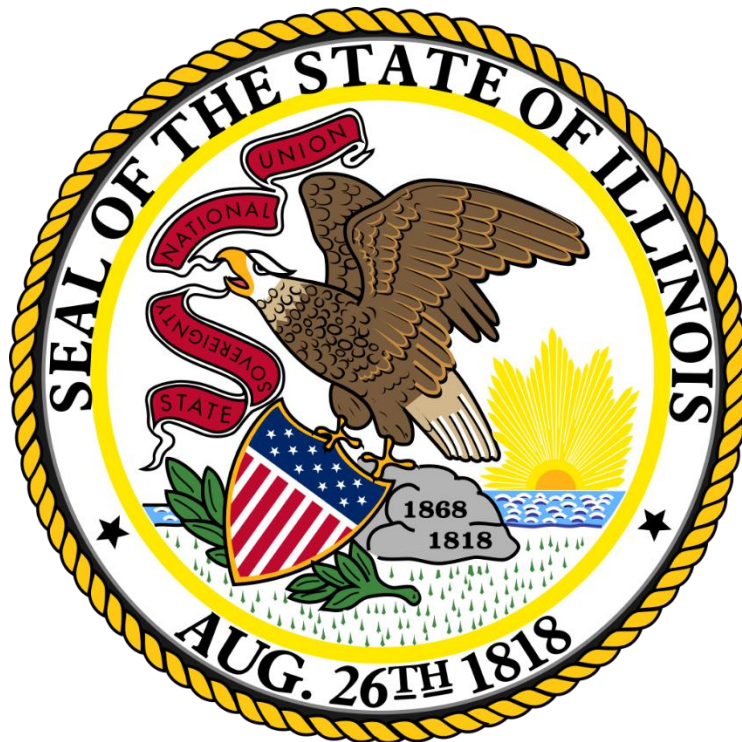


# LEGISLATIVE AUDIT COMMISSION



Review of  
Department of Financial and Professional Regulation  
Compliance Examination - Two Years Ended June 30, 2024

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

**REVIEW#4600**

**DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION  
TWO YEARS ENDED JUNE 30, 2024**

**RECOMMENDATIONS – 16**

**IMPLEMENTED/PARTIALLY IMPLEMENTED – 16**

**REPEATED RECOMMENDATIONS – 11**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 15**

This review summarizes the auditors' report of the Department of Financial and Professional Regulations for the two years ended June 30, 2024, filed with the Legislative Audit Commission on May 6, 2025. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards.

On July 1, 2004, the Office of Banks and Real Estate, the Department of Financial Institutions, the Department of Insurance, and the Department of Professional Regulation consolidated into a new state agency called the Illinois Department of Financial and Professional Regulation ("IDFPR") pursuant to the provisions of Executive Order Number 6 (2004). Each of the former agencies became a division of the new agency. The Division of Insurance separated from IDFPR on July 1, 2009 and became the Department of Insurance pursuant to the provisions of Executive Order Number 4 (2009).

To this day:

- The Division of Banking regulates, charters, and supervises state-chartered banks, trust companies, savings institutions, mortgage banks, mortgage loan originators, pawnbrokers, check printers, and registered non-bank ATMs.
- The Division of Financial Institutions regulates and supervises non-banking financial institutions (including credit unions, currency exchanges, title insurance underwriters, consumer credit services) as well as a variety of other financial institutions.
- The Division of Professional Regulation licenses and regulates more than one million professionals and firms in Illinois, including a variety of healthcare-related professions (such as doctors, nurses, and veterinarians), as well as a variety of occupational professions (such as CPAs, barbers, engineers, and detectives).
- The Division of Real Estate licenses and regulates professionals involved in the buying and selling of property, including real estate brokers, appraisers, auctioneers, community association managers and home inspectors.

In August 2013, Illinois became the 20th state to legalize medical cannabis when the Compassionate Use of Medical Cannabis Program Act was signed into law. IDFPR became responsible for licensing and regulating the dispensaries that sell medical cannabis to patients, along with each dispensaries' Principal Officers, Agents-in-Charge, and Agents.

On June 25, 2019, Governor Pritzker signed the Cannabis Regulation and Tax Act, which made Illinois the 11th state to legalize adult use cannabis. IDFPR oversaw the successful rollout of the program, which allowed existing medical cannabis dispensaries to begin selling adult use cannabis on January 1, 2020. Similar to its medical cannabis licensing responsibilities, IDFPR licenses adult use cannabis dispensaries, along with the Principal Officers, Agents-in-Charge, and Agents at each dispensary. IDFPR is also responsible for tracking and reporting the sales made at adult use cannabis dispensaries.

DFPR Offices are located at the following:

- Bicentennial Building - 320 West Washington -3<sup>rd</sup> Floor – Springfield;
- 9511 W. Harrison St – Suite 300 – Des Plaines; and
- 555 West Monroe Street – 5<sup>th</sup> Floor – Chicago.

Secretary Mario Treto Jr. was appointed on April 1, 2021, and confirmed on March 28, 2022. Previously, Mr. Treto Jr. served as Director of the Division of Real Estate for DFPR and also as the Deputy City Attorney for the City of Evanston.

**Appropriations and Expenditures**

Appropriations (\$ thousands)	FY23		FY24	
	Approp	Expend	Approp	Expend
GENERAL FUNDS				
Total Other Operations & Refunds	10,000.0	0.0	0.0	0.0
<b>Designated Purposes</b>				
For Deposit into the Professions Licensure Fd.	0.0	0.0	15,855.0	15,855.0
Implementation & Admin. Of a New Licensing System	0.0	0.0	395.0	395.0
Total Designated Purposes	0.0	0.0	16,250.0	16,250.0
<b>TOTAL GENERAL FUNDS</b>	<b>10,000.0</b>	<b>0.0</b>	<b>16,250.0</b>	<b>16,250.0</b>
OTHER STATE FUNDS				
Total Personal Services & Fringe Benefits	82,538.6	64,151.9	82,191.2	69,331.5
Total Contractual Services	8,813.9	7,783.8	11,062.4	9,050.3
Total Other Operations & Refunds	13,086.1	7,601.5	26,531.1	5,596.1
<b>Designated Purposes</b>				
Admin. Of Cemetery Oversight Act	1,368.5	1,054.5	1,396.2	1,218.2

**REVIEW #4600 DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION FY23-24**

Admin. Of the Registered Certified Public Accountant Program	654.5	547.6	2,050.2	1,380.0
Corporate Fiduciary Receivership	235.0	0.0	235.0	4.0
Costs Assoc. w/ Appraisal Admin.	91.0	15.2	218.3	73.2
Costs Assoc. w/ Community Assoc. Manager Licensing & Disciplinary Action	596.1	200.8	0.0	0.0
Costs Assoc. w/ Real Estate Licensing Act of 2000	0.0	0.0	150.0	0.0
Costs Assoc. w/ the Transmitters of Money Act	0.0	0.0	150.0	0.0
Covert Activities Including Equip. & Other Operational Expenses	0.3	0.0	0.3	0.0
For Admin. By the Cannabis Regulation Oversight Officer	5,632.2	2,974.5	5,642.6	3,355.2
IL Center for Nursing	421.0	144.3	1,714.8	0.0
Oper. Exp. In Relation to Regulation of Adult-Use Cannabis	9,847.9	2,660.1	9,961.0	3,793.0
Oper. Exp. In Relation to Regulation of Medical Cannabis	7,028.7	2,076.4	7,095.6	2,277.9
Oper. Exp. Of Division of Banking	50.0	0.0	683.4	80.0
Oper. Exp. Of Office of Real Estate Research at the University of Illinois	34.0	32.0	361.7	149.1
Ordinary & Contingent Expenses	0.0	0.0	2,820.1	601.8
Ordinary & Contingent Exp. Of Div. of Real Est.	0.0	0.0	1,475.0	1,063.2
Ordinary & Contingent Exp. Of Professions Indirect Cost Fund	8,261.0	2,552.6	5,000.0	2,477.6
Savings Bank Regulation	605.8	90.0	636.1	97.8
Supervision & Regulation of Mixed Martial Arts & Boxing	20.0	0.0	0.0	0.0
Total Designated Purposes	34,846.0	12,348.0	39,590.3	16,571.0
<b>Grants</b>				
Real Estate Appraisal Fees to the Fed. Gov't.	630.0	64.2	630.0	413.6
Total Grants	630.0	64.2	630.0	413.6
<b>TOTAL OTHER STATE FUNDS</b>	<b>139,914.6</b>	<b>91,949.4</b>	<b>160,005.0</b>	<b>100,962.5</b>
<b>TOTAL</b>	<b>149,914.6</b>	<b>91,949.4</b>	<b>176,255.0</b>	<b>117,212.5</b>

**Accountants' Findings and Recommendations**

Condensed below are the 16 findings and recommendations included in the audit report. Of these, 11 are repeated from the previous audit. The following recommendations are

classified on the basis of information provided by the Department of Financial and Professional Regulations, via electronic mail received May 6, 2025.

**1. Auditors recommend the Department implement controls to ensure access to its applications and data is appropriate. Specifically, they recommend the Department:**

- **Conduct annual review of users' access rights.**
- **Ensure access rights are timely terminated.**

**FINDING:** *(Failure to Perform Reviews of User Access) – This finding has been repeated since FY2019-2020.*

The Illinois Department of Financial and Professional Regulation (Department) failed to implement adequate controls over user access to their applications and data.

As a result of the Department's mission to protect the residents of Illinois, to ensure the safety and soundness of financial institutions, to ensure that competent professionals are licensed to provide services to the public, and, to enhance commerce in the State for the benefit of all its residents, the Department uses a myriad of applications and data.

During auditors' examination of the Department's user access controls, they selected a sample of 106 users with access to the Department applications to test whether their user access rights were aligned with their job duties. Their testing noted:

- The Department did not perform periodic review of the user access rights during the engagement period.
- Five (5%) terminated users' applications accounts were not disabled timely.

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 to 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, Access Control section, requires entities to develop access provisioning policies and procedures and establish controls, including conducting periodic reviews of users' access rights, to ensure authorized users only have needed access.

Department management indicated they have limited staffing resources and competing staff priorities.

Failure to maintain adequate internal controls over users' access to the applications and data could result in unauthorized access to the Department's data.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has made significant progress in implementing controls to ensure access rights are appropriate and terminated timely, as evidenced by the 44% exception rate reduction and absence of exceptions related to inappropriate user access identified during the previous compliance audit.

The Department is in the process of implementing a standardized process for conducting and documenting quarterly user access reviews to ensure access to Department applications is appropriate for all users and timely terminated.

**UPDATED RESPONSE:**

**Partially Implemented.**

A formal process has been implemented to request and terminate access for Department employees. The Department is in the process of implementing a standardized control for conducting and documenting quarterly user access reviews to ensure access to Department applications is appropriate for all users and timely terminated.

- 2. Auditors recommend the Department to conduct a BIA and update the COOP based on the outcome of the BIA. They also recommend the Department to develop a DRP and conduct periodic detailed recovery testing.**

**FINDING:** *(Disaster Recovery Plan Weaknesses) – First reported 2022, Last reported 2024*

The Department of Financial and Professional Regulation (Department) did not have adequate internal controls for the planning and recovery of its applications and data.

During their review of the Department's Continuity of Operations Plan (COOP), changes to procedures and critical business processes were not updated. The current COOP document references the 2019 Business Impact Analysis (BIA). Additionally, the Department had not developed a disaster recovery plan (DRP) and had not conducted disaster recovery testing during the examination period.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested 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 to maintain accountability over the State's resources.

Department management mentioned that the Department of Innovation and Technology (DoIT) updated their BIA and DRP process during the examination period. Department management indicated they waited until the new process was implemented before engaging DoIT's assistance in updating the Department's BIA and DRP.

Failure to adequately plan for the recovery of their applications and data could result in the loss of data and inability to recover within an acceptable time period.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department is currently participating in the DoIT's Business Continuity Program in which an agency-specific BIA will be conducted, and DRP will be created and tested. The results of this program will be included in the Department's COOP.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department is currently participating in the DoIT Business Continuity Program in which an Agency-specific Business Impact Analysis (BIA) will be conducted, and Disaster Recovery Plan created and tested. The results of this program will be included in the Department's Continuity of Operations Plan (COOP). To date, all Department BIAs have been completed and reviewed by DoIT.

**3. Auditors recommend the Department:**

- **Obtain and review SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually.**
- **Monitor and document the operation of the CUECs relevant to the Department's operations.**
- **Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the Department, and any compensating controls.**
- **Ensure agreements outline the security, integrity, availability, confidentiality, and privacy controls over the Department's applications and data.**
- **Ensure contracts or agreements with third-party service providers are renewed timely.**

**FINDING:** *(Lack of Adequate Controls Over the Review of Internal Controls Over Service Providers) – This finding has been repeated since FY2019-2020.*

The Department of Financial and Professional Regulation (Department) did not obtain or conduct timely independent internal control reviews over its service providers.

Auditors requested the Department provide the population of service providers utilized in order to determine if the Department had reviewed the internal controls over its service providers. In response to the auditor's request, the Department provided a listing of service providers utilized during the examination period identifying eight service providers.

They performed testing over the eight service providers identified. These service providers provided:

- Software as a Service
- Database Administration
- IT Hosting

During testing, auditors noted the Department did not:

- Obtain System and Organization Control (SOC) examination reports for four (50%) of eight service providers.
- Conduct internal reviews of the SOC reports nor performed an assessment of the internal controls for five (63%) service providers.
- Conduct an analysis of the Complementary User Entity Controls (CUECs) documented in the SOC reports.
- Obtain and review SOC reports for subservice organizations or perform alternative procedures to determine the impact on its internal control environment.
- Ensure agreements outlined the security, integrity, availability, confidentiality, and privacy controls over the Department's applications and data.

Auditors also noted the Department's intergovernmental agreement with Department of Innovation and Technology covered the period July 1, 2019 through June 30, 2022. There was no renewal agreement on file covering Fiscal Years 2023 and 2024.

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 the resources and 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. It also requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance the resources, obligations, and costs are in compliance with applicable laws, rules, and agreements.

The Illinois Intergovernmental Cooperation Act (5 ILCS 220/5) states that an agency may contract with another agency to transfer authority or privileges, provided that the contract is approved by both agencies. Such contract shall set forth fully the purposes, powers, rights, objectives, and responsibilities of the contracting parties.

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, 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 SOC reports or independent reviews.

Department management indicated they have limited staffing resources and competing staff priorities.

Without having obtained and reviewed a SOC report or performed another form of independent internal controls review, the Department does not have assurance the service providers' internal controls are adequate. Further, untimely renewal of existing contracts opens the potential for disruption to business operations due to the loss of critical services provided to the Department.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department will provide additional training as necessary to ensure that SOC report reviews are performed correctly for service providers.

**UPDATED RESPONSE:**

**Partially Implemented.**

SOC reports have been obtained and a review of the IT environment performed been conducted for all service providers in which a SOC report can be obtained. The Department will provide additional training as necessary to ensure that SOC report reviews, including Complementary User Entity Controls (CUECS), are performed correctly for service providers. The Department has formally acknowledged the Information Technology Resource Management Policy issued by the Governor's Office of Management and Budget which now serves as the underlying agreement between transferring agencies and DoIT.

**4. Auditors recommend the Department work with DoIT to obtain a detailed understanding of each party's responsibilities related to cybersecurity controls. Further, they recommend the Department:**

- **Conduct an analysis of DoIT's policies to ensure they meet the Department's requirements.**
- **Develop a data classification methodology and classify its data.**
- **Conduct a BIA.**
- **Develop, implement, and document risk reducing internal controls as a result of risk assessments.**

**FINDING:** *(Weaknesses in Cybersecurity Programs and Practices) – This finding has been repeated since FY2019-2020.*

The Department of Financial and Professional Regulation (Department) had not implemented adequate internal controls related to cybersecurity programs and practices.

The Department's mission is to serve, safeguard, and promote the health, safety, and welfare of the public by ensuring that licensure qualifications and standards for professional practice are properly evaluated, applied, and enforced. As a result, the Department maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During auditors' examination of the Department's cybersecurity program, practices, and control of confidential information, they noted the Department:

- Relied on the Department of Innovation and Technology's (DoIT) policies and procedures; however, the Department had not conducted an analysis of DoIT's policies and procedures to ensure they met their needs.
- Had not developed a data classification policy and had not documented minimum internal controls required to be implemented for each type of data classified.
- Had not performed a Business Impact Analysis (BIA) during Fiscal Years 2023 and 2024.
- Had performed the Department's risk assessment only in Fiscal Year 2024 and had developed but not implemented risk reducing internal controls during Fiscal Year 2024.

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

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

Department management indicated they have limited staffing resources and competing staff priorities.

Failure to implement internal controls related to cybersecurity programs, practices, and control of confidential information could result in unidentified risk and vulnerabilities and ultimately lead to the Department's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department will create necessary agency-specific policies and methodologies or perform an assessment of DoIT's policies, procedures, and methodologies to ensure that Department needs are met. The Department is currently participating in the DoIT's Business Continuity Program in which an agency-specific BIA will be conducted. The Department will develop, implement, and document risk-reducing internal controls as a result of risk assessments performed.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has conducted an analysis of all Department applications and classified the corresponding data. Additionally, the Department is in the process of performing an updated risk assessment of its IT environment. The Department will work to implement risk reducing internal controls for issues identified. The Department will create necessary Agency-specific policies and methodologies or perform an assessment of DoIT's policies, procedures, and methodologies as necessary to ensure that Department needs are met. The Department is in the process of creating a central repository for all Department policies and procedures.

- 5. Auditors recommend the Department strictly enforce internal controls to ensure full compliance with statutory requirements for all licensing applications. In addition, they recommend the Department to continue pursuing a legislative remedy regarding the validity requirements for the 45 additional hours of pre-licensure education for managing broker applicants under 225 ILCS 454 to ensure clarity and consistency in enforcement.**

**FINDING:** *(Weaknesses in Licensing Procedures) – New*

The Department of Financial and Professional Regulation (Department) had not implemented adequate internal controls related to licensing procedures.

During their review of 40 licenses processed within the Division of Real Estate, auditors noted the following:

- In one of six (17%) applications for managing broker license, an approved applicant submitted 45 hours of brokerage administration and management and residential leasing agent management courses that had expired by 374 days to secure a license.

The Real Estate License Act of 2000 (Act) (225 ILCS 454/5-28) states that every applicant for licensure as a managing broker must meet the qualifications, among other things: (1) provide satisfactory evidence of having completed at least 165 hours, 120 of which shall be those hours required pre-licensure and post-licensure to obtain a broker's license, and 45 additional hours completed within the year immediately preceding the filing of an application for a managing broker's license, which hours shall focus on brokerage administration and management and

residential leasing agent management and include at least 15 hours in the classroom or by live, interactive webinar or online distance education courses; and (2) personally take and pass a written examination authorized by the Department.

- An applicant for licensure as a community association manager was approved and granted licensure, despite not verifying their completion of a four-year educational requirement on the application.

The Illinois Administrative Code (68 Ill. Admin. Code 1445.30) requires an applicant for a license as a community association manager to file an application, on forms supplied by the Division, that includes the following, among others: successful completion of a 4-year course of study in a high school, secondary school, or an equivalent course of study approved by the state in which the school is located, or possession of a high school equivalency certificate, which shall be verified under oath by the applicant.

For the managing broker license exception, Department management stated and acknowledged an interpretation conflict between Sections 5-28 and 5-35 of 225 ILCS 454.

For the community association manager license exception, Department management stated the application was not updated due to Department oversight.

Granting a license with incomplete requirements represents noncompliance with the statutes and administrative code. This could lead to the licensing of individuals who do not fully meet the necessary qualifications, potentially impacting the credibility of the licensing system.

**DEPARTMENT RESPONSE:**

Regarding community association manager applications, the Department accepts the finding and has updated the community association manager license application to include an attestation that the applicants meet the educational requirement for licensure. This attestation resolves the deficiency moving forward.

Regarding manager broker applications, the Department agrees that, in the single anomalous application, the Department accepted the applicant's education later than the deadline in its rules, but it disagrees that this instance evidences a "significant deficiency and noncompliance" showing "weakness in licensing procedures". The finding is based on the assertion that the applicant's education was expired by 374 days, but the education was untimely by only nine days. Nine days represents a technical, not a material, deviation from the standard, and it was consistent with avoiding unnecessary burden and barrier to licensure when educational courses had not materially changed over those nine days.

The finding's determination of a 374-day overage (instead of nine days) is based on an incorrect application of law. The timeliness of prelicensure education for managing broker applications is set in 68 Ill. Admin. Code 1450.510(c), which indicates that the education

is valid for two years after its completion. Applying this two-year standard, the application cited in the finding was only nine days late.

The two-year standard in Section 1450.510(c) resolves an ambiguity between two relevant provisions of the Act: 225 ILCS 454/5-28(a)(5) (eff. Aug 9, 2019) (setting a one-year expiration) and 225 ILCS 454/5-35(c) (eff. Aug 9, 2019) (setting a two-year expiration). Ambiguities can exist in a statute, and as a matter of Illinois law the agency charged with administering the statute is given deference to promulgate rules that interpret those statutes, and those rules are presumed valid. The Department's two-year rule was properly adopted, including with review of the Joint Committee on Administrative Rules.

**ACCOUNTANT'S RESPONSE:**

The Act (225 ILCS 454/5-28) is explicit in its requirement that the additional 45 hours of management education shall be completed within the year immediately preceding the filing of a managing broker's license application. Section 35, paragraph (c), provided for an extension to two years for applicants who had failed four consecutive times. This language was moved to Section 35, paragraph (a), in Public Act 103-1039 (effective Jan. 1, 2025). Therefore, for the audit period there was no ambiguity. Using Section 28's criteria, out of the six samples selected, there was one sampled application that was accepted 374 days after the education expired. While we understand the Department has sought a legislative change to Section 35 in Public Act 103-1039 to authorize it to accept pre-license education two years after the date of completion, that change was not effective during the audit period. Therefore, we cannot agree that the pre-license education is only nine days late.

**UPDATED RESPONSE:**

**Implemented.**

The Department has updated the community association manager license application to include an attestation that the applicants meet the educational requirement for licensure. Additionally, the Department has submitted changes to the Administrative Rules to clarify the Department's position that approved pre-licensure education is valid for 2 years. These rules were approved at the June 17<sup>th</sup>, 2025, JCAR meeting and are expected to be formally adopted and effective in July 2025.

- 6. If another agency is to be relied upon to supplement internal audit functions at the Department, auditors recommend the Department obtain written approval of the Governor for these services and ensure such services are provided in accordance with the Act's requirements.**

**FINDING:** *(Inadequate Internal Audit Function) – This finding has been repeated since FY2017-2018.*

The Department of Financial and Professional Regulation (Department) failed to adhere to provisions of the Fiscal Control and Internal Auditing Act (Act).

The Act (30 ILCS 10/2001(a)) requires each designated State agency to maintain a full-time program of internal auditing. The Department, as a Department of State government created in the Civil Administrative Code (Code) (20 ILCS 5/5-15), is a designated State agency required to maintain a full-time program of internal auditing. The Act (30 ILCS 10/2001 (b)) also states “agencies which do not have full-time internal audit programs may have internal audits performed by the Department of Central Management Services (CMS)”.

The Act was originally a Legislative Audit Commission initiative designed to address deficiencies noted in a May 1988 management audit of Illinois’ State Programs of Internal Auditing. The audit report’s conclusions and recommendations and the legislation that became the Act (House Bill 2031 of the 86th General Assembly which was signed into law as P.A. 86-936) demonstrated an understanding that agencies which are not required to have their own full-time program of internal auditing could obtain internal auditing assistance from an agency such as the CMS. In other words, each designated State agency must have a full-time program of internal auditing and each State agency that is not so designated is not required to have a full-time program of internal auditing but may receive internal audit services from CMS.

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

On April 1, 2018, the Department and CMS entered into an intergovernmental agreement for CMS to provide all internal audit functions for the Department.

On August 9, 2019, the Attorney General issued an opinion stating multiple State agencies may not appoint the same individual as their chief internal auditor through an intergovernmental agreement. Should designated State agencies desire to consolidate or combine their internal audit functions, they must either seek authorizing legislation from the General Assembly or follow the process for reassigning functions among or reorganizing executive agencies which are directly responsible to the Governor as established by article V, section 11, of the Illinois Constitution of 1970, and the Executive Reorganization Implementation Act.

During their testing, auditors noted the following:

- The Department’s chief internal auditor position remained vacant for an extended period, from July 1, 2016, through November 15, 2023, totaling 2,693 days. A new Chief Internal Auditor was appointed and assumed office on November 16, 2023.
- The Department and CMS did not obtain the Governor’s approval for CMS to provide professional internal auditing services to the Department for Fiscal Years 2023 and 2024.

The Act (30 ILCS 10/2002(a)) requires the Director to appoint a chief internal auditor.

The Code (20 ILCS 405/405-293(a)) states CMS “is responsible for providing professional services for or on behalf of State agencies for all functions transferred to the Department by Executive Order No. 2003-10.” Since the part of Executive Order 2003-10 related to internal audit was reversed by P.A. 96-795 this portion of the Section is not applicable in the circumstances. The Section goes on to state CMS may “with the approval of the Governor, provide additional services to or on behalf of State agencies.” “Additional services” is not defined and no approval for CMS to provide internal auditing services specifically to the Department, a designated State agency under the Act, was obtained from the Governor.

This finding was first reported in the Department’s State Compliance Examination for the two years ended June 30, 2018. In subsequent years, the Department has been unsuccessful in implementing an adequate corrective action plan.

Department management indicated the exceptions noted above were due to the Department being unable to attract qualified candidates for the position of chief internal auditor and internal audit staff.

Although the Department has now filled the critical position of chief internal auditor, the extended vacancy hindered the establishment of its own full-time internal audit program in accordance with the requirements of the Act. The vacancy represents a prolonged period of noncompliance with State law, but the recent appointment demonstrates the Department's progress in addressing this issue.

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

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Chief Internal Auditor is actively working with the Department’s Office of Legal Affairs and CMS Bureau of Internal Audit to update the intergovernmental agreement and obtain the Office of the Governor’s approval.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department appointed a Chief Internal Auditor on November 16, 2023. The Chief Internal Auditor is actively working with CMS Bureau of Internal Audit and the Office of Legal Affairs to update our intergovernmental agreement and obtain the Office of the Governor’s approval.

- 7. Auditors recommend the Department complete internal reviews to ensure accurate AWR are prepared. Auditors also recommend the Department file**

**amended AWR with the Office of the Secretary of State and the Office of the Governor within 30 days of the release of the audit report as required by the Illinois State Auditing Act.**

**FINDING:** *(Inadequate Controls Over Preparing and Submitting Agency Workforce Reports) – This finding has been repeated since FY2019-2020.*

The Department of Financial and Professional Regulation (Department) had inadequate controls over preparing and submitting Agency Workforce Reports (AWR).

During their testing of the AWR, auditors noted the following:

- The Department did not timely submit its AWR for Fiscal Year 2022 to the Office of the Secretary of State and the Office of the Governor. The AWR was submitted to both offices 30 days past the required due date.
- For the Fiscal Year 2022 AWR, in 2 of 16 (13%) employee category groups, the data presented did not agree with the supporting documentation.
- For the Fiscal Year 2023 AWR, in 10 of 16 (63%) employee category groups, the data presented did not agree with the supporting documentation.
- The total number of employees was reported as 439 on the Fiscal Year 2023 AWR. According to supporting documentation, the total number should have been 443.
- The total number of professionals was reported as 224 on the Fiscal Year 2023 AWR. According to supporting documentation, the total number should have been 207.
- Discrepancies noted in the Fiscal Year 2021 AWR were not corrected; therefore, the AWR was not refiled with the Office of the Secretary of State and the Office of the Governor.

The State Employment Records Act (Act) (5 ILCS 410/20) requires each State agency to collect, classify, maintain, and report accurate data regarding the number of State employees, as required by the Act, on a fiscal year basis. Each agency is also required to file a copy of all AWR with the Office of the Secretary of State and submit a copy to the Governor by January 1 each year. Good internal controls require the AWR to be filed with correct information.

In addition, the Illinois State Auditing Act (30 ILCS 5/3-2.2) requires State agencies to prepare and file corrected AWR with the Secretary of State and the Office of the Governor within 30 days of the release of the audit report.

Department management indicated the exceptions were due to human error.



Failure to include complete and accurate information in the Department's AWR and submit them timely to the appropriate parties prevents fulfillment of the purpose of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State work force.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has automated a significant portion of the compilation process for the AWR to reduce human error. Additionally, during Fiscal Year 2025, the Department has revised and submitted corrected reports for Fiscal Years 2021, 2022 and 2023 to the Office of the Governor and Office of the Secretary of State.

The Department has created a reporting requirements tracker which identifies mandatory reports required to be submitted by the Department. The Department plans to continue utilizing this tracker to send reminders to Department management to complete and submit reports by statutorily mandated due dates. Additionally, this tracker will assist the Department in maintaining continuity of operations in the event of management turnover. As a result of these procedures, the Fiscal Year 2024 AWR was submitted timely.

**UPDATED RESPONSE:**

**Implemented.**

The Department has automated a significant portion of the compilation process for Agency Workforce Reports to reduce human error. Additionally, the Department has revised and submitted corrected reports to the Office of the Governor and Office of the Secretary of State.

The Department has created a reporting requirements tracker which identifies mandatory reports required to be submitted by the Department. The Department plans to utilize this tracker to send reminders to Department management to complete and submit reports by statutorily mandated due dates. Additionally, this tracker will assist the Department in maintaining continuity of operations in the event of management turnover.

- 8. Auditors recommend the Department strengthen its controls over personal services to ensure personnel files are properly maintained, employee performance evaluations are performed on a timely basis, and EET overtime are approved in advance to prevent unauthorized or inaccurate time reporting.**

**FINDING:** *(Inadequate Controls Over Personal Services) – This finding has been repeated since FY1992-1993.*

The Department of Financial and Professional Regulation (Department) did not maintain adequate controls over personal services.

During testing of 40 employees, auditors noted the following:

- Four of 12 (33%) new employees had missing or improperly completed Section 1 of the Form I-9.
- Eleven of 12 (92%) new employees had missing or improperly completed Section 2 of the Form I-9.
- Four of 40 (10%) employees did not obtain advanced approval for their Equivalent Earned Time (EET) overtime. The supervisors' approvals were obtained 1 to 28 days late.
- Eight of 40 (20%) employees had missing performance evaluation form.
- Fifteen of 40 (38%) employees had performance evaluations that were not performed on a timely basis. The evaluations were performed 13 to 223 days late.

U.S. Citizenship and Immigration Services instructions for Form I-9 require Section 1 be completed no later than the first day of employment. After completing Section 1, the employee has to sign their name and document the date signed. Employers are to examine evidence of identity and employment authorization within three business days of the employee's first day of employment. The employer is to document the hire date, their signature, and date of their review in Section 2 of the I-9 form.

The Code of Federal Regulation (CFR) (8 CFR § 274a.2), *Verification of Identity and Employment Authorization*, designates the Employment Eligibility Verification Form I-9 as the means of documenting this verification. In addition, the CFR requires employers to retain a copy of the original signed version of Form I-9 for three years after the date of the hire or one year after the date the individual's employment is terminated, whichever is later.

The Department's Overtime Guidance states that EET or cash overtime is earned at straight time only and must be approved in advance by the employee's supervisor and recorded in applicable time records.

The Illinois Administrative Code (80 Ill. Admin. Code 302.270) requires performance evaluations to be completed not less often than annually, and at least once during a probationary period.

For exceptions on performance evaluations, the Department was first cited for this noncompliance in the compliance examination for the two years ended June 30, 1993. In the years since the finding was first noted, the Department has not been successful in implementing corrective action to rectify this finding.

Department management indicated:

- Missing and improperly completed Form I-9s were caused by the lack of the Department's staffing and resources during the audit period to review every personnel file that was transferred at the time of creation.
- Late approval of EET timesheets was attributed to human error.
- The Department faced competing priorities that hindered its ability to ensure performance evaluations were conducted in a timely manner.

Failure to maintain adequate controls over personnel files, employee documentation, and advance approval of EET overtime represents noncompliance with Department policy and State and federal laws.

Performance evaluations are a necessary and beneficial process used for the development of employees and communication of performance expectations to employees. Failure to timely complete performance evaluations inhibits the Department in providing timely feedback on employees' performance and areas for improvements. Further, performance evaluations provide systematic judgment to support salary increases, promotions, transfers, demotions, and terminations.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has conducted a comprehensive review of all personnel files to ensure Form I-9s were obtained and properly completed. Human Resources provides timekeeping training to Department supervisors annually. Additionally, Human Resources has communicated to Department management the importance of approving EET in accordance with Department policy. Human Resources will continue to notify and remind Department management of upcoming and overdue performance evaluations monthly.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has conducted a comprehensive review of all personnel files to ensure Form I-9s were obtained and properly completed. Human Resources provides timekeeping training to Department supervisors annually. Additionally, Human Resources has communicated to Department management the importance of approving EET in accordance with Department policy. Human Resources will continue to notify and remind Department management of upcoming and overdue performance evaluations monthly.

**9. Auditors recommend the Department timely perform examinations in accordance with the statute.**

**FINDING:** *(Weaknesses in Examination Procedures) – New*

The Department of Financial and Professional Regulation (Department) did not perform examinations of corporate fiduciaries timely.

During their review of 40 examinations performed within the Division of Banking, auditors noted 2 of 3 (67%) corporate fiduciary examinations were not completed within 18 months following the preceding examination. These examinations were completed 2 to 11 months beyond the prescribed period.

The Corporate Fiduciary Act (205 ILCS 620/5-2) requires the Department to conduct examinations of every corporate fiduciary in the State at least once every 18 months or more frequently if deemed necessary. These examinations may include the affairs of the corporate fiduciary's subsidiaries, affiliates, parent companies, and contractual service

providers related to fiduciary services, as needed to fully assess their condition and the impact of these relationships on the corporate fiduciary's operations.

Department management stated the exceptions noted were due to limited staff to perform the examinations.

Failure to conduct corporate fiduciary activity examinations in a timely manner increases the risk of undetected noncompliance with State laws.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has developed and is in the process of implementing a hiring and retention strategy for the Division of Banking. This strategy includes increased staff headcount as well as professional and educational development opportunities, recognition and mentorship programs, and an emphasis on the Department's workplace culture and values to retain current staff members.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has developed and is in the process of implementing a hiring and retention strategy for the Division of Banking. This strategy includes increased staff headcount as well as professional and educational development opportunities, recognition and mentorship programs, and an emphasis on the Department's workplace culture and values to retain current staff members. Appropriations have been authorized for additional headcount for the Division of Banking. Additionally, the Department has begun staffing key vacancies in the Examinations Sections.

- 10. Auditors recommend the Department implement enhanced review procedures to ensure the accurate reporting of SBITA information to the Comptroller's Office. Additionally, auditors recommend the Department to allocate sufficient resources to perform reconciliations timely.**

**FINDING:** *(Inadequate Controls Over Contractual Services) – New*

The Department of Financial and Professional Regulation (Department) did not have adequate controls over contractual services.

During testing, auditors noted the following:

- One of two (50%) subscription-based information technology arrangements (SBITA) reported inaccurate information to the Comptroller's Office through the submission of SCO-560S *Accounting for Subscription-Based Information Technology Arrangements*. The variance noted in the initial subscription asset and liability amounted to \$19,783.
- One of 27 (4%) *Agency Contract Report* (SC14) monthly reconciliations was missing.

- Four of 27 (15%) SC14 reconciliations were prepared 1 to 20 days late.
- Four of 27 (15%) *Monthly Obligation Activity Report* (SC15) reconciliations were prepared 1 to 20 days late.

The Statewide Accounting Management System (SAMS) (Procedure 27.20.60S) provides that the Form SCO-560S is to be completed on a contract-by-contract basis as new subscription-based arrangements are initiated and sent to the Comptroller's Office. The completion of this form will enable the Comptroller's Office to determine the total subscription liability and subscription asset value to be recorded on the agency's books, including the Capital Asset Summary (SCO-538).

SAMS (Procedure 07.30.20) requires the Department to reconcile its records to the SAMS system on a monthly basis. These reconciliations must be completed within 60 days of the month end. The key reports to be used for reconciliations include SC14, SC15, SB01, SB03, SB04 and SB05.

Department management stated that the exception noted on SBITAs was due to human error. Furthermore, the delay in the preparation and submission of the SC14 and SC15 reconciliations was attributed to staff turnover and oversight by previous management.

Failure to accurately report SBITA may result in inconsistencies in financial records, affecting the completeness of accounting information needed for accurate reporting. In addition, failure to timely prepare SC14 and SC15 reconciliations may result in delays in identifying and correcting errors in the Department's financial records.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. Additional training will be provided to staff regarding proper SBITA reporting procedures to enhance compliance and accuracy. Fiscal management will implement an additional layer of internal review before submitting SBITA data to the Comptroller's Office.

The Department will establish a monthly schedule to ensure that SC14 and SC15 reconciliations are prepared and reviewed promptly. Reconciliations will be stored on a shared Department location to ensure that records can be easily accessed in the event of Department turnover.

**UPDATED RESPONSE:**

**Implemented.**

Additional training has been provided to staff regarding proper SBITA reporting procedures to enhance compliance and accuracy. Fiscal management has implemented an additional layer of internal review before submitting SBITA data to the Comptroller's Office.

The Department has established a monthly schedule to ensure that SC14 and SC15 reconciliations are prepared and reviewed promptly. Reconciliations are stored on a

shared Department location to ensure that records can be easily accessed in the event of Department turnover.

**11. Auditors recommend the Department implement adequate controls to ensure timely and complete submission of all required annual reports, including the inclusion of all necessary elements as specified by statute.**

**FINDING:** *(Inadequate Controls Over the Preparation and Submission of Required Annual Reports) - New*

The Department of Financial and Professional Regulation (Department) did not have adequate controls over the preparation and submission of required annual reports.

During their testing of annual reports on applicants convicted of crimes and those with certificates of relief from disabilities for the Department's licensed professions, auditors noted both Fiscal Year 2023 and Fiscal Year 2024 annual reports were not submitted to the General Assembly. In addition, both annual reports did not contain the following elements required by the statute:

- The number of applicants with certificates of relief from disabilities.
- The number of licenses awarded to applicants with certificates of relief from disabilities.
- The number of applicants with certificates of relief from disabilities denied licenses.

The Unified Code of Corrections (Code) (730 ILCS 5/5-5.5-50) states the Department shall report to the General Assembly by November 30 of each year, for each occupational licensure category, the number of licensure applicants with felony convictions, the number of applicants with certificates of relief from disabilities, the number of licenses awarded to applicants with felony convictions, the number of licenses awarded to applicants with certificates of relief from disabilities, the number of applicants with felony convictions denied licenses, and the number of applicants with certificates of relief from disabilities denied licenses.

In addition, during their testing of the Department's annual reports on acts and doings, auditors noted the Fiscal Year 2022 and Fiscal Year 2023 annual reports were submitted to the Office of the Governor, 60 days and 115 days late, respectively.

The State Finance Act (30 ILCS 105/3) requires agencies which are either within the Executive Branch or a public institution (including the universities) to make and deliver a report with its acts and doings to the Governor for the previous fiscal year no later than January 7 of each year.

Department management stated the failure to timely submit the annual reports on applicants convicted of crimes and those with certificates of relief from disabilities for the Department's licensed professions with complete required information to the General Assembly was due to staff oversight.

Department management stated the exception noted on annual reports on acts and doings was due to staffing shortage that led to the delay in the compilation of the reports.

Failure to timely provide complete and accurate reports on Department's licensed professions represents noncompliance with the Code. In addition, failure to timely file the annual reports on acts and doings results in noncompliance with the State Finance Act. This may limit the Governor's ability to assess the Department's performance and resource use.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has created a reporting requirements tracker which identifies mandatory reports required to be submitted by the Department. The Department plans to continue utilizing this tracker to send reminders to Department management to complete and submit reports by statutorily mandated due dates. Additionally, this tracker will assist the Department in maintaining continuity of operations in the event of management turnover. As a result of these procedures, the Fiscal Year 2024 Acts and Doings Report was submitted timely.

**UPDATED RESPONSE:**

**Implemented.**

The Department has created a reporting requirements tracker which identifies mandatory reports required to be submitted by the Department. The Department plans to utilize this tracker to send reminders to Department management to complete and submit reports by statutorily mandated due dates. Additionally, this tracker will assist the Department in maintaining continuity of operations in the event of management turnover.

**12. Auditors recommend the Department continuously appoint qualified members to these boards and task force as required by the acts cited.**

**FINDING:** *(Department Boards and Task Force Not Fully Staffed) – This has been repeated since FY04.*

The Department of Financial and Professional Regulation (Department) did not ensure the appointment of the required number of members to various boards and task force to fill vacancies.

During their testing of mandates related to appointment of board and task force members, auditors noted the following:

- Task Force on Internationally-Licensed Health Care Professionals - 6 vacancies

The Task Force on Internationally Licensed Health Care Professionals Act (225 ILCS 53/10) requires the Department's Secretary to appoint 8 members to the Task Force on Internationally-Licensed Health Care Professionals.

- Respiratory Care Board – 1 vacancy

The Respiratory Care Practice Act (225 ILCS 106/35) requires the Department's Secretary to appoint 7 members to the Respiratory Care Board.

- Clinical Psychologists Licensing and Disciplinary Board – 3 vacancies. In addition, 1 of the 8 (13%) appointed members had been serving for more than two full terms.

The Clinical Psychologist Licensing Act (225 ILCS 15/7) requires the Department's Secretary to appoint 11 members to the Clinical Psychologists Licensing and Disciplinary Board. Members shall be appointed for a term of four years and shall not serve for more than two full terms.

- Board of Nursing – 1 vacancy. In addition, 2 of the 12 (17%) appointed members had been serving for more than two full terms.

The Nurse Practice Act (225 ILCS 65/50-65) requires the Department's Secretary to appoint 13 members to the Board of Nursing. Members shall be appointed for a term of three years and shall not serve for more than two full terms.

- Sex Offender Evaluation and Treatment Provider Licensing and Disciplinary Board – 7 of the 8 (88%) appointed members had been serving for more than two full terms.

The Sex Offender Evaluation and Treatment Provider Act (225 ILCS 109/20) requires the members of the Sex Offender Evaluation and Treatment Provider Licensing and Disciplinary Board to be appointed for a term of four years and shall not serve for more than two full terms.

- Private Detective, Private Alarm, Private Security, Fingerprint Vendor, and Locksmith Board – 2 vacancies. In addition, 8 of the 11 (73%) appointed members had been serving for more than two full terms. Finally, 1 of the 11 (9%) members did not have the minimum required experience.

The Private Detective, Private Alarm, Private Security, Fingerprint Vendor, and Locksmith Act of 2004 (225 ILCS 447/50-10) requires the Department's Secretary to appoint 13 members to the Private Detective, Private Alarm, Private Security, Fingerprint Vendor, and Locksmith Board. Members shall serve four-year terms with no member serving for more than two successive terms. Each licensed member shall have at least five years of experience as a licensee in the professional area in which the person is licensed.

- Board of Licensing for Perfusionists – 3 vacancies



The Department was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2014. In the years since the finding was first noted, the Department has failed to remedy this finding.

The Perfusionist Practice Act (225 ILCS 125/25) requires the Department's Secretary to appoint 5 members to the Board of Licensing for Perfusionists.

- Social Work Examining and Disciplinary Board – 3 vacancies

The Clinical Social Work and Social Work Practice Act (225 ILCS 20/6) requires the Department's Secretary to appoint 9 members to the Social Work Examining and Disciplinary Board.

- Funeral Directors and Embalmers Licensing and Disciplinary Board – 1 of the 7 (14%) appointed members had been serving for more than two full terms.

The Funeral Directors and Embalmers Licensing Code (225 ILCS 41/15-5) requires members of the Funeral Directors and Embalmers Licensing and Disciplinary Board to be appointed for a term of four years and shall not serve for more than two full terms.

- Marriage and Family Therapy Licensing and Disciplinary Board – 3 vacancies. In addition, 1 of the 4 (25%) appointed members had been serving for more than two full terms.

The Marriage and Family Therapy Licensing Act (225 ILCS 55/25) requires the Department's Secretary to appoint 7 members to the Marriage and Family Therapy Licensing and Disciplinary Board. Members shall be appointed for a term of four years and shall not serve for more than two full terms.

- Illinois Occupational Therapy Licensure Board – 1 vacancy. In addition, 1 of the 6 (17%) members did not have an active license during the examination period.

The Department was first cited for this noncompliance in the compliance examination for the two years ended June 30, 2010. In the years since the finding was first noted, the Department has failed to remedy this finding.

The Illinois Occupational Therapy Practice Act (225 ILCS 75/5) requires the Department's Secretary to appoint 7 members to the Illinois Occupational Therapy Licensure Board. Four members shall be practicing licensed occupational therapists and two members shall be practicing licensed occupational therapy assistants.

- Board of Orthotics, Prosthetics, and Pedorthics – 1 of the 6 (17%) appointed members had been serving for more than two full terms. In addition, 1 of the 3

(33%) appointed members required to have a pedorthics license did not have a license during the examination period.

The Orthotics, Prosthetics, and Pedorthics Practice Act (225 ILCS 84/25) requires the members of the Board of Orthotics, Prosthetics, and Pedorthics to be appointed for a term of three years and shall not serve for more than two full terms. Three members shall be practicing licensed orthotists, licensed prosthetists, or licensed pedorthists.

Department management indicated they continued to have challenges recruiting individuals willing to volunteer time to serve on the boards and task force.

Failure to appoint board and task force members may prevent the boards and task force from carrying out their mandated duties of regulating these professions in accordance with the acts cited.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Division of Professional Regulation appointed 149 board members over the course of the last year. Since the end of the audit period, the Department has filled or replaced a total of 12 vacancies and termed-out board members for the boards listed above. The Department will continue its recruitment efforts which include social media outreach and collaboration with various professional industry groups.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department is actively collaborating with the Office of the Governor and professional industry groups to recruit, vet, and appoint or reappoint volunteers to serve on our various boards and committees. Additionally, the Department meets on a weekly basis to discuss the progress on board appointments. To further enhance engagement, the Department is increasing outreach to the public through social media platforms, email, and professional organizations.

- 13. Auditors recommend the Department establish and implement standardized accounts receivable collection and write-off policies and address staffing shortages to ensure timely referral, certification, and write-off of past due accounts in compliance with statutory requirements. Additionally, auditors recommend the Department ensure timely follow-up actions are taken and proper procedures are consistently followed over its NSF checks.**

**FINDING:** *(Inadequate Controls Over Accounts Receivable and Non-Sufficient Funds Checks) – First reported 2022, Last reported 2024*

The Department of Financial and Professional Regulation (Department) did not maintain adequate internal controls over its accounts receivable and non-sufficient funds (NSF) checks during the examination period.

During testing of 40 accounts receivables, auditors noted the following:

- Twenty-six of 33 (79%) accounts receivable with balances greater than \$250 and more than 90 days past due, totaling \$424,920, had not been posted to the Office of Comptroller's Illinois Debt Recovery Offset Portal (IDROP) system.

The Statewide Accounting Management System (Procedure 26.40.20) requires the Department to place all its debts over \$250 and more than 90 days past due in the IDROP system.

- Fourteen of 22 (64%) accounts receivable which were 360 days past due, with balances greater than or equal to \$1,000, totaling \$410,127, had not been referred to the Attorney General for write-off certification.
- Eight of 22 (36%) accounts receivable which were 360 days past due, with balances less than \$1,000, totaling \$4,377, had not been certified by the Department for write-off.

The Uncollected State Claims Act (30 ILCS 205/2) states that when any State agency is unable to collect any claim or account receivable of \$1,000 or more after having undertaken all reasonable and appropriate procedures available to the agency to effectuate collection, the State agency shall request the Attorney General to certify the claim or account receivable to be uncollectible. Claims or accounts receivable of less than \$1,000 may be certified as uncollectible by the agency when the agency determines that further collection efforts are not in the best economic interest of the State.

- All 22 (100%) accounts receivables which were 360 days past due, totaling \$414,504, had not been referred to the Department of Revenue's Debt Collection Bureau.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(g)) and Illinois Administrative Code (Code) (74 Ill. Admin. Code 1200.60) require the Department to refer all debt due to the State satisfying the requirements for referral to the Department of Revenue's Debt Collection Bureau.

As of June 30, 2024, receivables totaling \$26,069,000, representing 71% of the total receivables of \$36,610,000, were overdue by 360 days or more.

The Act (30 ILCS 210/3) declares that it is public policy of the State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through all reasonable means.

During testing of 40 NSF checks, auditors noted the following:

- In 26 (65%) NSF checks, totaling \$67,076, applicants were not notified when the check had been determined as insufficient.
- In 14 (35%) NSF checks, totaling \$12,303, applicants were notified beyond 359 days after the check had been determined as insufficient. In addition, 2 of the 14 (14%) applicants had active licenses during the examination period despite no alternative payments received.

The Statewide Accounting Management System (Procedure 26.40.10) recommends the Department starts the collection process during the first 60 days an account is established as a receivable. Under a good system of internal control, accounts receivable is promptly established and collection activity starts as soon as reasonably practicable to increase the likelihood of collecting cash on amounts due and payable.

Department management indicated exceptions were due to a high rate of attrition and staffing shortages resulting in a significant backlog for the Fiscal Division to process. Department management indicated the Department has no formal policies in place on accounts receivable and NSF checks.

Inadequate controls over receivables and collection procedures resulted in noncompliance with the Act. In addition, the failure to comply with the statutory mandates to maximize the collection of receivables may result in loss of State funds. Failure to promptly collect on NSF checks could result in issuance of a license to applicant without valid payment, delay the ability of the State to collect the cash due, and result in reduced collectability as the account ages.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department is in the process of performing a comprehensive review of all outstanding receivables to identify items that should be referred for further collection efforts or written off. As part of this review, the Department identified that approximately \$25 million of outstanding receivables greater than 360 days related to 2010 – 2023. During this period, the Department deposited approximately \$1.4 billion or greater than 98% of all monies owed, demonstrating the Department’s commitment to pursuing collection efforts. Further, the Department analyzed the total NSF population that occurred during audit period, noting the total NSF population represented 0.2% of the Department’s total deposits of approximately \$200 million.

The Department is in the process of formalizing accounts receivable collection, NSF, and write-off policies and procedure documents to ensure the consistent and timely handling of outstanding receivables. To prevent further backlog, the Department is actively working to fill critical vacancies in the Fiscal Division to support accounts receivable and NSF operations. Additionally, the Department plans to review job descriptions and duties to determine if cross-training opportunities are feasible to ensure continuity of operations and prevent delays in the event of staff turnover.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has drafted an accounts receivable collection and write-off policy to ensure the consistent and timely handling of outstanding debts. To prevent further backlog, the Department is actively working to fill critical vacancies in the Fiscal Operations Division to support accounts receivable operations. Additionally, the Department plans to review job descriptions and duties to determine if cross-training opportunities are feasible to ensure continuity of operations and prevent delays in the event of staff turnover.

**14. Auditors recommend the Department:**

- **Design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate.**
- **Approve proper bills within 30 days of receipt and approve vouchers for payment of interest due to vendors.**
- **Utilize correct SAMS detail object codes in coding expenditures.**
- **Adhere to the State Property Control Act by ensuring the proper affidavit is filed before purchasing new furniture.**

**FINDING:** *(Voucher Processing Internal Controls Not Operating Effectively) – First reported 2022, Last reported 2024*

The Department of Financial and Professional Regulation's (Department) internal controls over its voucher processing function were not operating effectively during the examination period.

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

Testing noted four of 140 (3%) attributes were not properly entered into the ERP System. Therefore, the Department's internal controls over voucher processing **were not operating effectively.**

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Department 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 Department 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 (30 ILCS 10/3001) requires the Department establish and maintain a system of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

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

Even with the limitations noted above, auditors conducted an analysis of the Department's expenditures data for Fiscal Years 2023 and 2024 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). They noted the following noncompliance:

- The Department owed three vendors interest totaling \$348 in Fiscal Year 2023; however, the Department had not approved these vouchers for payment to the vendors.

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

- The Department did not timely approve 3,341 of 7,412 (45%) vouchers processed during the examination period, totaling \$19,336,638. Auditors noted these vouchers were approved between 1 and 555 days late.

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

During detailed testing of the Department's refund expenditure vouchers, 1 of 25 (4%) vouchers was not coded with the correct SAMS detail object code.

SAMS (Procedure 11.10.50) states the purpose of the SAMS detail object code is to report expenditure information at a more refined level within a common object. In addition, good internal controls require a thorough review of vouchers and comparison to supporting documents to ensure accuracy prior to approving the voucher payment.

Additionally, during their detailed testing of the Department's State property vouchers, auditors noted both two (100%) vouchers for furniture purchases, totaling \$79,849, the Department failed to provide the State Property Surplus – New Furniture Purchase Form.

The State Property Control Act (30 ILCS 605/7a) states agencies that desire to purchase new furniture shall first check with the administrator if any of the surplus furniture under the administrator's control can be used in place of new furniture. If an agency finds that it is unable to use the surplus property, the agency shall file an affidavit with the administrator 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, the total cost per category, and why the furniture must be purchased new as opposed to obtained from the administrator's surplus. The affidavits shall be made available by the administrator for public inspection and copying.

Department management indicated the weaknesses were caused by turnover in the Department's Fiscal Division, as well as a different interpretation in determining proper approval, which resulted in the noted exceptions.

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 timely process proper bills and approve vouchers for payment of interest due represents noncompliance with the Code and the Act. In addition, inaccurate SAMS detail object codes reduce the overall control over expenditures and could lead to inaccurate State reporting.

Failure to complete an affidavit for the purchase of new furniture results in noncompliance with the State Property Control Act. This omission prevents the Department from justifying the need for new furniture over surplus property and hinders transparency, as the required affidavit must be made available for public inspection.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department conducted an analysis of overdue invoices, noting invoices were overdue on average by 82 days in Fiscal Year 2023 and 42 days in Fiscal Year 2024, demonstrating improvement in the Department's procedures related to voucher processing.

The Department did and does approve proper bills within 30 days of receipt. However, the Department has held 30 days as the allotted processing time to provide approved bills to the Comptroller in the past. The Department will establish a formal voucher policy that outlines expectations and responsibilities for submitting and approving vouchers in a timely manner. The Department will provide additional resources and training on accurate data entry and compliance requirements related to voucher processing. Procedures related to voucher and prompt-pay processing have been created to assist with the continuity of operations in the event of staff turnover.

Effective January 1, 2025, the State Property Control Act no longer requires the completion of an affidavit for the purchase of new furniture. Relevant Department employees have been trained on the new property control requirements.

**UPDATED RESPONSE:**

**Partially Implemented.**

Department staff have been reminded of the importance of submitting invoices to the Fiscal Division in a timely manner. Monitoring controls have been designed and will be implemented by the Department to ensure voucher approval and payment by statutorily mandated timelines. The Department has provided additional resources and training on accurate data entry and compliance requirements related to voucher processing. Procedures related to voucher and prompt-pay processing have been created to assist with the continuity of operations in the event of staff turnover.

Effective January 1, 2025, the State Property Control Act no longer requires the completion of an affidavit for the purchase of new furniture. Relevant Department employees have been trained on the new property control requirements.

**15. Auditors recommend the Department timely deposit receipts in accordance with the State statute. In addition, the Department should prepare and submit all RDTs to the Comptroller on a timely basis.**

**FINDING:** *(Untimely Deposit of Receipts) – New*

The Department of Financial and Professional Regulation (Department) did not deposit receipts timely.

During testing of receipts, auditors noted the following:

- Six of 40 (15%) receipts, totaling \$970,464, were deposited between 1 and 33 days late.
- Three of 40 (8%) receipt deposit transmittals (RDT), totaling \$872,230, were not submitted to the Comptroller's Office within a reasonable timeframe upon receipt of the Treasurer's Draft. They were submitted between 5 and 184 days late.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2) states that every officer, board, commission, commissioner, department, institution, arm or agency shall pay into the State Treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts of \$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, disregarding holidays, Saturdays and Sundays, after the receipt of same.

The Statewide Accounting Management System (Procedure 25.10.30) stipulates that money received by the Department in the form of checks, drafts, or similar instruments must be delivered to the State Treasurer for collection. The State Treasurer then remits the collected funds to the Department via Treasurer's Draft, which is subsequently



submitted to the Comptroller to be directed into the appropriate fund(s). Proper internal controls require timely processing of deposits to ensure funds are available for expenditure.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Department to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues 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 and, in addition, that resources are utilized efficiently and effectively. Effective internal controls include a timely preparation of RDTs within 30 days upon receipt of the Treasurer's Draft.

Department management indicated delays in the timely deposit of receipts and transmittal of receipt of deposits were due to high rate of attrition in the Fiscal Division.

Failure to timely deposit receipts could lead to delayed availability of funds for expenditure, increased risk of loss or theft, particularly for cash and checks, and represents noncompliance with State statute. Prompt deposits are essential to safeguard funds and ensure they are available for intended use.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department has implemented a daily deposit tracking system to ensure that all incoming receipts and deposits are made within the required statutory timeframe.

The Department is actively working to fill key vacancies in the Fiscal Division to address the impact of staff attrition on receipt processing and transmittal submissions. Additional staff training and process documentation will be developed to ensure new and existing employees fully understand deposit and RDT requirements. Several procedure documents related to receipts processing have been developed to assist with the continuity of operations in the event of staff turnover.

**UPDATED RESPONSE:**

**Partially Implemented.**

The Department has implemented a daily deposit tracking system to ensure that all incoming receipts and deposits are made within the required statutory timeframe.

The Department is actively working to fill key vacancies in the Fiscal Division to address the impact of staff turnover on receipt processing and transmittal submissions. Additional staff training and process documentation will be developed to ensure new and existing employees fully understand deposit and RDT requirements. Several procedure documents related to receipts processing have been developed to assist with the continuity of operations in the event of staff turnover.

**16. Auditors recommend the Department ensure timely submissions of census data reconciliations to SERS.**

**FINDING:** *(Census Data Reconciliation Not Timely Submitted) – First reported 2022, Last reported 2024*

The Department of Financial and Professional Regulation (Department) did not timely submit its census data reconciliation.

During testing of census data reconciliation, auditors noted the State Employees' Retirement System of Illinois (SERS) data reconciliation certifications were not submitted timely by the Department to SERS. The certifications were submitted 524 days late for Fiscal Year 2022 and 148 days late for Fiscal Year 2023.

The SERS Census Data Reconciliation Guidance for Fiscal Years 2022 and 2023 specifies that the Department must complete the reconciliation by November 1, 2022 and November 13, 2023, respectively.

Department management indicated the submission of data reconciliation certifications for Fiscal Year 2022 and Fiscal Year 2023 was delayed due to a delay in assigning the task to the appropriate individual.

Failure to timely reconcile and submit census data reports could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts.

**DEPARTMENT RESPONSE:**

The Department accepts the finding and recommendation. The Department notified SERS of the appropriate individuals that should receive the SERS data reconciliation request. Department management included a human resources group email on the contact list to ensure continuity of operations in the event of management turnover. As a result of these procedures, the Fiscal Year 2024 census data reconciliation was submitted timely.

**UPDATED RESPONSE:**

**Implemented.**

The Department notified SERS of the appropriate individuals that should receive the SERS data reconciliation request. Department management included a general human resources email on the contact list to ensure continuity of operations in the event of management turnover.

**Emergency Purchases**

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

against further loss of or damage to State property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the Chief Procurement Officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

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

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

DFPR had one emergency purchase in the first quarter of FY24 for an actual cost of \$0. Licensees pay the vendor directly via a per transaction fee set by statute. The current agreement expired and an ownership change prevented a renewal, necessitating this emergency purchase.

### **Headquarters Designations**

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

As of July 2024, the Department of Financial and Professional Regulations had 114 employees assigned to locations others than official headquarters.