



**STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2022

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



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STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

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STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

AGENCY OFFICIALS

Attorney General	The Honorable Kwame Raoul
Chief of Staff (12/16/20 – Present)	Ms. Nathalina Hudson
Chief of Staff (07/1/20 – 12/15/20)	Ms. Kimberly Janas
Chief Deputy Attorney General/Chief Legal Counsel	Mr. Brent Stratton
Deputy Chief of Staff (01/01/22 – Present)	Ms. Christina Huddleston
Deputy Chief of Staff (07/01/20 – 12/31/21)	Ms. Melissa Mahoney
Executive Deputy Attorney General	Mr. Adam Braun
Chief Fiscal Officer	Mr. Tad Huskey
Deputy Chief Fiscal Officer	Ms. Lisa Kaigh
Chief Internal Auditor	Mr. H. Jay Wagner
Inspector General	Ms. Diane Saltoun

AGENCY OFFICES

The Office of the Attorney General’s primary administrative offices are located at:

500 South Second Street
Springfield, Illinois 62701

James R. Thompson Center
100 West Randolph
Chicago, Illinois 60601



OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS

KWAME RAOUL
ATTORNEY GENERAL

MANAGEMENT ASSERTION LETTER - STATE COMPLIANCE EXAMINATION

May 2, 2023

Sikich LLP
3051 Hollis Drive, 3rd Floor
Springfield, IL 62704

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

- A. The Office 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 Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Office 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 Office 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.

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601 South University Ave., Carbondale, Illinois 62901 • (618) 529-6400 • TTY: (877) 675-9339 • Fax: (618) 529-6416

- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Office of the Attorney General

SIGNED ORIGINAL ON FILE

Honorable Kwame Raoul, Attorney General

SIGNED ORIGINAL ON FILE

Thaddeus Huskey, Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Brent Stratton, Chief Deputy Attorney General/Chief Legal Counsel

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	8	3
Repeated Findings	2	1
Prior Recommendations Implemented or Not Repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	10	New	Internal Control Weaknesses Over Payroll and Personal Services	Significant Deficiency and Noncompliance
2022-002	12	2020/ 2018	Inadequate Controls Over Property and Equipment	Material Weakness and Material Noncompliance
2022-003	16	New	Weaknesses in Performing Accounting Record Reconciliations	Significant Deficiency and Noncompliance
2022-004	18	New	Voucher Processing Weaknesses	Material Weakness and Material Noncompliance
2022-005	20	New	Weakness in Maintenance of Records and Accounting Procedures	Material Weakness and Material Noncompliance

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2022

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2022-006	22	2020/ 2020	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2022-007	24	New	Lack of Adequate Controls over the Review of Internal Controls for Service Providers	Material Weakness and Material Noncompliance
2022-008	26	New	Inadequate Access Review Procedures	Material Weakness and Material Noncompliance

Prior Findings Not Repeated

A	28	2020/ 2020	Inadequate Controls over Remote Employee Attendance
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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on April 27, 2023.

Attending were:

Office of the Attorney General

Nathalina Hudson, Chief of Staff
 Christina Huddleston, Deputy Chief of Staff
 Thaddeus Huskey, Chief Fiscal Officer
 Lisa Kaigh, Deputy Chief Fiscal Officer
 Peggy Hartson, Budget and Fiscal Director
 Scott Jager, Chief Technology Officer
 Ahmed Jir, Chief Information Security Officer
 Eileen Baumstark-Pratt, Office Services Director
 Pamela Blackorby, Human Resources Director
 Cara Richardson, Payroll and Timekeeping Supervisor
 H. Jay Wagner, Chief Internal Auditor

Sikich LLP

Amy L. Sherwood, Partner
 Shannon Leach, Manager

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022

EXIT CONFERENCE (Continued)

Office of the Auditor General

Lisa Warden, Senior Audit Manager

The responses to the recommendations were provided by H. Jay Wagner, Chief Internal Auditor, in a correspondence dated May 2, 2023.

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Office of the Attorney General (Office) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2022. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Office 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 Office 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 Office 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 Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

Our examination disclosed material noncompliance with the following specified requirement applicable to the Office during the two years ended June 30, 2022. As described in the accompanying Schedule of Findings as items 2022-002, 2022-004, 2022-005, 2022-007 and 2022-008, the Office had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Office complied with the specified requirements during the two years ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-001, 2022-003, and 2022-006.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-002, 2022-004, 2022-005, 2022-007 and 2022-008 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001, 2022-003, and 2022-006 to be significant deficiencies.

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

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

Springfield, Illinois
May 2, 2023

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Internal Control Weaknesses over Personal Services)

The Office of the Attorney General (Office) failed to maintain sufficient controls over personal services functions.

During our testing of personal service functions we noted the following exceptions related to required trainings and annual performance evaluations.

- Two of 40 (5%) employees tested lacked documentation of a completed sexual harassment training for calendar years 2020 and/or 2021.
- Sixteen of 40 (40%) employees tested did not have a completed evaluation retained in their personnel file.
- Ten of 40 (25%) employees tested did not have an evaluation completed in a timely manner. This ranged from 3 to 183 days late.
- One of 40 (3%) employees tested had an evaluation in their personnel file that was not dated. Therefore, we were unable to confirm the timeliness of the evaluation.

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

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-10.5) states that each officer, member, and employee must complete, at least annually, a harassment and discrimination prevention training program.

Article 4, Section 4.1.27 of the Office's policy and procedures manual asserts that performance evaluations shall be conducted on an annual basis to target areas where improvement may be needed or to support salary increases for exempt employees.

Office management indicated these exceptions occurred due to competing priorities occurring during the examination period.

Failure to timely complete required trainings represents noncompliance with statutory requirements and could result in employees not being aware of all of statutory requirements and the Office's standards and procedures to address sexual harassment. Performance evaluations are a systematic 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. (Finding Code No. 2022-001)

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Internal Control Weaknesses over Personal Services) (Continued)

RECOMMENDATION

We recommend the Office implement controls to ensure all employees complete the required trainings timely and documentation of these trainings is retained. Additionally, we recommend the Office ensure that employees receive annual evaluations timely, and documentation of these evaluations is retained.

OFFICE RESPONSE

Accepted. The Office acknowledges it fell behind on documenting training and evaluations while working offline during the network rebuild, and we plan to implement the recommendations moving forward.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

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

The Office of the Attorney General (Office) did not exercise adequate control over recording and reporting of its State property and equipment.

Recording and reporting weaknesses were identified during our testing of property and equipment items as follows:

- Auditors were unable to verify the completeness and accuracy of the Fiscal Year 2022 asset listing. Auditors noted adequate controls did not exist to ensure that all transactions, both additions and deletions, were being tracked appropriately. Therefore, we were also unable to confirm the completeness and accuracy of the additions and deletions listings for Fiscal Year 2022, which were derived from the asset listing.

The Statement on Standards for Attestation Engagements addresses Assertion-Based Examination Engagements (AT-C § 205.36), which requires when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including obtaining evidence about the accuracy and completeness of the information; and evaluation whether the information is sufficiently precise and detailed for the practitioner’s purposes.

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

Lastly, 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.

Office management stated that, following a security incident, the network was taken offline to be rebuilt securely. During this time, property control records were inaccessible; therefore, an asset listing was not adequately maintained.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Inadequate Controls over Property and Equipment) (Continued)

- During testing of the 2021 and 2022 Fiscal Year end Agency Report of State Property (C-15) forms, we noted the following weaknesses:

- C-15s for five of eight (63%) quarters tested were not timely filed with the Office of the Comptroller. The C-15s were filed from one to five days late.

The Statewide Accounting Management System (SAMS) (Procedure 29.20.10) outlines the required report due dates as the last day of the month following the last day of each quarter.

- The Fiscal Year 2021 Quarter 4 C-15 overstated transfers in by \$1,453 and deletions by \$21,399.

The SAMS Procedure 29.20.10 indicates to enter, under the “Transfers in from CDB” column, the amount of transfers-in from the Capital Development Board (CDB). The amount to be recorded is the amount received from the CDB on the “CDB Agency Turnover Report” for the current quarter.

- On the Fiscal Year 2021 year end C-15, Buildings and Building Improvements were overstated by \$42,798.

The SAMS (Procedure 29.10.30) states the C-15, when properly completed, presents the total cost of State property, by category, reflected on the agency’s records as of the reporting date.

Office management indicated these errors were due to oversight.

- During testing of the Fiscal Year 2021 and 2022 Certification of Inventory and Discrepancy Reports, we noted the following weaknesses:

- When comparing the total amount of inventory reported for both fiscal years on the Certification of Inventory and Discrepancy Reports to the total inventory noted within the Office’s internal records, we noted a difference of \$845,791 for Fiscal Year 2021, and a difference of \$810,444 for Fiscal Year 2022.

- The Fiscal Year 2021 discrepancy listing reported a total of 37 of 58 (64%) unlocated items, totaling \$107,457, classified as Information Technology (IT) related items that had the potential to store confidential information on the operating system and/or applications loaded on the equipment.

- While the Office did formally adopt a policy for delineating categories of equipment considered to be subject to theft, the Office failed to report these items with the Fiscal Year 2021 Certification of Inventory and Discrepancy Report.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Inadequate Controls over Property and Equipment) (Continued)

The State Property Control Act (30 ILCS 605/6.02) requires each responsible officer to maintain a permanent record of all items of property under their jurisdiction and control. This listing shall be submitted to the Department of Central Management Services (DCMS) on an annual basis. The SAMS (Procedure 29.10.10) requires the inventory of its assets being reported to DCMS annually include all capital assets meeting the requirements for capitalization in Procedure 03.30.30, as well as any additional assets meeting the requirements identified in Section 50.10.460 of the DCMS Property Control Regulations. The DCMS Property Control Regulations (44 Ill. Admin Code 5010.460) states the listing shall include all equipment items with a value greater than the nominal value, which is defined in the State Property Control Act above as \$1,000, \$2,500 as of January 2023, and equipment that is subject to theft with a value of less than the nominal value.

Office management stated, following a security incident, the network was taken offline to be rebuilt securely; during this time, property control records were inaccessible. In addition, Office management stated these errors were due to the delayed adoption of the subject to theft policy, as well as oversight.

- Records of equipment expenditures according to the Object Expense/Expenditures by Quarter (SA02) report and the equipment purchases entered in the Office's property records were unable to be sufficiently reconciled. Differences of \$(20,970) and \$54,089 were noted in Fiscal Years 2021 and 2022, respectively.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, or internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws, as well as provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Office management indicated, as the Office had 90 days to adjust property records, it was difficult to reconcile property records to the SA02 report.

This finding has been reported in the last two compliance examinations. As such, Office management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

Failure to prepare accurate C-15s results in inaccurate reporting and diminished accountability for State assets. Internal control weaknesses over property reporting, recordkeeping, and reconciliations increase the potential for theft or misappropriation of assets. Finally, the Office's management team is responsible for implementing timely corrective action on all findings identified during a State compliance examination. (Finding Code No. 2022-002, 2020-001, 2018-001)

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-002. **FINDING** (Inadequate Controls over Property and Equipment) (Continued)

RECOMMENDATION

We recommend the Office correct their inventory records and strengthen tracking of their equipment inventory to ensure an accurate and complete listing. Additionally, we recommend the Office implement controls to ensure proper and timely reporting, recordkeeping and reconciliations of its State property records.

OFFICE RESPONSE

Accepted. Office Services staff will work to strengthen the Office’s internal controls to increase the accuracy of our property records and tracking of inventory.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Weaknesses in Performing Accounting Record Reconciliations)

The Office of the Attorney General (Office) failed to perform required reconciliations of accounting records during the engagement period.

During our testing of various reconciliations of Office and Office of Comptroller records, we noted the following:

- The Office did not prepare reconciliations of the *Cash Report* (SB05) as of June 30 for either Fiscal Year 2021 or 2022.

SAMS Procedure 09.40.30 requires the reconciliation of the Cash Report be performed monthly and the Comptroller's Office notified of any unreconcilable differences so that the necessary corrective action can be taken to locate the differences and correct the accounting records. This reconciliation must be completed within 60 days of the month end.

- The Office did not prepare reconciliations of the *Revenue Status Report* (SB04) for three of the four (75%) months selected for testing, including June 2021, April 2022, and June 2022.

SAMS Procedure 25.40.20 requires the SB04 reconciliation to be performed monthly within 60 days of month end and the Comptroller's Office notified of any unreconcilable differences so that the necessary corrective action can be taken to locate the differences and correct accounting records.

- During our testing of the Office's reconciliation of their monthly expenditure records to the *Monthly Appropriation Status Report* (SB01), we noted:
 - For four of 72 (6%) samples tested, the Office balance reflected on the reconciliation did not tie to Office records.
 - For two of 72 (3%) samples tested, the Comptroller balance reflected on the reconciliation did not tie to the amount reported on the SB01.
 - For one of 14 (7%) samples tested which had vouchers in-transit, we were unable to trace the \$65 in-transit amount to the subsequent month's SB01 to determine that it cleared.
 - The Office had a total of \$1,544,893 differences within the SB01 reconciliation as of September 30, 2022. While the Office was able to determine what the differences were for, they did not correct the Office's records for the noted differences.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-003. **FINDING** (Weaknesses in Performing Accounting Record Reconciliations)
(Continued)

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

Office management stated competing priorities, such as the transition to the Enterprise Resource Planning system and the downtime needed to rebuild the network following a security incident, resulted in the inability to timely complete the reconciliations.

Failure to perform or timely complete reconciliations and necessary corrections of accounting records increases the risk differences will go undetected and reduces the effectiveness of data and user confidence in the accuracy of financial information. (Finding Code. No. 2022-003)

RECOMMENDATION

We recommend the Office ensure required reconciliations are timely performed on a monthly basis. Additionally, we recommend the Office timely correct any reconciliation differences that are noted through the monthly reconciliations.

OFFICE RESPONSE

Accepted. The Office went live on the State's new Enterprise Resource Planning System on July 1, 2021, while the Office was working offline during the network rebuild, and the learning curve of working in a new system while our network was offline contributed to backlog, competing priorities, and delays.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Voucher Processing Weaknesses)

The Office of the Attorney General (Office) did not timely submit its vouchers for payment to the Office of Comptroller or make corrections identified by the Office of Comptroller.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Office to determine whether certain key attributes were properly entered by the Office's staff into ERP. In order to determine the operating effectiveness of the Office's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

We then conducted an analysis of the Office's expenditures data for fiscal year 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

- The Office owed 48 vendors interest, totaling \$5,965 in fiscal year 2022; however, the Office had not approved these vouchers 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 Office did not timely approve 3,786 of 8,791 (43%) vouchers processed during fiscal year 2022, totaling \$10,236,821. We noted these late vouchers were approved by the Office between 31 and 386 days late.

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

In addition, the Comptroller identified corrections with 13 of 8,791 (0.15%) vouchers, totaling \$579,794 in Fiscal Year 2022; however, the Office did not timely make these corrections on its expenditure records. We noted these corrections were made to agency expenditure records between 137 and 358 days after the Comptroller identified the corrections.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure 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.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-004. **FINDING** (Voucher Processing Weaknesses) (Continued)

Office management stated the untimely processing of vouchers was due in large part to the transition from the Accounting Information System (AIS) to the ERP beginning in July 2021 while also rebuilding a secure network following a security incident. Management also stated these events delayed the processing of invoices for most of Fiscal Year 2022. Further, management stated accounting staff were unaware of the proper way to process some payments, which also caused processing delays. Finally, management stated a staff vacancy from April until October 2021 increased staff workloads during this time.

Failure to timely process proper bills and voucher modifications and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. (Finding Code No. 2022-004)

RECOMMENDATION

We recommend the Office approve proper bills within 30 days of receipt, timely approve voucher modifications, and approve vouchers for payment of interest due to vendors.

OFFICE RESPONSE

Accepted. The Office went live on the State's new ERP system on July 1, 2021, while the Office was working offline during the network rebuild. The learning curve of working in a new system while our network was offline contributed to the exceptions and delays noted in the finding. Despite these challenges and the identified processing delays, no issues were noted related to accuracy.

Payment voucher modifications were processed timely with the Comptroller's Office. Failure to process modifications with the Comptroller's Office timely, generally within 5 business days, results in the voucher being deleted from the Comptroller's system, which requires reprocessing. We agree the modifications were not corrected on Office records when the vouchers were modified at the Comptroller's Office, but the corrections were made once Office personnel determined how to make these corrections in the System.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Weakness in Maintenance of Records and Accounting Procedures)

The Office of the Attorney General (Office) did not adequately maintain records and follow accounting procedures.

During our testing of portable communication devices, we were unable to obtain a population of cell phone cancellations during the engagement period. Additionally, while the Office was able to provide a population of cell phone issuances, we were unable to determine the completeness and accuracy of the 825 cell phones on the listing. As a result, we were unable to obtain assurance on the number of cell phones issued during the engagement period and if those issuances were reasonable and necessary.

During our testing of receipts, we noted the Office was only able to provide a listing of all Receipt Deposit Transmittals (RDT), and not a full population of individual receipts for Fiscal Year 2021. As a result, we were unable to test whether all receipts received were properly and timely deposited. The Office reported receipts totaling \$52,516,412 in Fiscal Year 2021.

During our testing of the Office's accounts receivable procedures, we noted the Office did not have an explicit policy dictating collection procedures. The Office's Policy and Procedures Manual 6.1.2 requires each Bureau to have their own Accounts Receivable Manager who is responsible for reporting the receivables amount to the Deputy Chief Fiscal Officer and for following up with debtors via demand letters. There were no procedures in place, however, to ensure these Bureau Accounts Receivable Managers were doing so. Additionally, since the data breach in April 2021, the Office was unable to utilize the Accounts Receivable Database and had been tracking all receivables in a spreadsheet. We were unable to determine the accuracy of the population as there were differences noted between the population and the Quarterly Summary of Accounts Receivable (C-98) form.

The Statement on Standards for Attestation Engagements (AT-C §205.36) requires when using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner's purposes, including obtaining evidence about the accuracy and completeness of the information; and evaluation whether the information is sufficiently precise and detailed for the practitioner's purposes.

Nonetheless, we tested a sample of the Office's accounts receivable and noted the following:

- Two of thirteen (15%) accounts receivable sampled, established in Fiscal Year 2006 and Fiscal Year 2013 totaling \$1,118,000 and \$1,074,621, respectively, had no collection activity or collection attempts documented during the examination period.
- One of thirteen (8%) accounts receivable tested, totaling \$272,138, had been deemed uncollectible in December 2021; however, no support was provided to indicate if the debt was certified as such or referred to the Comptroller's Offset system during the examination period.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-005. **FINDING** (Weakness in Maintenance of Records and Accounting Procedures)
(Continued)

The Uncollected State Claims Act (30 ILCS 205/2(a)) and the Statewide Accounting Management System (SAMS) (Procedure 26.40.40) require, when an agency has exhausted all reasonable and appropriate collection efforts and has been unable to collect a past due account of \$1,000 or more, the agency may certify that account as uncollectible.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(c-1) and SAMS (Procedure 26.40.20) require State agencies to place all debts over \$250 and more than 90 days past due in the Comptroller's Offset System. The Act allows exceptions when the agency enters into a deferred payment plan or demonstrates to the Office of Comptroller's satisfaction that offset referral is not cost effective.

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

Office management stated the above noted issues related to incomplete populations were due to competing priorities resulting from the downtime to rebuild the network following a security incident which disrupted the normal course of business. Management went on to state the reason for the lack of an explicit policy regarding collection procedures for accounts receivable was due to lack of sufficient resources devoted to this area.

Failure to properly maintain records of items such as telecommunication devices, issuances and cancellations can result in unauthorized use of assets. Additionally, failure to properly track accounting records such as, receipts and accounts receivable, as well as failure to ensure accounts receivable collection attempts are being made, and sufficient policies are being adopted regarding collections, can result in incorrect financial reporting. (Finding Code No. 2022-005)

RECOMMENDATION

We recommend the Office maintain complete and accurate records of portable communication devices, receipts, and accounts receivable. Additionally, we recommend the Office implement controls to ensure all Bureaus are appropriately following up on outstanding debt. Lastly, we recommend the Office develop and implement an explicit policy regarding accounts receivable collections.

OFFICE RESPONSE

Accepted. The Office now has systems in place to properly maintain complete and accurate records, and we will work on developing more explicit policies regarding accounts receivable.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Weakness in Cybersecurity Programs and Practices)

The Office of the Attorney General (Office) had not implemented adequate internal controls related to cybersecurity programs and practices.

As a result of the Office’s mission to provide legal representation to other State elected officials, the departments and agencies of State government, and the people of the State of Illinois, the Office 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 our examination of the Office’s cybersecurity program, practices, and control of confidential information, we noted:

- The Office had not developed a project management framework to ensure new projects were developed and implemented in accordance with management’s intentions.
- Although the Office required employees and contractors to complete cybersecurity training, nine of 40 (23%) employees and contractors completed cybersecurity training after the examination period. Additionally, four (10%) employee and contractor cybersecurity training forms were not dated. Therefore, we were unable to determine if testing was completed during the examination period.
- Although the Office required acknowledgement of policies from employees and contractors, two of 10 (20%) contractors had not formally acknowledged policies.
- The Office had not classified their data to establish the types of information most susceptible to attack to ensure adequate protection.
- The Office’s laptops were not adequately protected.

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.

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.

Office management indicated competing priorities occurring during the engagement period prevented the Office from resolving the above weaknesses.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-006. **FINDING** (Weakness in Cybersecurity Programs and Practices) (Continued)

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities and ultimately lead to the Office’s volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-006, 2020-003)

RECOMMENDATION

We recommend the Office:

- Develop a project management framework to ensure new projects were developed and implemented in accordance with management’s intentions;
- Ensure all employees and contractors complete the annual cybersecurity training;
- Ensure all employees and contractors acknowledge receipt of the policies;
- Classify its data to ensure adequate protection; and
- Ensure laptops are adequately protected.

OFFICE RESPONSE

Accepted. The Office has substantially upgraded its cybersecurity over the past two years through rebuilding a secure network, increased cybersecurity staffing, and deploying robust security tools. Further efforts to classify and further protect our information resources are in progress, and we will ensure all users are adequately trained and agree to abide by our policies.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers)

The Office of the Attorney General (Office) failed to implement adequate internal controls over its service providers.

We requested the Office provide the population of service providers utilized to determine if they had reviewed the internal controls over their service providers. In response to our request the Office provided a population; however, during our fieldwork, we identified an additional service provider.

Due to these conditions, we were unable to conclude the Office's populations 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 limitations noted above, we tested a sample of four services providers. The Office utilized service providers for hosting services and software as a service. Our testing noted the Office did not:

- Obtain and review System and Organization Control (SOC) reports for four (100%) service providers.
- Ensure the contracts for two of four (50%) service providers documented the roles and responsibilities of the service provider and the Office.
- Ensure the contract for three of four (75%) service providers addressed the security, integrity, availability, confidentiality, and privacy controls over the Office's applications and data.
- Enter into a contract or agreement with one of four (25%) service providers.
- Formalize the monitoring process over the activities outsourced to service providers.
- Document in an intergovernmental agreement the services provided to the Office by the State of Illinois, Department of Innovation and Technology (DoIT).
- Document an adequate review of the SOC reports obtained for services provided by DoIT.

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.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-007. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers) (Continued)

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 assurance over the entities' internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

Office management indicated competing priorities occurring during the engagement period prevented the Office from resolving the above weaknesses.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, the Office does not have assurance the service providers' internal controls are adequate. Additionally, without documented roles and responsibilities and control, the Office may not have recourse in the event of a security event. (Finding Code No. 2022-007)

RECOMMENDATION

We recommend the Office strengthen its controls in identifying all service providers. Additionally, we recommend the Office:

- Obtain and review SOC reports for all service providers;
- Ensure service provider contracts document roles and responsibilities of the service provider and the Office, as well as the security, integrity, availability, confidentiality, and privacy controls over the Office's applications and data;
- Enter into appropriate agreements with service providers;
- Formalize monitoring processes over activities outsourced;
- Enter into an intergovernmental agreement with DoIT.

OFFICE RESPONSE

Accepted. The Office has substantially upgraded its security over the past two years, including an increased use of service providers. We appreciate and will implement the recommendations to increase control and monitoring over our service providers.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Inadequate Access Review Procedures)

The Office of the Attorney General (Office) failed to implement adequate control over user access to their applications and data.

As a result of the Office’s mission to provide legal representation to other State elected officials, the departments and agencies of State government, and the people of the State of Illinois, the Office maintains a myriad of applications and data.

During our examination of the Office’s user access controls, we noted the Office had not:

- Performed an annual review of user access rights.
- Ensured Personnel Transaction Request Forms and Request for Application Access Forms were complete and accurate.
- Terminated users’ access of separated employees in a timely manner. Our testing noted 54 of 152 (36%) separated employees accounts were still active at the time of our testing.

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.

The National Institute of Standards and Technology (NIST), Special Publication 800-53, Security and Privacy Controls for Federal Information Systems and Organizations, Access Control section, states an entity is to define within policies and procedures personal security transactions, establishment, and termination of access, based on assessed risk of the entity’s environment.

Office management indicated competing priorities occurring during the engagement period prevented the Office from resolving the above weaknesses.

The Office’s failure to maintain adequate internal control over users’ access to the applications and data may result in unauthorized access to the Office’s information. (Finding Code No. 2022-008)

RECOMMENDATION

We recommend the Office ensure that annual reviews of access rights are being conducted, as well as ensuring access reports are complete and accurate. Additionally, we recommend the Office implement controls to revoke separated employees access rights in a timely manner.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-008. **FINDING** (Inadequate Access Review Procedures) (Continued)

OFFICE RESPONSE

Accepted. We agree that review of access rights should be conducted and will implement the recommendation.

STATE OF ILLINOIS
OFFICE OF THE ATTORNEY GENERAL
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2022

A. **FINDING** (Inadequate Controls over Remote Employee Attendance)

During the compliance examination of the Office of the Attorney General (Office) for the two years ended June 30, 2020, the Office did not exercise adequate timekeeping controls over attendance for employees working remotely.

During the current engagement, our testing indicated the Office appropriately tracked time spent on official State business for employees working remotely. (Finding Code No. 2020-002)