



**STATE OF ILLINOIS
COURT OF CLAIMS**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2023

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



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STATE OF ILLINOIS
COURT OF CLAIMS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

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STATE OF ILLINOIS
COURT OF CLAIMS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

AGENCY OFFICIALS

Court of Claims

Court Administrator

Mr. Brad Bucher

General Counsel

Mr. Michael Mathis

Fiscal Officer (4/14/22* – Present)

Ms. Lisa Robinson

Fiscal Officer (7/1/21 – 4/15/22*)

Mr. Christopher Valasek

Secretary of State (Clerk of Court of Claims)

Director and Deputy Clerk

Ms. Erica Katava

*Christopher Valasek and Lisa Robinson had a two day overlap as Fiscal Officer.

COURT MEMBERS¹

Chief Justice

Mr. Peter Birnbaum

Judge

Mr. Marcellus Moore Jr.

Judge

Ms. Mary Patricia Burns

Judge (4/17/23 – Present)

Mr. Joseph Gagliardo

Judge (4/1/23 – 4/16/23)

Vacant

Judge (7/1/21 – 3/30/23)

Mr. Joseph Gagliardo

Judge

Mr. Robert Sprague

Judge (5/1/22 – Present)

Ms. Aurora Austriaco

Judge (3/15/22 – 4/30/22)

Vacant

Judge (7/1/21 – 3/14/22)

Ms. Nancy Zettler

Judge

Ms. Sonia Antolec

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

115 S. LaSalle St., Ste. 200
Chicago, IL 60603



STATE OF ILLINOIS

COURT OF CLAIMS

MANAGEMENT ASSERTION LETTER

April 9, 2024

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, Court of Claims (Court). 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 Court's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Court has materially complied with the specified requirements listed below.

- 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.

Yours truly,

~~State of Illinois, Court of Claims~~

Signed Original On File

~~Honorable Peter Birnbaum, Chief Justice~~

Signed Original On File

~~Mr. Bradley Bucher, Court Administrator~~

Signed Original On File

Mr. Mike Mathis, General Counsel

STATE OF ILLINOIS
COURT OF CLAIMS
 STATE COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2023

STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	5	2
Repeated findings	1	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				
2023-001	9	2021/ 2019	Inadequate Controls over Expenditures	Significant Deficiency and Noncompliance
2023-002	10	NEW	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
2023-003	12	NEW	Inadequate Controls over User Access	Significant Deficiency and Noncompliance
2023-004	14	NEW	Noncompliance with Court of Claims Act	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
COURT OF CLAIMS
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-005	16	NEW	Inadequate Segregation of Duties over Monthly Reconciliations	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	18	2021/ 2021	Inadequate Controls over Personal Services	

EXIT CONFERENCE

The Court waived an exit conference in a correspondence from Lisa Robinson, Fiscal Officer, on April 1, 2024. The responses to the recommendations were provided by Lisa Robinson, Fiscal Officer, in a correspondence dated April 4, 2024.

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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

and

Court Members
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, 2023. 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.

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 Court's compliance with the specified requirements.

In our opinion, the Court complied with the specified requirements during the two years ended June 30, 2023, 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 2023-001 through 2023-005.

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 2023-001 through 2023-005 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

Springfield, Illinois
April 9, 2024

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001 **FINDING** (Inadequate Controls over Expenditures)

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

During testing, we noted 21 of 108 (19%) vouchers tested, totaling \$12,806 were approved between 2 and 89 days late.

The Illinois Administrative Code (74 Ill. Admin Code 900.70) (Code) requires the Court to approve a proper bill or deny bills with defects, in whole or in part, within 30 days of receipt.

During the current and prior examinations, Court management indicated the vouchers were not approved timely 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. Additionally, late approval of vouchers represents noncompliance with the Code and could lead to unnecessary interest charges. (Finding Code No. 2023-001, 2021-001, 2019-001)

RECOMMENDATION

We recommend the Court timely approve vouchers.

COURT RESPONSE

The Court agrees with the recommendation and will act accordingly.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002 **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Court of Claims (Court) did not perform an adequate independent internal control review over its service provider.

The Court utilizes one service provider for technology services and database management.

During testing, we noted the Court had not:

- Obtained System and Organization Control (SOC) reports or conducted independent internal control reviews for the service provider.
- Conducted an analysis to determine the impact of noted deviations within the SOC report.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) related to the Court’s operations.
- Obtained and reviewed SOC reports for subservice providers or perform alternative procedures to determine the impact on its internal control environment.
- Developed or implemented procedures for monitoring service providers.

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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounting for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over State’s resources.

The National Institute of Standards and Technology’s (NIST) *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision), 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.

Court management indicated independent reviews over its service provider were not performed due to lack of staff qualifications and knowledge over the subject matter.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-002 **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers) (Continued)

Without having obtained and reviewed SOC reports or performing another form of independent internal control review, the Court does not have assurance the service providers' internal controls are adequate and operating effectively. (Finding Code No. 2023-002)

RECOMMENDATION

We recommend the Court perform and document their review of the SOC report(s) relevant to the services provided to determine if any noted deviations would impact their internal controls.

COURT RESPONSE

The Court agrees with the recommendation and will comply to the best of its ability.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-003 **FINDING** (Inadequate Controls over User Access)

The Court of Claims (Court) did not establish adequate controls over access to its computing environment and information technology (IT) systems.

During fieldwork, we examined the Office’s general information technology controls over the Court’s Based Docketing System 3270 application (System).

During testing over user access to the System, we noted:

- One of five (20%) users tested retained access to the System after they no longer needed the access.
- Three of six (50%) separated employees tested did not have their user access removed timely. Access was revoked between 47 and 173 days after separation date.
- The Court did not conduct an annual review of users’ access rights during Fiscal Year 2022.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53 (Fifth Revision)) published by the National Institute of Standards and Technology (NIST), Access Control section, requires entities to develop and comply with controls over the timely termination of access rights and the periodic review of access rights.

Furthermore, 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 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.

Court management indicated the issues noted above were due to management oversight.

Failure to regularly monitor user access rights, including disabling users’ access rights in a timely manner, subjects the Court to risk of inappropriate access to and manipulation of the Court’s data. (Finding Code No. 2023-003)

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-003 **FINDING** (Inadequate Controls over User Access) (Continued)

RECOMMENDATION

We recommend the Court implement controls to ensure access to its IT systems and data is appropriate. Specifically, we recommend the Court ensure access rights are timely terminated and conduct annual reviews of users' access rights.

COURT RESPONSE

The Court agrees with the recommendation and will act accordingly.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-004 **FINDING** (Noncompliance with Court of Claims Act)

The Court of Claims (Court) did not comply with applicable provisions of the Court of Claims Act (Act) (705 ILCS 505/7).

During our testing, we noted the following:

- The Court had no record of the Court’s Deputy being appointed by the Secretary of State to act as an officer of the Court, nor did the Court have any record of the Deputy clerk taking an oath to faithfully act on the Court’s behalf.
- The Court did not monitor the Secretary of State’s computer services that were being provided during the engagement period, nor did the Court maintain an understanding of how Secretary of State’s computer services affected the Court’s data.

The Act (705 ILCS 505/7) states the Court shall record its acts and proceedings. The Secretary of State, ex officio, shall be clerk of the Court, but may appoint a deputy, who shall be an officer of the Court, to act in his stead. The deputy shall take an oath to discharge his duties faithfully and shall be subject to the direction of the Court in the performance thereof. The Act also states the Secretary of State shall provide the Court with suitable court rooms, chambers, office space, and computer services as are necessary and proper for the transaction of its business.

In addition, 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 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.

Furthermore, 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), Operations section, requires entities ensures operational success by consistently monitoring security performance against identified requirements, periodically evaluating changes in risks and threats to the organization and ensuring the organizational security solution is adjusted as necessary to maintain an acceptable security posture.

Court management indicated its lack of documentation of the Court’s Deputy’s appointment and their taking an oath to faithfully act on behalf of the Court was due to management oversight. Additionally, Court management indicated they were unaware of the Court’s responsibility to monitor Secretary of State’s computer services that were being provided to the Court.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-004 **FINDING** (Noncompliance with Court of Claims Act) (Continued)

Failure to establish and maintain adequate documentation appointing a Deputy Clerk could hinder the Deputy Clerk from carrying out its mandated duties and results in noncompliance with the Act. Also, failure to have adequate security controls over the Court's information systems and computer services provided by the Secretary of State, including monitoring and understanding the impact on the Court's data and operations increases the risk of unauthorized access and the confidentiality, integrity, and availability of systems and data being compromised. (Finding Code No. 2023-004)

RECOMMENDATION

We recommend the Court comply with the requirements of the Court of Claims Act, including retaining documentation of appointment of the Deputy Clerk by the Secretary of State and evidence of oath taken by the Deputy Clerk. Furthermore, we recommend the Court implement policies and procedures to ensure there are adequate security controls over the Court's information systems and computer services provided by the Secretary of State.

COURT RESPONSE

The Clerk's oath has been administered. The Court agrees with the recommendation and will act accordingly.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-005 **FINDING** (Inadequate Segregation of Duties over Monthly Reconciliations)

The Court of Claims (Court) did not maintain adequate segregation of duties over performing reconciliations of the *Monthly Appropriation Status Report* (SB01), *Monthly Revenue Status Report* (SB04), and *Cash Report* (SB05).

During testing, we noted one employee of the Court prepared, reconciled, and reviewed the following reports monthly: the *Monthly Appropriation Status Report* (SB01), *Monthly Revenue Status Report* (SB04), and *Cash Report* (SB05).

Statewide Accounting Management System (SAMS) (Procedure 07.30.20) states agency reconciliations are the primary control that ensures certain requirements are being satisfied. Agencies must reconcile their records to the SAMS system on a monthly basis and notify the Office of Comptroller (Comptroller) of any irreconcilable differences so that necessary corrective action can be taken to locate the differences and correct the accounting records. These reconciliations must be completed within 60 days of the month end. The Comptroller provides each agency which has had activity during the month with up to seven reconciliation reports. SAMS identifies the SB01, SB04, and SB05 reports as key reports for agency reconciliations.

Furthermore, SAMS (Procedure 02.50.10) states fiscal and administrative controls are most effective when key control duties and responsibilities are separated among different employees. Key duties and responsibilities such as authorizing, processing, and recording transactions or events, issuing, or receiving assets, making payments and reviewing or auditing transactions should be separated among individuals to minimize the risk of loss. Internal control relies largely on eliminating opportunities to conceal errors or irregularities. No one individual should control all aspects of a transaction or event. Duties and responsibilities should be assigned systematically to several individuals to ensure that effective checks and balances are in place and are routinely practiced. The work of one employee serves to verify that of another and any errors which occur tend to be detected promptly.

The Court indicated the failure to maintain a segregation of duties was due to management oversight.

Inadequate segregation of duties over monthly reconciliations could lead to improper reconciliation, increases the risk deficiencies will go undetected, and reduces the effectiveness of data and user confidence in the accuracy of the financial information being reported. (Finding Code No. 2023-005)

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-005 **FINDING** (Inadequate Segregation of Duties over Monthly Reconciliations)
(Continued)

RECOMMENDATION

We recommend the Court revise its monthly reconciliation process to achieve an adequate segregation of duties.

COURT RESPONSE

The Court agrees with the recommendation and will act accordingly.

STATE OF ILLINOIS
COURT OF CLAIMS
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

A. **FINDING** (Inadequate Controls over Personal Services)

During the prior examination period, the Court of Claims (Court) did not maintain adequate control over its personal services.

During the current examination period, our testing indicated no exceptions related to the Court's controls over its personal services. Specifically, our sample testing indicated the Court withheld the correct federal income tax rate from its employees and ensured the employees' payroll records included proper tax rate coding. In addition, our sample testing indicated weekly attendance timesheets for full-time employees were complete and accurate. (Finding Code 2021-002)