Court's compliance with the specified requirements and to test and report on the Court's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control described in the accompanying Schedule of Findings as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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

The Court's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Court's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Hillside, Illinois
June 1, 2022

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2021

2021-001. **FINDING** (Inadequate Controls over Expenditures)

The Court of Claims (Court) did not exercise adequate controls over voucher processing.

During testing, we noted the following:

- Sixty-one of 143 (43%) vouchers tested, totaling \$29,331, were approved between 1 to 166 days late.

The Illinois Administrative Code (74 Ill. Admin Code 900.70) requires the Court to review a bill and either approve or deny the bill in whole or in part within 30 days of physically receiving the bill.

- Two of 8 (25%) travel vouchers tested, totaling \$1,168, were submitted to the Court by the traveler for approval 87 and 153 days, respectively, after the last day of travel occurred.

Internal Revenue Service (IRS) Publication 535, *Business Expenses*, states 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 as within 60 days after the expenses were paid or incurred, and returned any excess reimbursements within a reasonable period of time. If the employee meets all three tests, the employee is under an accountable plan and the reimbursements are not included as income on the employee's Form W-2. If the employee fails any of the tests, the employee is under a nonaccountable plan and all amounts paid as reimbursements are reported on the employee's Form W-2, subject to withholding, Social Security, Medicare, and unemployment taxes.

During the prior and current examination periods, Court management indicated the voucher processing issues noted were due to employee error.

Failure to maintain adequate controls over voucher processing increases the risk that errors or other irregularities could occur that would not be identified by employees performing their functions in the normal course of business. Late approval of vouchers represents noncompliance with the Code and could lead to unnecessary interest charges. Failure to ensure travel vouchers are submitted timely increases the risk that errors or increases in taxable wages could occur. (Finding Code No. 2021-001, 2019-001)

RECOMMENDATION

We recommend the Court timely approve vouchers. In addition, we recommend the Court ensure travel vouchers are timely submitted.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2021

2021-001. **FINDING** (Inadequate Controls over Expenditures) - Continued

COURT RESPONSE

The Court declined to provide a response.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2021

2021-002. **FINDING** (Inadequate Controls over Personal Services)

The Court of Claims (Court) did not maintain adequate control over its personal services.

During testing we noted the following:

- For 1 of 8 (13%) employees tested, the Court withheld the employee's federal income tax at an incorrect rate. The employee had filed a 2020 or later version of the Form W-4 with the Court. However, the Court, withheld the employee's federal income tax in accordance with the Internal Revenue Service's (IRS) guidelines for 2019 or earlier versions of the Form W-4.

IRS Publication 15, (Circular E), *Employer's Tax Guide*, requires employers to withhold federal income tax from each wage in accordance with the employee's Form W-4.

- For 7 of 20 (35%) weekly employee attendance time sheets tested, the number of hours reported by two employees did not meet the 35 minimum required hours per week for full-time employees. The Court was unable to provide supporting documentation to account for the underreported time, which ranged between 1 and 31 hours each week.

The Court's *Personnel Policy & Procedural Manual (Manual)*, Section 1.7, requires all full-time employees to sign in and sign out each day on the attendance time sheet to affirm actual time worked. In addition, Section 2.1 of the *Manual* requires all full-time employees to ensure the minimum required hours have been met each week. If minimum required hours are not met, employees must use vacation or personal time to cover the shortage.

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

Court officials indicated that the incorrect withholding was due to employee error. In addition, Court officials indicated the underreported hours on the weekly employee attendance time sheets were due to the Court instituting a temporary hybrid work model, beginning on October 29, 2020, allowing each full-time employee the option to work in-office or at home, provided that all vital functions were fulfilled. Time keeping was only maintained for in-office time.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2021

2021-002. **FINDING** (Inadequate Controls over Personal Services) – Continued

Failure to update employee withholdings and failure to submit complete time sheets could result in erroneous or improper salary payments and increases the risk of errors or other irregularities not being detected by employees in the normal course of performing their assigned functions. (Finding Code No. 2021-002)

RECOMMENDATION

We recommend the Court enhance their review procedures over payroll including employee withholding. We further recommend the Court improve controls for monitoring and accounting for all time worked by its employees regardless of whether the work is performed in-office or at home.

COURT RESPONSE

The Court declined to provide a response.