

STATE OF ILLINOIS
ATTORNEY REGISTRATION AND
DISCIPLINARY COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended December 31, 2019

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

**State of Illinois
Attorney Registration and Disciplinary Commission
Compliance Examination
For the Two Years Ended December 31, 2019**

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The Attorney Registration and Disciplinary Commission’s financial statements as of and for the two years ended December 31, 2019, have been issued under a separate cover.	

**State of Illinois
Attorney Registration and Disciplinary Commission
Compliance Examination
For the Two Years Ended December 31, 2019**

Agency Officials

Administration

Administrator	Jerome Larkin
Deputy Administrator (until August 28, 2019)	James Grogan
Deputy Administrator, Appeals (June 1, 2019 to Present)	Scott Renfroe
Deputy Administrator, Litigation (June 1, 2019 to Present)	Peter L. Rotskoff
Deputy Administrator, Intake and Administration (June 1, 2019 to Present)	Althea K. Welsh
Director of Finance	Vick Paul
Director of Human Resources and Administrative Services	Eva Tramutolo

Commission Chair

Chairperson (January 1, 2019 to Present)	David F. Rolewick
Chairperson (until December 31, 2018)	James R. Mendillo
Vice-Chairperson (January 1, 2019 to Present)	Timothy Louis Bertschy
Vice-Chairperson (until December 31, 2018)	David F. Rolewick

Commission Members

Commissioner	Karen Hasara
Commissioner (December 4, 2019 to Present)	LaShana T. Jackson
Commissioner (until June 14, 2019)	Bernard Judge
Commissioner	John H. Simpson
Commissioner	Cedric D. Thurman
Commissioner (January 1, 2019 to Present)	John Nelson Wood

Commission Offices

Commission offices are located at:

One Prudential Plaza
130 East Randolph Drive, Suite 1500
Chicago, IL 60601

Novanis E-Business Center Building
3161 West White Oaks Drive, Suite 301
Springfield, IL 62704



ATTORNEY REGISTRATION AND DISCIPLINARY COMMISSION
of the
SUPREME COURT OF ILLINOIS

One Prudential Plaza
130 East Randolph Drive, Suite 1500
Chicago, Illinois 60601-6219
(312) 565-2600 (800) 826-8625
Fax (312) 565-2320

3161 West White Oaks Drive, Suite 301
Springfield, IL 62704
(217) 546-3523 (800) 252-8048
Fax (217) 546-3785

MANAGEMENT ASSERTION LETTER

August 20, 2020

Roth & Co., LLP
815 W. Van Buren Street, Suite 500
Chicago, Illinois 60607

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Attorney Registration and Disciplinary Commission. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Attorney Registration and Disciplinary Commission's compliance with the following specified requirements during the two-year period ended December 31, 2019. Based on this evaluation, we assert that during the years ended December 31, 2018 and December 31, 2019, the Attorney Registration and Disciplinary Commission has materially complied with the specified requirements listed below:

- A. The Attorney Registration and Disciplinary Commission has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Attorney Registration and Disciplinary Commission has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Attorney Registration and Disciplinary Commission has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected by the Attorney Registration and Disciplinary Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

Yours truly,

Attorney Registration and Disciplinary Commission

SIGNED ORIGINAL ON FILE

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Jerome Larkin, Administrator

Vick Paul, Director of Finance

**State of Illinois
Attorney Registration and Disciplinary Commission
Compliance Examination
For the Two Years Ended December 31, 2019**

Compliance Report

Summary

The compliance testing performed during this examination was conducted in accordance with the Illinois State Auditing Act.

Accountant's Reports

The Independent Accountant's Report on Compliance, on Internal Control Over Compliance and on Supplementary Information for Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	—	—
Repeated findings	—	—
Prior recommendations implemented or not repeated	—	—

Schedule of Findings

No findings were noted during the compliance examination for the two years ended December 31, 2019.

Exit Conference

The Commission waived an exit conference in a correspondence from Vick Paul, Director of Finance, on August 20, 2020.

**Independent Accountant's Report on Compliance,
on Internal Control over Compliance, and
on Supplementary Information for Compliance Purposes**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Commissioners
Attorney Registration and Disciplinary Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Attorney Registration and Disciplinary Commission (Commission) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended December 31, 2019. Management of the Commission is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Commission's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Commission has obligated, expended, received, and used funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received, and used funds in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, in its financial and fiscal operations.
- D. Revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

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

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

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

In our opinion, the Commission complied with the specified requirements during the two years ended December 31, 2019, in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Commission's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Commission's compliance with the specified requirements and to test and report on the Commission's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *A significant*

deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Commission as of and for the years ended December 31, 2019 and December 31, 2018 (not presented herein), and have issued our report thereon dated August 20, 2020, which contained unmodified opinions on those financial statements. Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to August 20, 2020. The accompanying supplementary information for the years ended December 31, 2019 and December 31, 2018, in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. Such information is the responsibility of Commission management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the years ended December 31, 2019 and December 31, 2018, in Schedules 1 through 3, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended December 31, 2019 and December 31, 2018, in Schedules 1 through 3, is fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended December 31, 2019 and December 31, 2018.

The Commission's basic financial statements as of and for the year ended December 31, 2017 (not presented herein), were audited by other auditors whose report thereon dated May 10, 2018 expressed unmodified opinions on the respective financial statements. The report of the other

auditors dated May 10, 2018, stated that the accompanying supplementary information for the year ended December 31, 2017, in Schedules 1 through 3, was subjected to the auditing procedures applied in the audit of the December 31, 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In their opinion, the accompanying supplementary information for the year ended December 31, 2017, in Schedules 1 through 3 was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
August 20, 2020

State of Illinois
Attorney Registration and Disciplinary Commission
Schedule of Changes in Property and Equipment
December 31, 2019 and 2018

SCHEDULE 1

	Balance January 1, 2019	Acquisitions	Dispositions	Balance December 31, 2019
Computer and related equipment	\$ 3,057,418	\$ 312,274	\$ 2,260	\$ 3,367,432
Office furniture and equipment	1,093,454	-	413	1,093,041
Library	13,965	-	11,274	2,691
Leasehold improvements	2,471,949	32,763	-	2,504,712
	<u>6,636,786</u>	<u>345,037</u>	<u>13,947</u>	<u>6,967,876</u>
Accumulated depreciation	(4,979,611)	(218,542)	(13,947)	(5,184,206)
Property and equipment, net	<u>\$ 1,657,175</u>	<u>\$ 126,495</u>	<u>\$ -</u>	<u>\$ 1,783,670</u>

	Balance January 1, 2018	Acquisitions	Dispositions	Balance December 31, 2018
Computer and related equipment	\$ 2,921,200	\$ 159,255	\$ 23,037	\$ 3,057,418
Office furniture and equipment	1,108,409	-	14,955	1,093,454
Library	25,433	-	11,468	13,965
Leasehold improvements	2,471,949	-	-	2,471,949
	<u>6,526,991</u>	<u>159,255</u>	<u>49,460</u>	<u>6,636,786</u>
Accumulated depreciation	(4,770,868)	(258,203)	(49,460)	(4,979,611)
Property and equipment, net	<u>\$ 1,756,123</u>	<u>\$ (98,948)</u>	<u>\$ -</u>	<u>\$ 1,657,175</u>

State of Illinois
Attorney Registration and Disciplinary Commission
Comparative Schedule of Cash Receipts - Excluding Investment Proceeds
For the Years Ended December 31, 2019, 2018 and 2017

SCHEDULE 2

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accrual Basis:			
Registration and program fees and delinquent charges	\$ 21,945,876	\$ 21,954,971	\$ 21,725,223
Investment income:			
Interest	1,113,487	752,102	460,619
Net appreciation of investments	479,953	25,789	47,197
Total investment income	<u>1,593,440</u>	<u>777,891</u>	<u>507,816</u>
Costs reimbursements collected	34,542	81,675	89,142
Client Protection Program reimbursements	37,157	216,158	260,049
Total revenue (accrual basis)	<u>23,611,015</u>	<u>23,030,695</u>	<u>22,582,230</u>
Plus:			
Deferred fees - end of year	16,768,347	16,583,343	16,514,642
Interest receivable - beginning of year	115,295	81,323	49,478
Accounts receivable - beginning of year	3,293	722	463
Deposits - end of year	5,502	3,501	4,000
Less:			
Deferred fees - beginning of year	(16,583,343)	(16,514,642)	(16,258,397)
Interest receivable - end of year	(175,810)	(115,295)	(81,323)
Accounts receivable - end of year	(26,399)	(3,293)	(722)
Deposits - beginning of year	(3,501)	(4,000)	(4,000)
Total receipts (cash basis)	<u>\$ 23,714,399</u>	<u>\$ 23,062,354</u>	<u>\$ 22,806,371</u>

State of Illinois
Attorney Registration and Disciplinary Commission
Comparative Schedule of Expenses
For the Years Ended December 31, 2019, 2018 and 2017

SCHEDULE 3

	2019	2018	2017
Salaries and related expenses			
Full-time staff	\$ 8,467,028	\$ 8,603,974	\$ 8,597,047
Temporary help	68,151	93,115	221,895
Employment taxes	114,408	120,383	124,203
Employee group insurance	1,437,070	1,557,285	1,561,459
Postretirement benefits	(156,129)	73,192	102,480
Retirement plan	1,509,766	1,549,534	1,546,030
Total salaries and related expenses	<u>11,440,294</u>	<u>11,997,483</u>	<u>12,153,114</u>
Travel expenses			
Staff	51,239	41,811	43,152
Vehicles	34,897	33,737	25,084
Commissioners	30,857	21,767	11,887
Review board	5,940	13,599	9,152
Hearing board	28,267	35,052	20,041
Inquiry and oversight boards	1,101	1,686	1,758
Total travel expenses	<u>152,301</u>	<u>147,652</u>	<u>111,074</u>
Library and continuing education	<u>235,971</u>	<u>158,995</u>	<u>201,888</u>
General expenses and office support			
Office rent	1,484,772	1,456,716	1,348,228
Utilities and maintenance	55,132	38,560	52,269
Telephone	134,331	137,976	125,837
Insurance general	157,361	149,133	156,018
Postage	130,552	128,451	135,731
Equipment rental and maintenance	16,031	14,483	24,742
Office supplies and expense	651,589	559,866	524,217
Stationery and forms	57,548	52,632	52,082
Total general expenses and office support	<u>2,687,316</u>	<u>2,537,817</u>	<u>2,419,124</u>
Computer expense	<u>658,217</u>	<u>504,532</u>	<u>515,197</u>
Other professional and case-related expenses			
Auditing	33,750	66,178	26,340
Consultants and fees	158,285	110,821	176,109
Court reporting	137,901	171,860	201,994
Witness fees - professional	122,988	139,360	115,298
Witness fees - other	7,452	9,603	3,166
Duplication of records	8,769	10,940	11,844
Online legal research fees	75,882	81,994	67,259
Total other professional and case-related expenses	<u>545,027</u>	<u>590,756</u>	<u>602,010</u>
Client Protection Program payments	<u>1,394,147</u>	<u>2,327,765</u>	<u>1,776,951</u>
Depreciation and amortization expense	<u>218,542</u>	<u>258,203</u>	<u>379,888</u>
Total expenses	<u>\$ 17,331,815</u>	<u>\$ 18,523,203</u>	<u>\$ 18,159,246</u>

State of Illinois
Attorney Registration and Disciplinary Commission
Commission Functions and Planning Program (Unaudited)
For the Years Ended December 31, 2019 and 2018

The Attorney Registration and Disciplinary Commission (Commission) was established in 1973 by the Illinois Supreme Court (Court) to monitor the registration and regulation of attorneys admitted to practice law in Illinois. In 1994, the Court established the Client Protection Program to provide reimbursements to clients who have lost money or property because of dishonest conduct by lawyers admitted to practice law in Illinois. This program reimburses, up to a maximum of \$100,000, clients who cannot obtain reimbursement from the lawyer who caused the loss or from other sources.

Seven commissioners are appointed by the Court to direct the Commission. Four of these appointees are attorneys; three are public members. The Commissioners appoint, with the approval of the Court, the Administrator of the Commission; oversee the collection and administration of funds; develop rules for disciplinary proceedings and appoint attorney and lay members of the Hearing and Inquiry Boards which are involved in disciplinary matters.

The Administrator is the principal executive officer of the Commission. The Administrator's responsibilities include directing the disciplinary system, monitoring the registration of attorneys and collection of annual registration fees and overseeing the investigation of charges of misconduct and the prosecution of disciplinary cases.

The organization as well as the general policies and procedures of the Commission are established by the Illinois Supreme Court rules.

The Commission maintains a multi-year forecast to identify the budgeting goals of the Commission. The Commission staff prepares an annual budget based on the plans and objectives of the Commission as well as the case load projections. This budget is assembled on a line-item by line-item basis with explanations for all significant changes from the previous year's budget and actual performance. Upon its completion, the budget is presented to the Commissioners for their approval. After the budget is approved, it is compared against the actual operations of the Commission through the identification of favorable and unfavorable variances. The Commissioners are provided monthly reports that compare the budget with actual results.

State of Illinois
Attorney Registration and Disciplinary Commission
Analysis of Significant Variations in Receipts and Expenses (Unaudited)
For the Years Ended December 31, 2019 and 2018

A comparative schedule of significant variations in receipts and expenses by account category greater than \$120,000 and more than 15% for the year ended December 31, 2019 is shown below:

	2019	2018	Variance	
			Amount	%
<u>Receipts</u>				
Investment income - net	\$1,593,440	\$ 777,891	\$ 815,549	105%
Client Protection Program reimbursements	37,157	216,158	(179,001)	(83%)
<u>Expenses</u>				
Computer expenses	658,217	504,532	153,685	30%
Client Protection Program direct expenses	1,394,147	2,327,765	(933,618)	(40%)

Investment income - net

The increase in this account resulted from a combination of an increase in investment balances and higher portfolio returns in 2019.

Client Protection Program reimbursements

The decrease in this account pertains to a low number of reimbursements collected from disciplined lawyers in 2019. Amounts collected can vary significantly from year to year and are dependent upon each disciplined lawyer's ability to pay and the current economic environment.

Computer expenses

The increase in this account is due to start up and operating costs incurred for the Commission's migration to the Cloud.

Client Protection Program direct expenses

The significant decrease in this account was due to a decrease in the number of approved and paid claims and a reduction in the number of claims paid at the maximum permitted value of \$100,000.

State of Illinois
Attorney Registration and Disciplinary Commission
Analysis of Significant Variations in Receipts and Expenses (Unaudited)
For the Years Ended December 31, 2019 and 2018

A comparative schedule of significant variations in receipts and expenses by account category greater than \$120,000 and more than 15% for the year ended December 31, 2018 is shown below:

	2018	2017	Variance	
			Amount	%
<u>Receipts</u>				
Investment income - net	\$ 777,891	\$ 507,816	\$270,075	53%
<u>Expenses</u>				
Client Protection Program direct expenses	2,327,765	1,776,951	550,814	31%
Depreciation and amortization expense	258,203	379,888	(121,685)	(32%)

Investment income - net

The increase in this account resulted from a combination of an increase in investment balances and higher portfolio returns in 2018.

Client Protection Program direct expenses

The significant increase in this account was due to larger claims approved and paid in 2018.

Depreciation and amortization expense

The decrease in this account was due to assets that were fully amortized in 2017.

State of Illinois
Attorney Registration and Disciplinary Commission
Average Number of Employees (Unaudited)
For the Years Ended December 31, 2019, 2018 and 2017

Average Number of Employees by Function

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Registration and Discipline	76	78	81
Client Protection Program	2	2	2
Administration and Support	<u>18</u>	<u>18</u>	<u>18</u>
Total average number of employees by function	<u>96</u>	<u>98</u>	<u>101</u>