



State of Illinois
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023

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

**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
STATE COMPLIANCE EXAMINATION
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COMMISSION OFFICIALS

Executive Director	Ms. Lisa Gardner
Associate Director (05/15/23 – Present)	Ms. Dana O’Leary
Associate Director (04/01/22 – 05/15/23)	Vacant
Associate Director (07/01/21 – 03/30/22)	Mr. Thomas Schlenhardt
Chief Fiscal Officer	Mr. Michael Gentry
Legal Counsel (07/16/21 – Present)	Mr. Noel Quanbeck
Legal Counsel (07/01/21 – 07/15/21)	Vacant

COMMISSION OFFICERS

Chair of the Board	Ms. Cynthia Berg
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GOVERNING COMMISSION MEMBERS

Commissioner (04/12/22 – Present)	Mr. Brian Sullivan
Commissioner (07/01/21 – 04/12/22)	Mr. Donald O’Connell
Commissioner	Mr. Thomas Gibbons
Commissioner	Ms. Patricia Pulido Sanchez
Commissioner	Ms. Melody Spann Cooper
Commissioner	Ms. Julieta LaMalfa
Commissioner	Mr. Steven Powell

COMMISSION OFFICES

The Illinois Liquor Control Commission’s primary administrative Offices are located at:

Richard J. Daley Center
50 W. Washington Street, Suite 2-209
Chicago, Illinois 60602

Jefferson Terrace
300 W. Jefferson Street, Suite 300
Springfield, Illinois 62702



ILLINOIS LIQUOR CONTROL COMMISSION

MANAGEMENT ASSERTION LETTER

June 14, 2024

Adelfia LLC
400 E. Randolph Street, Suite 700
Chicago, Illinois 60601

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, Illinois Liquor Control Commission (Commission). 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 Commission'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 Commission has materially complied with the specified requirements listed below.

- A. The Commission 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 Commission 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 Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the Commission 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.

Chicago Office
50 West Washington Street, Ste 209
Chicago, IL 60602
(312) 814 - 2206

Springfield Office
300 West Jefferson Street, Ste 300
Springfield, IL 62702
(217) 782 -2136

- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission 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, Illinois Liquor Control Commission

SIGNED ORIGINAL ON FILE

Lisa Gardner
Executive Director

SIGNED ORIGINAL ON FILE

Michael Gentry
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Noel Quanbeck
General Counsel

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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	12	12
Repeated Findings	10	*
Prior Recommendations Implemented or Not Repeated	2	*

*Effective July 1, 2019, Public Act 100-1050 separated the Illinois Liquor Control Commission (Commission) from the Illinois Department of Revenue making the Commission an independent agency. All the powers, duties, rights, and responsibilities that were related to the Commission established under Executive Order No. 2003-9 were transferred to the newly independent Commission.

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	11	2021/2021	Inadequate Controls over Receipts	Material Weakness and Material Noncompliance
2023-002	14	2021/2021	Inadequate Controls over Reporting Requirements	Material Weakness and Material Noncompliance
2023-003	17	2021/2021	Inadequate Controls over Monthly Reconciliations	Material Weakness and Material Noncompliance

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SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-004	19	2021/2021	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-005	22	2021/2021	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2023-006	25	2021/2021	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance
2023-007	27	2021/2021	Noncompliance with Payment Card Industry Data Security Standards	Significant Deficiency and Noncompliance
2023-008	29	2021/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-009	31	2021/2021	Inadequate Controls over Review of User Access Rights	Significant Deficiency and Noncompliance
2023-010	33	2021/2021	Inadequate Controls over GenTax Access	Significant Deficiency and Noncompliance
2023-011	35	New	Weaknesses in Disaster Recovery Planning and Testing	Significant Deficiency and Noncompliance
2023-012	36	New	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	38	2021/2021	Inadequate Controls over State Property	
B	38	2021/2021	Failure to Comply with the Identity Protection Act	

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EXIT CONFERENCE

The Commission waived an exit conference in a correspondence from Michael Gentry, Chief Fiscal Officer, on June 5, 2024. The responses to the recommendations were provided by Michael Gentry, Chief Fiscal Officer, in a correspondence dated June 13, 2024.



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, Illinois Liquor Control Commission

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Liquor Control Commission (Commission) 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 Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Commission 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 Commission 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 Commission 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 Commission 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 Commission on behalf of the State or held in trust by the Commission 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 Commission complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Commission 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 Commission's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Commission during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001 through 2023-004, the Commission had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as item 2023-001 and 2023-003, the Commission had not ensured the State revenues and receipts collected by the Commission were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Commission 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 2023-005 through 2023-012.

The Commission's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Commission'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 Commission 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 Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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 2023-001 through 2023-004 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 2023-005 to 2023-012 to be significant deficiencies.

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

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

Chicago, Illinois
June 14, 2024

STATE OF ILLINOIS
ILLINOIS LIQUOR CONTROL COMMISSION
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING** (Inadequate Controls over Receipts)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over receipts.

According to Commission records, the Commission collected total revenues of \$21.0 million and \$6.1 million which were deposited into the General Revenue Fund (Fund 001) and the Dram Shop Fund (Fund 821) during Fiscal Years 2022 and 2023, respectively. However, as discussed in Finding 2023-003, we noted irreconcilable differences of \$46,088 and \$141,600 between the Commission’s receipt records and the Office of Comptroller’s *Monthly Revenue Status Report* (SB04) reports as of June 30, 2022 and June 30, 2023, respectively.

Due to these conditions, we were unable to conclude whether the Commission’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Commission’s receipts.

Even given the population limitation noted above which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed testing and noted the following:

During testing of 60 receipts collected and deposited during the examination period, we noted the following:

- Fourteen (23%) receipts tested, totaling \$144,950, were deposited between one and 15 days late.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires the Commission to deposit receipts into the State Treasury within 24 hours if the single receipt is \$10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000.

- For 20 (33%) receipts tested, totaling \$87,275, the Commission was unable to provide adequate supporting documentation to enable us to trace the individual receipts items to the Treasurer’s Draft (Draft) and Receipts Deposit Transmittal (RDT) (C-64) form used to process the receipt into the State Treasury. Therefore, we were unable to determine if these receipt items were actually included in the Draft and RDTs provided.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues are

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properly recorded and accounted for to permit the preparation of reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, the State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal and financial rights of the State and of persons directly affected by the Commission's activities.

In addition, during our testing of the Agency Fee Imposition Report, we noted the following:

- For the Fiscal Year 2022 Agency Fee Imposition Report, fines and penalties amounting to \$927,249 were reported under an incorrect revenue code.
- For the Fiscal Year 2023 Agency Fee Imposition Report, the funds into which the fees are deposited were not accurately reported. As of June 30, 2023, deposits to Dram Shop Fund of \$1,082,633 and General Revenue Fund of \$3,922,187 per SB04 report were not identified and separately reported in the Agency Fee Imposition Report.

The State Comptroller Act (15 ILCS 405/16.2) and the Statewide Accounting Management System (SAMS) Manual (Procedure 33.16.20) requires the Commission to submit the Agency Fee Imposition Report to the Office of Comptroller by August 1 of each year and should include fees charged by State agencies to citizens and private organizations which include assessments, fares, fees, fines, levies, licenses, penalties, permits, registrations, tolls, and tuition. SAMS also requires the Commission to complete a separate record in the Agency Fee Imposition Report for each SAMS receipt account. Ultimately, good internal controls require the Commission to ensure the accuracy of information reported in the Agency Fee Imposition Report.

Commission management stated the issues noted on receipts were due to staffing shortages and oversight.

Failure to timely remit cash receipts into the applicable State Treasury fund reduces the amount of cash available to pay current obligations and represents noncompliance with State laws and regulations. In addition, failure to establish and maintain internal controls over receipts, including the retention of supporting documentation, increases the risk of revenue loss, theft, or other irregularities and would not be found within the normal course of operations. Finally, failure to submit accurate statutorily required reports and information prevents the appropriate oversight authorities from receiving relevant feedback and monitoring

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on programs and can have an effect on future decisions. (Finding Code No. 2023-001, 2021-002)

RECOMMENDATION

We recommend the Commission establish adequate controls over the receipts process to ensure proper documentation of receipts transactions are maintained, receipts are timely deposited, and statutorily required reports are completed accurately as required by State laws.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. Regarding the irreconcilable differences, these are believed to be timing issues for in-transits with the GenTax system that the Commission uses to record receipts. The Commission is moving to a cloud-based software and we are working with the Department of Innovation and Technology staff to ensure that this software will help record receipts more accurately. Receipts were deposited late due to staffing shortages. Additional staff has been trained on depositing checks to help assist as we hire more licensing staff. The Commission has worked with the Comptroller's Office and corrected the codes and revenues entered on the Fee Imposition Report.

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2023-002. **FINDING** (Inadequate Controls over Reporting Requirements)

The Illinois Liquor Control Commission (Commission) did not file statutorily required reports and submissions or did not file them timely.

During testing, we noted the following:

- The Commission submitted the Fiscal Control and Internal Auditing Act (FCIAA) certification for Fiscal Year 2022 to the Office of the Auditor General, 17 days late.

The FCIAA (30 ILCS 10/3003) requires the Commission's Executive Director to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification regarding the evaluation with the Auditor General by May 1st of each year.

- The Commission did not submit an annual report of its acts and doings to the Governor for Fiscal Year 2021.

The State Finance Act (30 ILCS 105/3) requires the Commission to make and deliver a report to the Governor of its acts and doings for the previous fiscal year no later than 10 days preceding the calendar year in which the General Assembly regularly convenes. Effective May 2022, the report is due January 7 of each year.

- The Commission submitted one report to the General Assembly during the examination period. However, a copy of such report was not provided to the State Library, nor was such report published on the Commission's website. In addition, the Commission did not provide and deposit with the State Library copies of all publications issued by the Commission, including electronic publications, for its collection and exchange purposes during Fiscal Years 2022 and 2023.

The State Library Act (15 ILCS 320/21(a)) requires the Commission to provide and deposit with the Illinois State Library sufficient copies of all publications issued by the Commission for its collection and for exchange purposes.

The General Assembly Organization Act (25 ILCS 5/3.1) requires the Commission to make a copy of the report available for a reasonable time on its internet site.

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ILLINOIS LIQUOR CONTROL COMMISSION
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- Four of 24 (17%) monthly Debt Transparency Act reports submitted by the Commission to the Office of Comptroller during the examination period were one to 25 days late. These reports were for Fiscal Year 2022.

The State Finance Act (30 ILCS 105/9.08) requires the Commission to provide a report to the Office of Comptroller identifying: (i) current State liabilities held at the agency, by fund source; (ii) whether the liabilities are appropriated; and (iii) an estimate of interest penalties accrued under the State Prompt Payment Act under criteria prescribed by the State Comptroller. The State Finance Act further requires the report to be provided monthly in a time and form prescribed by the Office of Comptroller in which the Office of Comptroller may provide a waiver to the monthly reporting requirement if a State agency does not have State liabilities. In addition, the Statewide Accounting Management System (SAMS) Manual (Procedure 33.17.20) states the report is due on the 10th calendar day of each month.

- One of 4 (25%) Travel Headquarter (TA-2) Reports filed by the Commission to the Legislative Audit Commission (LAC) during the examination period was filed 97 days late.

The State Finance Act (Act) (30 ILCS 105/12-3) requires TA-2 Reports to be filed with the LAC no later than each July 15 for the period from January 1 through June 30 of that year and no later than each January 15 for the period from July 1 through December 31 of the preceding year. In addition, the Act requires for agencies with no officers or employees in this status to file negative reports.

- During the prior examination, the Commission did not accurately report information on its Fiscal Year 2020 Agency Workforce Report (Report). During the current examination, we noted the Commission failed to submit the corrected Report within 30 days after the release of the Commission's prior audit by the Auditor General.

The Illinois State Auditing Act (30 ILCS 5/3-2.2(b)) requires a State agency that has materially failed to comply with the requirements of the State Employment Records Act, within 30 days after release of the audit by the Auditor General, to prepare and file with the Governor and the Office of the Secretary of State corrected reports covering the periods affected by the noncompliance.

- The Commission submitted its Fiscal Year 2022 Annual Inventory Certification Report to the Department of Central Management Services (CMS) 35 days late.

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The Illinois Administrative Code (Code) (44 Ill. Admin Code 5010.460(c)) requires the Commission to provide CMS, on an annual basis, a listing of all equipment items with a value greater than the nominal value, and equipment that is subject to theft with a value less than the nominal value. The annual filing due date established by CMS for the Commission is June 1.

- The Commission did not submit its Fiscal Year 2021 Individually Assigned Vehicles (IAV) Report to CMS while the Fiscal Year 2022 IAV Report was submitted 91 days late.

The Illinois Administrative Code (44 Ill. Admin. Code 5040.340) requires the Commission to report to CMS annually and when changes occur, the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, employee's headquarters and residence, and any additional information requested by CMS.

Commission management stated the Commission was not aware of the submission requirement to the State Library and other issues noted were due to staff turnover and competing priorities.

Failure to submit or timely submit statutorily required reports and information prevents the appropriate oversight authorities from receiving relevant feedback and monitoring on programs and can have an effect on future decisions. Moreover, failure to submit such reports and accurate information represents noncompliance with applicable State laws and regulations. (Finding Code No. 2023-002, 2021-001)

RECOMMENDATION

We recommend the Commission strengthen its internal controls over reporting to ensure statutorily required reports are completed accurately and submitted timely as required by State laws.

COMMISSION RESPONSE

The Commission agrees with the finding and recommendation. Moving forward, the Commission will improve its internal controls to ensure annual reports are submitted in compliance with laws and regulations.

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2023-003. **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over monthly reconciliations between its internal records and the Office of Comptroller reports and its locally-held fund's bank statements.

The Commission expended \$8.0 million and \$8.6 million from one fund in Fiscal Years 2022 and 2023, respectively. The Commission collected total revenues of \$21.0 million and \$6.1 million which were deposited into two funds in Fiscal Years 2022 and 2023, respectively. In addition, the Commission maintained a locally-held fund with a balance of \$4,000 as of June 30, 2022 and June 30, 2023.

During testing of the Commission's monthly reconciliations, we noted the following:

- Thirteen of 24 (54%) monthly reconciliations of the Commission's records to the Office of Comptroller's *Monthly Revenue Status Report* (SB04) were performed four to 169 days late. Further, we noted unreconciled differences of \$46,088 and \$141,600 between the Commission's records and SB04 reports as of June 30, 2022 and June 30, 2023, respectively.
- Twenty-four of 24 (100%) monthly reconciliations of the Commission's records to the Office of Comptroller's *Cash Report* (SB05) were performed between 126 to 826 days late.
- Eleven of 28 (39%) monthly reconciliations of the Commission's records to the Office of Comptroller's *Monthly Appropriation Status Report* (SB01) were performed between 10 to 425 days late.
- Three of three (100%) monthly reconciliations of the Commission's records to locally-held fund bank statements were performed 14 to 379 days late.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) requires the Commission to perform reconciliations of the SB04, SB01, and SB05 to its internal records within 60 days of month end to ensure the early detection and correction of errors.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that obligations and costs are in compliance with applicable law; funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues are properly recorded and accounted for to permit the preparation of

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reliable financial and statistical reports and to maintain accountability over the State's resources. Management has the ultimate responsibility for the Commission's internal control over reporting of financial information. This responsibility should include the timely review of the completeness and accuracy of financial records including its locally-held fund.

Commission management stated the exceptions noted were due to staff turnover and competing priorities.

Failure to timely and properly document reconciliations of the Commission's records to the Office of Comptroller's reports and locally-held fund bank statements hinders the ability of staff to identify and correct errors which could result in incomplete or inaccurate financial information and represents noncompliance with the SAMS Manual and the Act. (Finding Code No. 2023-003, 2021-005)

RECOMMENDATION

We recommend the Commission ensure appropriation, expenditures, cash receipt, and cash balance reconciliations are prepared timely as required by the SAMS Manual.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation and will take the necessary steps to ensure all monthly reconciliations of funds are processed timely and accurately.

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For the Two Years Ended June 30, 2023

2023-004. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

The Illinois Liquor Control Commission's (Commission) internal controls over its voucher processing function were not operating effectively during the examination period.

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 Commission to determine whether certain key attributes were properly entered by the Commission's staff into the ERP. In order to determine the operating effectiveness of the Commission'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 System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Our testing noted 17 of 140 (12%) attributes were not properly entered into the ERP System, specifically for attribute 4 pertaining to proper receipt date. Therefore, the Commission's internal controls over voucher processing were not operating effectively.

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Commission to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller's Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Commission to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Due to this condition, we qualified our opinion because we determined the Commission had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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Even given the limitations noted above, we conducted an analysis of the Commission's expenditures data for Fiscal Years 2022 and 2023 to determine compliance with voucher processing requirements. During our testing, we noted the following noncompliance:

- For one of 35 (3%) expenditure vouchers tested amounting \$10,448, the Commission did not file a surplus affidavit with the Department of Central Management Services (CMS) before the purchase of new furniture.

The State Property Control Act (30 ILCS 605/7a) requires the Commission to first check with CMS if any of the surplus furniture under the CMS' control can be used in place of new furniture. In addition, the Act requires if the Commission is unable to use surplus property, the Commission shall file an affidavit with CMS prior to any purchase, specifying the types of new furniture to be bought, the quantities of each type of new furniture, the cost per type, and the total cost per category.

- For two of 13 (15%) travel vouchers tested, totaling \$612, the top third portion of the travel vouchers pertaining to the employees' headquarters were not properly completed.

The SAMS Manual (Procedure 17.20.10) requires State employees to complete a travel voucher to claim reimbursement for official business-related travel to include the city in which the traveler's headquarters are located. Good internal controls require the information be inputted by the traveler correctly and reviewed for accuracy by the Commission prior to being sent to the Office of Comptroller for payment.

- For two of 13 (15%) travel vouchers tested, totaling \$643, the reimbursement is related to travel between residence and headquarters.

The Code (80 Ill. Admin. Code 3000.220) states commuting expenses between employee's residence and headquarters are not reimbursable expenses.

- The Commission did not timely approve one of 13 (8%) travel vouchers tested amounting \$1,055. The voucher was approved 80 days late.

The Code (74 Ill. Admin. Code 900.70(b)) requires the Commission to timely review and approve each voucher within 30 days after receipt.

- For one of the top 10 (10%) travelers tested, we noted one instance of duplicate travel voucher paid by the Commission amounting \$47.

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The FCIAA (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are used efficiently and effectively. Good internal controls over expenditures would include proper review of travel vouchers to avoid duplicate payments.

Commission management stated the Commission was not aware of the surplus affidavit requirement and other issues noted were due to staff turnover and competing priorities.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Failure to check with CMS on available equipment may result in unnecessary spending of State resources. Failure to properly review travel vouchers may result in improper reimbursements and payments, and constitutes noncompliance with the Code, the FCIAA and the SAMS Manual. (Finding Code No. 2023-004, 2021-007)

RECOMMENDATION

We recommend the Commission design and maintain internal controls to:

- Provide assurance its data entry of key attributes into ERP is complete and accurate;
- Ensure filing of surplus affidavit to CMS before purchasing new furniture;
- Ensure vouchers are properly completed and reviewed to avoid improper and duplicate reimbursements, and incomplete vouchers; and
- Ensure proper bills are reviewed and approved within 30 days of receipt.

COMMISSION RESPONSE

The Commission agrees with this finding. The Commission is now aware that they are required to first check with CMS for surplus furniture. All findings were from early in this audit period as we were completing our very first Compliance Audit. The Commission feels strongly that these findings have already been corrected and will not be an issue in the future.

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2023-005. **FINDING** (Inadequate Controls over Personal Services)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over various aspects of its personal services function. Specifically, we noted issues with the Commission's employee performance evaluations, inaccurate calculation of payroll deductions, time reporting, and attendance records.

During detailed testing of five employees, we noted:

- For two (40%) employees tested, two performance evaluations were completed 36 and 146 days late. In addition, for three (60%) employees tested, four performance evaluations were not completed.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires an evaluation of employee performance be prepared by the Commission not less often than annually. Additionally, the Commission's *Administrative Directives*, Section 6.13 requires certified employees to be evaluated at least annually. Prudent business practices require employee evaluations to be performed in a timely manner, which we consider to be 30 days after the employee's last day of the evaluation period.

- Three of 12 (25%) daily time reports of one (20%) employee did not have the related vacation leave request approved in advance. The vacation leave requests were approved five to eight days late.

The Commission's *Administrative Directives*, Section 1.9 requires employees to schedule vacation leaves with his or her supervisor in advance.

- The Commission did not maintain five of 14 (36%) weekly time reports for four (80%) employees.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources. In addition, the State Records Act (5 ILCS 160/8) requires the Commission to make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the Commission designed to protect the legal

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and financial rights of the State and of persons directly affected by the Commission's activities.

- For four of five (80%) pay periods tested, the overtime paid to four (80%) employees did not agree with the related supporting documents. This resulted in variances ranging from underpayment of \$29 to overpayment of \$113. In addition, the schedule per timesheet records of one (20%) employee did not match her approved flexible work schedule.

The Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Commission management stated the exceptions noted were due to employee turnover and oversight.

Employee performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Employee performance evaluations serve as a foundation and documentation for salary adjustments, promotions, demotions, discharges, layoff, recall, or reinstatement decisions. Without timely completion of an employee performance evaluation, the employee would not be provided with formal feedback or assessment of his or her performance, and areas for improvement and current year's performance goals and objectives may not be identified and communicated in a timely manner.

Failure to ensure vacation leave requests are approved in advance and retain employees' daily time reports undermine accountability controls and may result in unnecessary costs to the State.

Failure to maintain adequate controls over timesheet records and overtime charges, which includes review of supporting documentation, increases the risk of errors or other irregularities could occur that would not be identified by employees performing their functions in the normal course of business. (Finding Code No. 2023-005, 2021-004)

RECOMMENDATION

We recommend the Commission strengthen its controls over personal services to ensure the following:

- Performance evaluations are completed timely.
- Vacation requests are approved prior to the employee's vacation.

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- Adequate documentation supporting time reporting is maintained.
- Overtime requests are adequately reviewed and approved prior to the employee performing services.
- Overtime charges are properly reviewed and approved prior to processing payment.

COMMISSION RESPONSE

The Commission agrees with this finding. Measures have been put in place to strengthen controls and tracking related to the timely completion of employee performance evaluations to ensure compliance. We will work on strengthening internal controls to improve requiring that overtime authorization forms are fully approved timely and prior to processing. The Commission will also be working to ensure that overtime authorizations align to timekeeping data entry.

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2023-006. **FINDING** (Inadequate Controls over State Vehicles)

The Illinois Liquor Control Commission (Commission) did not maintain adequate controls over its State vehicles.

As of June 30, 2023, the Commission had a total of 29 individually assigned State vehicles. During testing of five State vehicles, we noted the following:

- Two (40%) State vehicles tested did not have routine oil changes performed within the mileage intervals required by the Department of Central Management Services (CMS). The oil change overages ranged between 3,057 and 3,333 miles beyond the allowed interval.

The CMS Vehicle Usage Program requires oil changes on vehicles 9 years or newer every 5,000 miles or 12 months, whichever comes first.

- Two (40%) State vehicles tested did not have routine tire rotations at the required interval.

The CMS Vehicle Usage Program requires tire rotation after every other oil change.

- Two (40%) State vehicles tested did not have their annual inspection performed in a timely manner. The delay of the annual inspection ranged between 56 and 187 days beyond the due date.

The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.410) requires the Commission to have vehicles inspected by CMS or an authorized vendor at least once per year or as required by law and to maintain vehicles in accordance with the schedules provided by CMS or with other schedules acceptable to CMS that provide for proper care and maintenance of special use vehicles.

Commission management stated the exceptions noted were due to oversight and employee turnover.

Failure to adequately maintain vehicles may cost the State significant amounts in future years through additional repair bills and shortened useful lives for vehicles. Further, failure to timely perform routine oil changes, tire rotation, and annual inspection are considered noncompliance with State laws and regulations. (Finding Code No. 2023-006, 2021-006)

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RECOMMENDATION

We recommend the Commission review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance.

COMMISSION RESPONSE

The Commission agrees with this finding. The Commission will continue to implement procedures which create stronger controls over its vehicles and address maintenance and reporting.

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2023-007. **FINDING** (Noncompliance with Payment Card Industry Data Security Standards)

The Illinois Liquor Control Commission (Commission) had not completed all requirements to demonstrate compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The Commission accepted in person credit card payments and credit card payments through its website. Payments were received for license fees, waivers, and violations. In Fiscal Years 2022 and 2023, total credit card payments were processed for 7,566 transactions totaling \$3,697,173 and 1,985 transactions totaling \$699,545, respectively.

During testing, we noted the Commission had not:

- Formally assessed each program accepting credit card payments and matched these methods to the appropriate Self-Assessment Questionnaire (SAQ).
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.
- Obtained from their credit card processors relevant information in order to complete the Attestation of Compliance Form.

PCI DSS was developed to detail security requirements for entities that store, process, or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder. In addition, PCI DSS require all members, merchants, and service providers, who store, process, and/or transmit cardholder data to become PCI DSS compliant. The PCI DSS require merchants to assess their environment and validate compliance with PCI DSS on an annual basis.

To assist merchants in the assessments of their environment, the PCI Council has established SAQs for validating compliance with PCI DSS's core requirements. At a minimum, PCI DSS require the completion of the SAQ A, which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing third parties.

Commission management indicated the Commission had not completed the PCI compliance requirements due to staff turnover in the Information Technology department.

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Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code No. 2023-007, 2021-008)

RECOMMENDATION

We recommend the Commission:

- At least annually, assess each program accepting credit card payments and match the payment method to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and maintain documentation supporting its validation efforts.
- Obtain from credit card processors information in order to complete the Attestation of Compliance Form.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. The Commission will establish controls to assess the programs and complete the SAQ documentation.

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2023-008. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

The Commission is responsible for issuing State liquor licenses and ensuring entities comply with the provisions of the Illinois Liquor Control Act. As such, the Commission maintains confidential information such as names, addresses, and social security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During the examination of the Commission's cybersecurity program, practices, and control of confidential information, we noted the Commission had not:

- Performed a comprehensive risk assessment and business impact analysis in Fiscal Years 2022 and 2023 to identify and ensure adequate protection of information (i.e., confidential, or personal information) most susceptible to attack.
- Developed a data classification policy, classified its data, and ensured adequate protection of their data.
- Developed procedures for monitoring identified vulnerabilities and implementing corrective actions.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST) requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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

Commission management indicated the control weaknesses noted were due to lack of understanding of responsibilities that reside with the Commission and those with the Department of Innovation and Technology (DoIT).

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The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Commission’s confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-008, 2021-009)

RECOMMENDATION

We recommend the Commission implement internal controls related to cybersecurity programs, practices and control of confidential information. Specifically, we recommend the Commission:

- Perform a comprehensive risk assessment to identify and ensure adequate protection of information.
- Develop a data classification policy, classify its data, and ensure adequate protection of their data.
- Develop procedures for monitoring identified vulnerabilities and implementing corrective actions.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. The Commission will work to develop policies and procedures over cybersecurity.

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2023-009. **FINDING** (Inadequate Controls over Review of User Access Rights)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls over user access rights to its systems.

The Commission is a user of the Department of Innovation and Technology's (DoIT) Enterprise Resource Planning System (ERP), Central Time and Attendance System (CTAS), eTime, Central Payroll System (CPS), and the Office of Comptroller's Statewide Accounting Management System (SAMS). As a user of these systems, the Commission is responsible for ensuring access to and input of data is appropriate.

During the examination, the Commission had not provided documentation that user access reviews were timely completed for the ERP, CTAS, eTime, CPS and Mainframe RACF IDs. During testing, we also noted:

- One of seven (14%) CTAS users had already been separated from the Commission but retained access.
- One of seven (14%) CPS users had already been separated from the Commission but retained access.

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

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 access provisioning policies and procedures and ensure access is provided on a needed basis.

Commission management indicated the control weaknesses noted were due to oversight and lack of understanding of responsibilities that reside with the Commission and those with DoIT.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2023-009, 2021-011)

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RECOMMENDATION

We recommend the Commission implement controls to ensure user access rights are reviewed at least annually and accesses of terminated employees are timely removed.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. The Commission will evaluate internal controls over User Access Rights to identify areas for improvement and to ensure rights are removed timely.

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2023-010. **FINDING** (Inadequate Controls over GenTax Access)

The Illinois Liquor Control Commission (Commission) was unable to provide adequate documentation to ensure appropriate user access to the enterprise-wide tax system (GenTax).

The Commission utilizes GenTax in the processing of liquor licenses. During our testing of GenTax security, we noted:

- The Commission did not provide documentation of the user template used in mirroring 9 of 10 (90%) individuals sampled to ensure their access to GenTax was appropriate based on their job duties.
- The Commission did not provide documentation for one of 2 (50%) individuals sampled to show GenTax access termination, Security Notification Form (Form IDR-951) submission, or documentation that the request for termination was made by an authorized person.

The GenTax Access Control Procedures (Procedures) state in order to obtain access to GenTax an authorized approver is to submit:

- Completed background check
- Information documenting completion of the Safeguard Training,
- Completed CSB-154, Request for Access to Illinois Department of Revenue Systems, and
- Completed User Profile Template.

The Procedures also state in order to terminate access to GenTax an authorized approver is to submit a completed Form IDR-951 upon notification of termination.

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 establish access control policies and procedures documenting access control requirements. Additionally, the Access Control section requires entities to comply with the stated policies and procedures.

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

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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 ensure State resources are used efficiently and effectively.

Commission management indicated the issues noted were due to employee turnover.

Failure to provide documentation to support the appropriateness of user access and documentation of access termination could lead to unauthorized access and disclosure of confidential information. (Finding Code No. 2023-010, 2021-012)

RECOMMENDATION

We recommend the Commission strengthen its controls over retention and maintenance of supporting documentation related to GenTax security.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. The Commission will evaluate controls over GenTax security to ensure supporting documentation is maintained.

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2023-011. **FINDING** (Weaknesses in Disaster Recovery Planning and Testing)

The Illinois Liquor Control Commission (Commission) had not developed a disaster recovery plan or conducted recovery testing.

During the examination period, we noted the Commission had not developed a formal disaster recovery plan. Further, the Commission had not conducted comprehensive disaster recovery testing during the examination period to ensure the timely recovery of its applications and data.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology (NIST) requires entities to develop and regularly test their disaster contingency plan to ensure the timely recovery of applications and data.

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.

Commission management indicated the Commission had not conducted a full disaster recovery test as it was in the process of installing new servers in Fiscal Year 2023.

Failure to have adequately tested contingency plans leaves the Commission exposed to the potential of failing to recover applications and data within an acceptable timeframe. (Finding Code No. 2023-011)

RECOMMENDATION

We recommend the Commission develop a formal disaster recovery plan to ensure the timely recovery of its applications and data in case of disaster or other types of contingencies. Upon development, we recommend the Commission test the plan at least annually.

COMMISSION RESPONSE

The Commission agrees with this finding and recommendation. We are working on hiring the necessary staff to assist in creating and developing contingency plans for the Commission.

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2023-012. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Liquor Control Commission (Commission) had not implemented adequate internal controls over its service providers.

The Commission utilized service providers for hosting services, software as a service, infrastructure as a service, systems development, and program maintenance.

During testing, we noted the Commission had not:

- Developed a process for identifying service providers and assessing the effect on internal controls of these services.
- Obtained System and Organization Control (SOC) reports or conducted independent internal control reviews for its external service providers.
- Had not conducted an analysis of SOC reports to determine the impact of the modified opinion(s) or the noted deviations.
- Conducted an analysis of the Complementary User Entity Controls (CUECs) documented in SOC reports.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

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 *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 IT 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.

Commission management indicated the lack of controls over review of third-party service providers was due to staff turnover in the Information Technology department.

The Commission is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to assure its critical and confidential data are adequately safeguarded. This responsibility is

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not limited due to the processes being outsourced. Without having reviewed a SOC report or another form of independent internal controls review, the Commission does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2023-012)

RECOMMENDATION

We recommend the Commission implement internal controls over its service providers. Specifically, we recommend the Commission:

- Develop a process for identifying service providers and assessing the effect on internal controls of these services.
- Obtain SOC reports or conduct independent internal control reviews for its external service providers.
- Perform analyses of SOC reports to determine the impact of the modified opinion(s) or the noted deviations of its service providers.
- Perform analyses of the CUECs documented in SOC reports of its service providers.
- Obtain and review SOC reports for subservice organizations or perform alternative procedures to determine the impact to its internal control environment.

COMMISSION RESPONSE

The Commission agrees with the finding and recommendation. Very few service providers were able to provide the Commission with SOC reports. The Commission will work with the Department of Innovation and Technology on a strategy to address the issue of obtaining and reviewing SOC reports in a timely manner.

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A. **FINDING** (Inadequate Controls over State Property)

During the prior examination, the Illinois Liquor Control Commission (Commission) did not maintain adequate controls over its reporting and monitoring of State property.

During the current examination, we noted the Commission improved controls over its reporting and monitoring of State property. However, our sample testing noted an immaterial condition of noncompliance related to obsolete items, which will be reported in the Commission's *Report of Immaterial Findings*. (Finding Code No. 2021-003)

B. **FINDING** (Failure to Comply with the Identity Protection Act)

During the prior examination, the Illinois Liquor Control Commission (Commission) failed to implement the provisions of the Identity Protection Act (Act).

During the current examination, we noted the Commission has drafted and implemented an Identity Protection Policy covering the areas as required by the Act. (Finding Code No. 2021-010)