LEGISLATIVE AUDIT COMMISSION

Review of
Illinois Liquor Control Commission
For Two Years Ended June 30, 2021

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REVIEW: 4531
ILLINOIS LIQUOR CONTROL COMMISSION

TWO YEARS ENDED
JUNE 30, 2021

RECOMMENDATIONS – 12
ACCEPTED - All

IMPLEMENTED – 7
PARTIALLY IMPLEMENTED – 5

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 0 First report as an agency

This review summarizes the auditors' report of the Illinois Liquor Control Commission for the two years ended June 30, 2021, filed with the Legislative Audit Commission on March 17, 2022. The auditors conducted a Compliance Examination in accordance with state law and Government Auditing Standards.

The Liquor Control Commission (LCC or Commission) became a state agency from Public Act 100-1050 that became effective July 1, 2019. The LCC was a division under Revenue previously. All the powers, duties, rights and responsibilities that were related to the LCC established under Executive Order 2003-9 were transferred to then newly independent LCC.

<u>Mission Statement:</u>

To effectively regulate the manufacture, distribution, and sale of alcoholic beverages and reduce youth access to alcohol.

<u>Program Goals and Objectives:</u>

- Ensure statewide compliance with the provisions, rules, and regulations of the Illinois Liquor Control Act.
- Reduce youth access to alcohol in Illinois.
- Review and determine eligibility of business entities to hold a liquor license in the State of Illinois.
- Develop a public awareness campaign related to minimum age liquor laws and to educate retail liquor establishments on how to guard against illegal sales and services to minors.

The LCC has established the following agency divisions:

- Legal;
- Enforcement;
- Industry Education;

- Human Resources; and
- Fiscal.

The LCC is headquartered at:

- Richard J. Daley Center, 50 West Washington, Suite 2-209 (Primary); and
- Jefferson Terrace, 300 West Jefferson, Suite 300, Springfield.

Lisa Gardner has been Executive Director since May 1, 2021. Noel Quanbeck is the General Counsel. Michael Gentry is the CFO.

Agency key metrics include:

- Headcount: 43 in FY21 compared to projected 60 in FY22;
- Licenses Issued: 30,475 in FY21 compared to projected 32,000 in FY22;
- Inspections: 15,561 in FY21 compared to 17,000 projected in FY22.

According to the GOMB agency metrics:

Measure Name	FY 2019 Actu	FY 2020 Actu	FY 2021 Actu	FY 2022 Estimate	FY 2023 Project
Liquor inspection compliance rate (percentage of liquor licenses inspected with no violations)	76.8	82.5	88.5	80.2	83.3
Revenue generated from liquor licensing and enforcement ($ thousands)	10,557.9	9,056.5	9,604.4	10,644.1	10,877.3

Appropriations and Expenditures

The LCC was appropriated $11,060,000 in FY 21 compared to $11,474,000 in FY20 for operations. The LCC is a non-GRF agency with funds from the Dram Shop Fund (821).

In the State Officers' Salaries portion of the Comptroller's budget, the following are appropriated for FY 21:

- $40,000 for the LCC Chair; and
- $208,000 for 6 members or $34,700 each.
- The Chair and 1 member also receive a $200 per diem for work on a License Appeal Commission.

The vast majority of the budget is spent on Operations. In FY 20 the total was 99.9%, and in FY21 the total was 97.1% The other 2.9% in FY21 was for permanent improvement for remodeling/renovations in the LCC's new Chicago office location.

Of the 43 total employees in FY21:

- 21 are enforcement agents;
- 7 work out of the Springfield office; and

- 15 work out of the Chicago office.

Cash Receipts

GRF receipts for fines or violations, liquor licenses and duplicate licenses totaled $7.59 million in FY20 compared to $7.939 million in FY21. In FY 21, the vast majority or 90% of the total was brought in by liquor licenses.

The Other State Fund, Dram Shop Fund, receipts were $9.056 million in FY20 and $9.6 million in FY21.

Property and Equipment

Equipment in FY20 was $5,219 compared to $6,873 in FY21, an increase of $1,785.

Property in FY20 was $0 compared to the $231,177 in permanent improvements in FY21.

Accountants' Findings and Recommendations

Condensed below are the 12 findings and recommendations included in the first audit report for the LCC. The following recommendations are classified on the basis of information provided by the LCC, via electronic mail received March 17, 2022.

1. Auditors 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.

<u>FINDING:</u> *(Inadequate Controls over Reporting Requirements)*

During testing, auditors noted the following:

- The Commission did not submit a Fiscal Control and Internal Auditing Act certification (certification) to the Office of the Auditor General for both FY20 and FY21.

- The Commission did not submit monthly Debt Transparency Act reports to the Office of Comptroller for both FY20 and FY21.

- The Commission did not prepare and submit an annual report of its acts and doings to the Governor for FY20 due on January 4, 2021.

- 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 FY20 and FY1.

- The Commission did not inform the Government Documents Section of the State Library in writing of the person responsible for the distribution of publications of the Commission annually and within two weeks after any changes to the annual filing.

- The Commission has one petty cash fund of $4,150; however, it did not submit a Petty Cash Fund Usage Report (Form C-18) and a Petty Cash Internal Control Certification (Form C-86) with the Office of Comptroller during the examination period.

- During testing of the Agency Fee Imposition Reports (AFIR), auditors noted the Commission did not submit the FY20 AFIR. In addition, the Commission did not include penalties collected, totaling $837,775, in the FY21 AFIR.

- During testing of Travel Headquarter (TA-2) Reports, auditors noted 3 of 4 (75%) TA-2 Reports filed by the Commission to the Legislative Audit Commission (LAC) during the examination period were filed between 213 to 586 days later than the required submission date of January 15th or July 15th.

LCC management stated the Commission was not aware of the noted report submission requirements with the respective agencies as the examination period was for the first two years of the Commission being a stand-alone agency. In addition, LCC management stated the exclusion of fines and penalties in the FY21 AFIR was due to employee oversight.

RESPONSE:
The Commission agrees with the recommendation that internal controls over statutorily required reports be strengthened. The Executive Director and Senior management will complete, and file statutorily required reports and submissions. The Commission has reached out to each area that reports are to be submitted, to ensure that they are aware of the Commission being responsible for their own reports. All monthly reporting for FY22 has been completed and all upcoming submission dates have been acknowledged.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. The Executive Director and Senior management have implemented written procedures for each division to complete and file statutorily required reports and submissions in a timely manner. The Commission has reached out to all parties that reports are to be submitted to, to ensure that they are aware of the Commission being responsible for their own reports.

2. Auditors recommend the Commission establish adequate controls over the receipts process to ensure timely deposit of receipts and also recommend the Commission maintain documentation to support receipts and NSF transactions.

<u>FINDING:</u> *(Inadequate Controls over Receipts)*

According to Commission records, the Commission collected total revenues of $16.6 million and $17.5 million which were deposited into the General Revenue Fund (Fund 001) and the Dram Shop Fund (Fund 821) during FY20 and FY21, respectively. However, as discussed in Finding 2021-005, auditors noted irreconcilable differences of $567,936 and $147,974 between the Commission's receipt records and the Office of Comptroller's Monthly Revenue Status Report (SB04) reports as of June 30, 2020 and June 30, 2021, respectively.

Due to these conditions, auditors 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 § 205.35) 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, auditors noted the following:

- Thirty-nine (65%) receipts tested, totaling $170,725, were deposited between 1 and 91 days late.

- For one (2%) receipt tested, totaling $750, the Commission was unable to provide a copy of the Treasurer's Draft and Receipts Deposit Transmittal (RDT) (C-64) form used to process the receipt into the State Treasury. Therefore, auditors were unable to determine if the Commission timely remitted the draft and RDT to the Office of Comptroller for the related receipt to be ordered into the appropriated funds.

In addition, during testing of non-sufficient funds (NSF) transactions processed by the Commission during the examination period, the Commission was unable to provide supporting documentation for all the 60 NSF transactions selected for testing. As such, auditors were not able to determine if the licenses related to the 60 NSF transactions were canceled or revoked until alternative payments were received, and if the alternative payments were timely deposited by the Commission. During the examination period, the Commission processed 348 NSF checks.

LCC management stated the issues noted on receipts were due to staffing shortages, hybrid work schedules wherein employees are in the office only once a week, and transition of the Commission to a separate agency from the Department of Revenue (Revenue) wherein some transactions were processed, and documents were maintained by Revenue.

RESPONSE:
The Commission agrees with the recommendation that controls over receipts should be adequate to ensure timely deposits. The Commission has implemented a schedule in case of any event that prohibits either location from being open to where a responsible party will oversee collecting mail and making timely deposits. All NSF transactions will be documented by the Commission, as it is our belief that the receipts that were unaccounted for were processed during the transitional period of the Commissions becoming its own agency.

UPDATED RESPONSE; Implemented.
The Commission accepts this recommendation. The Commission has implemented a schedule, in case of any event that prohibits either location from being open, where a responsible party will oversee collecting mail and making timely deposits. The Commission has implemented a system for filing both electronic and physical copies of all receipts. All NSF transactions are maintained in a shared folder and copies are created in GenTax.

3. **Auditors recommend the Commission improve its controls over state property to ensure 1) required property reports are prepared and submitted timely, 2) equipment purchases are tagged, recorded and reported timely, and 3) obsolete and transferable properties are timely identified, deleted from property listing, and reported to CMS, to comply with state laws and regulations.**

FINDING: *(Inadequate Controls over State Property)*

Specifically, auditors noted the following:

- During testing of statutorily required reports related to state property, auditors noted:
  - Eight of 8 (100%) quarterly Agency Report of State Property (Form C-15) were submitted by the Commission to the Office of Comptroller on August 10, 2021 after we notified the Commission of the requirement to file the quarterly Form C-15s. As a result, the Commission's FY20 and FY21 Form C-15s ranged between 10 and 648 days late.
  - The Commission submitted its Annual Inventory Certification for FY20 and FY21 to CMS) 49 and 44 days late, respectively.
  - The Commission submitted its FY21 Annual Real Property Utilization Report to DCMS 11 days late.
- One of 2 (50%) equipment vouchers tested, totaling $1,252, purchased on September 3, 2020, was not tagged nor added to the Commission's property listing

as of June 30, 2021. After notifying the Commission of the error on September 29, 2021, the Commission subsequently tagged the equipment item, and added it to the Commission's property listing.

- During list to floor testing, auditors noted 3 of 6 (50%) equipment items selected for testing, totaling $2,596, were considered obsolete and transferable. However, the items remained on the Commission's property records, and the Commission had not reported the items to CMS for possible disposal through the surplus process.

LCC management stated the exceptions noted were due to employee oversight. Moreover, LCC management stated the Commission was not aware of the report submission requirements related to the Commission's state property and equipment as the examination period was for the first two years of the Commission being a stand-alone agency.

RESPONSE:
The Commission agrees with the recommendation that controls over state property be improved. The Commission has assigned an asset manager that maintains records on all assets incoming and outgoing. Inventory audits will be conducted at the time of submission for the C-15 forms each quarter. All supervisors are aware of the reports that are required to be submitted for assets and real property.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. The Commission has implemented the role of an asset manager that maintains records on all assets incoming and outgoing to ensure all purchases are tagged or removed accordingly, and reports are submitted in a timely manner. Inventory audits are to be conducted in conjunction with reports submitted to CMS each quarter.

4. Auditors recommend the Commission strengthen its controls over personal services to ensure the following:
- **All Commission employees required to file a SOEI do so;**
- **SOEIs are appropriately reviewed by the Commission's Ethics Officer prior to them being filed with the SOS;**
- **Commission management reviews and certifies the list of employees required to file SOEIs as of the date established by State law;**
- **Agency Workforce Reports are prepared accurately and timely in accordance with State law;**
- **Commission employees timely complete the required sexual harassment prevention training and ethics training;**
- **Performance evaluations are completed timely;**
- **Accurate attendance records are retained;**
- **Overtime is adequately reviewed and approved prior to the employee performing services; and**

- **Payroll deductions are accurately prepared and reviewed prior to submitting payroll vouchers to the Office of Comptroller for payment.**

FINDING: *(Inadequate Controls over Personal Services)*

- During testing of Statement of Economic Interest (SOEI) reporting, auditors noted the following:
    - The Commission did not submit a certification of persons required to file SOEIs with the Secretary of State (SOS) for FY20. In addition, after auditors notified the Commission of its responsibility to do so, the Commission submitted its certified list of persons required to file SOEIs for FY21 to the SOS. As such, auditors noted the FY21 listing did not include one of the Commission members and was submitted 205 days after the due date.
    - The Ethics Officer did not review all SOEIs and disclosure forms submitted by Commission officers, senior employees, and contract monitors prior to filing them with the SOS for FY20 and FY21.
    - Six of 10 (60%) Commission members or employees tested who were required to file SOEIs did not file them in FY20, and 3 of 10 (30%) Commission members or employees tested who were required to file SOEIs did not file for them in FY21.
- During testing of the Commission's FY20 Agency Workforce Report, auditors noted:
    - The data and statistical percentages for 7 of 16 (44%) employee category groups presented in the report did not agree with the Commission's supporting documentation.
    - The Commission submitted the report to the Governor's Office and the Secretary of State 146 days and 153 days late, respectively.
- During detailed testing of five employees, auditors noted:
    - For 3 (60%) of the employees tested, 2 of the employees' initial sexual harassment prevention training were not completed within 30 days after commencement of employment (5 and 289 days late) and 1 (20%) employee did not complete the initial sexual harassment prevention training.
    - Two (40%) of the employees tested did not complete their initial ethics training within 30 days after commencement of employment (5 and 22 days late).

- One of 7 (14%) employee performance evaluations tested was completed 214 days after the employee's anniversary date.

- The Commission did not maintain the daily time reports of two (40%) employees for two pay periods tested.

- In addition, 5 of 8 (63%) daily time reports of two (40%) employees did not have the related overtime requests approved in advance. The overtime requests were approved 5 to 11 days late.

- The Commission incorrectly calculated the withholding of federal taxes for 4 (80%) employees tested. As a result, the Commission overpaid the federal government a net amount of $2,357 for FY20 and underpaid a net amount of $1,122 for FY21 in relation to the salary of the four employees.

LCC management stated the exceptions noted were due to employee turnover and oversight. Moreover, LCC management stated the Commission was not aware of the submission requirements related to SOEI and the responsibility of the Commission to attest for employee's rate of deductions as the examination period was for the first two years of the Commission being a stand-alone agency.

RESPONSE:
The Commission agrees with the recommendation to strengthen controls for personal services. The Human Resources Division has reached out to all employees that are required to file a SOEI. The Commission will track and follow up with employees that have not completed trainings to ensure that they are completed promptly.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. The Commission has implemented policies for and written procedures for performance evaluations, attendance record keeping, overtime and payroll reviews. The Commission's Ethics Officer has reached out to all employees that are required to file a SOEI. The Commission has implemented a more efficient monitoring system to follow up with employees that have not completed trainings to ensure that they are completed promptly.

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

FINDING: *(Inadequate Controls over Monthly Reconciliations)*

The Commission expended $6.8 million and $8.0 million from one fund in FY20 and FY21, respectively. The Commission collected total revenues of $16.6 million and $17.5 million which were deposited into two funds in FY20 and FY21, respectively.

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

- Twenty-four of 24 (100%) monthly reconciliations of the Commission's records to the Office of Comptroller's Monthly Revenue Status Report (SB04) were not completed. Further, we noted unreconciled differences of $567,936 and $147,974 between the Commission's records and SB04 reports as of June 30, 2020 and June 30, 2021, respectively.

- Twenty-four of 24 (100%) monthly reconciliations of the Commission's records to the Office of Comptroller's Cash Report (SB05) were not completed.

- Twenty-three of 31 (74%) monthly reconciliations of the Commission's records to the Office of Comptroller's Monthly Appropriation Status Report (SB01) were performed between 12 to 590 days late.

- Fourteen of 15 (93%) monthly reconciliations of the Commission's records to the Office of Comptroller's Agency Contract Report (SC14) were not completed in FY20.

- Fifteen of 15 (100%) monthly reconciliations of the Commission's records to the Office of Comptroller's Obligation Activity Report (SC15) were not completed in FY20.

- Four of 16 (25%) monthly reconciliations of the Commission's records to either the SC14 or SC15 were not completed in FY21.

- Fifteen of 15 (100%) monthly reconciliations of the Commission's records to the Office of Comptroller's Object Expense/Expenditures by Quarter Report (SA02) were not completed during FY20.

LCC management stated the issues noted were due to employee oversight. In addition, LCC management stated the Commission was not aware of the reconciliation requirements between the Commission records and the various Office of Comptroller's reports as the examination period was for the first two years of the Commission being a stand-alone agency.

RESPONSE:
The Commission agrees with the recommendation that all reconciliations be prepared timely as required by the SAMS Manual. The Commission will be reaching out to the Illinois Department of Revenue as well as agencies similar to the Commission to create a system that is accurate and certifies that the reconciliations will be submitted on time.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. The LCC has completed additional training on the SAMS Manual and have implemented written procedures, including a second level review, for all reconciliations to be completed timely and accurately against the Comptroller's records. The Commission has prepared timely reconciliations in FY22

and are saved electronically. The Commission will notify the Comptroller's Office of any irreconcilable differences.

6. Auditors recommend the Commission:

- **Submit all required reports when instructed to by law.**
- **Review and enforce procedures over the Commission employee's timely filing of their required annual certifications of license and liability insurance coverage.**
- **Develop a monitoring process to ensure all employee vehicle assignments and changes are timely and properly reported to DCMS.**
- **Review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance.**

<u>FINDING:</u> *(Inadequate Controls over State Vehicles)*

During testing, auditors noted the following:

- The Commission has a vehicle use policy, but it was not submitted to CMS as required. Subsequently to being noted as an exception by the auditors, the Commission submitted the policy to CMS on November 4, 2021.

  LCC management stated the Commission was not aware of the reporting requirement as this examination period was for the first two years of the Commission being a stand-alone agency.

- Five of 5 (100%) individually assigned vehicles tested, the annual licensure and insurance certifications for FY21 were submitted by the employee to the Commission between 6 to 31 days late.

  LCC management stated the exceptions were due to employee oversight.

- The Commission did not submit the annual Individually Assigned Vehicles reports to CMS for both FY20 and FY21.

  LCC management stated the Commission was not aware of the reporting requirement as this examination period was for the first two years of the Commission being a stand-alone agency.

- Five of 5 (100%) vehicles tested did not have routine oil changes performed within the mileage intervals required by the CMS. The oil change overages ranged from 103 to 1,163 miles beyond the allowed interval.

LCC management stated the exceptions were due to employee oversight.

RESPONSE:
The Commission agrees with the recommendation that all reports be submitted by law, as well as procedures be enforced and monitored.

UPDATED RESPONSE: Partially Implemented.
The Commission accepts this recommendation. The Commission has assigned a Fleet Manager that will oversee all fleet related reports. Written procedures have been implemented to ensure that all vehicle assignments, certifications and controls are documented and maintained. The Commission will work with CMS to ensure that all vehicles are maintained in a timely manner.

7. Auditors recommend the Commission take action to comply with state laws and regulations over its voucher processing function, including:

- **reviewing and approving or denying vendor bills within 30 days from receipt;**
- **ensuring vouchers are accurately completed and properly reviewed; and**
- **ensuring documentation supporting details of the voucher are adequately retained.**

FINDING: *(Inadequate Controls over Voucher Processing)*

During the examination, auditors tested 75 expenditure vouchers, totaling $4,299,136, and noted the following:

- Two of 75 (3%) vouchers tested, totaling $213,752, were approved more than 30 days after the receipt of a proper bill. These vouchers were approved for payment 14 and 61 days late.

- Three of 15 (20%) travel vouchers tested, totaling $799, indicated the employees' headquarters were different from those of the Commission's central office locations, according to the Commission's Travel Headquarter (TA-2).

- For 2 of 15 (13%) payroll vouchers tested, totaling $467,387, the Commission was not able to provide detailed payroll support for the breakdown of the payroll expenditures. As a result, we were unable to determine whether the payroll voucher was accurately paid.

- For 1 of 15 (7%) payroll vouchers tested, totaling $225,773, the Commission was not able to provide support it was approved by the Commission head or designee. As a result, we were unable to determine whether the payroll voucher was adequately authorized for payment.

LCC management stated the issues noted were due to employee oversight.

RESPONSE:
The Commission agrees with the recommendation that action must be taken to comply with state laws and regulations over voucher processing functions. Vouchers will be reviewed thoroughly and reimbursement forms will use the correct headquarters location.

UPDATED RESPONSE: Partially Implemented.
The Commission accepts this recommendation. The Commission has completed additional training and has added another review step process to ensure that all vouchers are accurately completed and reviewed in a timely manner with supporting documents.

8. Auditors recommend the Commission work with DoIT to determine each agency's responsibilities. In addition, 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.**

FINDING: *(Weaknesses with Payment Card Industry Data Security Standards)*

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 FY20 and FY21, total credit card payments were processed for 5,193 transactions totaling $2,848,590 and 5,491 transactions totaling $2,850,975, respectively.

During testing, auditors 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.

LCC management stated the Commission was unsure if the PCI DSS requirements were the responsibility of the Commission or DoIT.

RESPONSE:
The Commission agrees with the recommendation that confidentiality assessments be completed to ensure safeguards are in place for sensitive information.

UPDATED RESPONSE: Partially implemented.
The Commission accepts this recommendation. The Commission has been working with DoIT to complete the SAQ and has assigned staff to be thoroughly trained and annually complete all SAQ checklists and Attestation of Compliance forms.

9. Auditors recommend the Commission:

- **Develop a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental, and operational requirements.**
- **Establish cybersecurity roles and responsibilities.**
- **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.**
- **Ensure all staff complete the security awareness training.**

FINDING: *(Weaknesses in Cybersecurity Programs and Practices)*

During the examination of the Commission's cybersecurity program, practices, and control of confidential information, auditors noted the Commission had not:

- developed a formal, comprehensive, adequate, and communicated security program (policies, procedures, and processes as well as clearly defined responsibilities over the security of computer programs and data) to manage and monitor the regulatory, legal, environmental, and operational requirements.
- established cybersecurity roles and responsibilities.
- performed a comprehensive risk assessment 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.

In addition, the Commission did not ensure cybersecurity awareness training was completed. During testing, auditors noted:

- Fifteen of 43 (35%) employees did not complete the security awareness training for Calendar Year 2019.

- Five of 43 (12%) employees did not complete the security awareness training for Calendar Year 2020.

LCC management stated understaffing contributed to the delay in completion of these activities.

RESPONSE:
The Commission agrees with the recommendation that confidential information be better safeguarded.

UPDATED RESPONSE: Partially Implemented.
The Commission accepts this recommendation. The Commission is working with DoIT to implement a security program that ensures policies, procedures, and processes are clearly defined. IT staff will complete annual risk assessments to ensure all information is protected. The Commission will follow up with all staff to certify that security awareness training has been completed.

10. Auditors recommend the Commission develop and approve an identity protection policy as required by the Act.

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

During testing, auditors noted the Commission had not adopted an identity protection policy.

LCC management stated it was not aware of the requirement to formally adopt an identity-protection policy.

RESPONSE:
The Commission agrees with the recommendation that identity protection policies be developed and approved as required. The Commission has already implemented an Identity Protection Policy.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. We have implemented an Identity Protection Policy. We will ensure employees submit acknowledgement of their review of this policy.

11. Auditors recommend the Commission implement controls to ensure user access rights are reviewed at least annually, and access of terminated employees are timely terminated.

FINDING: *(Inadequate Controls over Review of User Access)*

During the examination, the Commission was unable to provide documentation user access reviews were completed for DoIT's Enterprise Resource Planning System (ERP), Central Time and Attendance System (CTAS), eTime, Central Payroll System (CPS). Auditors also noted:

- Four of 7 (57%) CTAS users no longer required access.
- Three of 4 (75%) CPS users no longer required access.

In addition, the Commission could not provide documentation demonstrating 2 of 5 (40%) SAMS user accesses were timely revoked.

LCC management indicated the Commission was unaware of the need to formally document its review of user access rights and the Commission relied on the controls within the application to automatically revoke the access of inactive users.

RESPONSE:
The Commission agrees with the recommendation that improved controls for access rights be implemented. The Commission will ensure that staff no longer with the Commission are removed from all applications.

UPDATED RESPONSE: Implemented.
The Commission accepts this recommendation. The Commission has implemented written procedures to assist management with identifying and removing staff that are no longer with the Commission from all applications. The Commission will schedule routine audits to certify that all user access is either to remain active or be removed.

12. Auditors recommend the Commission strengthen its controls over GenTax security by ensuring all required training is completed prior to granting access and access is timely terminated.

FINDING: *(Inadequate Controls over GenTax Access)*

The Commission utilizes GenTax in the processing of liquor licenses. In order to determine if access was appropriate, auditors tested a sample of GenTax users noting:

- Two of 4 (50%) individuals completed safeguard training after access was granted to GenTax, and
- Three of 3 (100%) individuals' access was not timely terminated.

LCC management indicated the weaknesses were due to its recent separation from the Department of Revenue, staff turnover, and lack of procedures.

RESPONSE:
The Commission agrees with the recommendation that controls over required training should be strengthened.

UPDATED RESPONSE: Partially Implemented.
The Commission accepts this recommendation. The Commission will implement a system, as well as incorporate into written procedures, to ensure all new hires complete the proper training and that users are terminated upon leaving the Commission in a timely manner. The Commission will also incorporate a written acknowledgement for new hires to sign stating that the GenTax training has been complete.

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.

The LCC does not have any emergency purchases to report in the current FY.

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 June 2021, the LCC had 0 employees assigned to locations others than official headquarters.