

LEGISLATIVE AUDIT COMMISSION

February 24, 2026

Springfield, Illinois

Senators: Co-Chair Rose, Balkema, Ellman, Turner, Villanueva, Wilcox

Representatives: Co-Chair Rita, Elik, Manley, Meier, Moore

Meeting began at 9:18 am.

Rita: All right. Good morning. It's Tuesday, February 24, 2026. I'm Representative Bob Rita, and I'd like to call the order to this meeting of the Legislative Audit Commission. Let me acknowledge the presence of other Audit Commission members. Representative Moore, Representative Elik, Representative Meier, Representative Manley, Senator Balkema, Senator Turner, Senator Ellman, Senator Wilcox are all present. Some auditors are joining us remotely. So let's remind those of you attending Zoom to keep yourselves muted. Unless you wish to speak. If you raise your hand, clerk will let me know and we'll put it in order. Please use the raise hand button. Just a note. The agency officials and members of transcribing purposes, please allow speakers to finish before the next question so that they could transcribe accordingly.

The auditors. The audits today are for the Department of Commerce and Economic Opportunity and the Department of Financial and Professional Regulation. So, before we get to the audits, we'd like to invite Dr. Michael Karner, the Lake County Regional Superintendent of Schools, to the table. All right, Dr. Karner, could you please explain what has led to the delays in reporting to the auditor's request regarding the FY21 financial audit? Could you hit the button on there?

Karner: Okay, thank you. Sorry. It's been kind of about three different things. So when I had started back in 2021, my office was behind in audits. When I had officially taken over, I then worked to ensure that the financial systems were up to date and change some policies and procedures. And then over time, with the increase of different grants that we received and putting a stress on my office. So it is, I acknowledge responsibility that my office did not get them done quickly. This past year, the past two years, we also overhauled our financial system. And one of the different things that we did this past year was when we engaged our compilation firm as recently as February 10, they disengaged from us because they were too busy. So, that led to issues as well. But then on February 11, this past or last week, we had executed a new agreement with the CPA to finish the compilation so that we could provide the audit firm with the necessary documents and statements. And to date, we believe that next week the financial statements will be compiled. And then after that, the audit

firm also did open up the 22, 23, 24, 25 portal so we could upload all of our documents and continue on as quickly as possible.

One of the other things is that we originally maintained on a gap accounting and went to a full cash basis, which will speed everything up and we believe with that we will be able to be completed as quickly as possible. The audit firm also let us know that we can continue to submit documents and they will just review to ensure that we're meeting the requirements. But their audit wouldn't even be completed until May due through all their bookings. And then I would say the last piece is, the uniqueness that we have to have a compilation firm and then have that compiled and then sent to an auditor.

Rita: Auditor General, do you have any statements?

Frank: Thank you, yes. And doctor, welcome. Joining us at the table is Jeanne Michaud and Tricia Wagner. Tricia is the new director of our performance division, which also oversees the 38 ROE audits that we do throughout the State of Illinois. And also, in the audience with us is Joe Butcher, who is the past Director of our office, and I want to thank him for the almost three decades worth of service to the State of Illinois.

There's been a problem throughout the structure of these audits for the years where a number of the ROEs were very, very behind, very late throughout the years. So, in 21 we met with the ROEs, and Jeanne Michaud was part of that as well in there and looked at the problem of cash basis versus accrual in there most of the and that's where the problem lied. So, we came to the General assembly, changed the laws to allow for cash basis to be used. And since that and since that point, we had many of the audits became caught up in there. So, it has been a useful tool to us on their end, I think as well. I believe there are only four remaining that need to be caught up that have multiple years of audits.

In this situation Jeanne's worked very closely with all of those ROEs, along with Jennifer and Beth in her division. And I'm actually very proud of the work that they've done in catching people up. We would like to see this audit get caught up to speed as you are four years behind on it. But we have had audits that we've done that have been caught up three and four within the course of a year. And I hope you would work towards that. I'd like to have Jeanne make a few comments and thank her for her work in doing this at where you're at in your system as we see it.

Michaud: Yes.

Rita: Could you pull the microphone little closer to you?

Michaud: The cash basis has definitely helped many of these ROEs get ...

Rita: It's a little hard to hear you.

Michaud: The cash basis has definitely helped many of these ROEs get caught up

that were behind. It's a simplified system for them, they can understand it, it's more streamlined, and it's definitely difficult to get caught up. But as long as we have the information to audit and it's ready to go, we can get ahead of it.

Mautino: Now, can you talk specifically about ROE 34 and where you are at currently working with them? And then I may have a couple of questions for ...

Michaud: The audit firm is now waiting for information. Audit Audited, compiled financial statements for FY21 and audit information to be uploaded for the audit to reconvene.

Mautino: And Mr. Karner, and with the changes that you've made there, when can we expect to get, we can't audit what doesn't exist, and so, I need to get from you and from your organization and your new auditor a timeline which we've been able to get from the other three audits, which are being caught up multiple years at a time now. And that'd be the last remaining. So, where are you at in that process and when can we expect the financials? We need a timeline in order to get these wrapped.

Karner: So, the 21 books were originally maintained on the gap, and we have successfully converted it to full cash basis. Next step to be completed this week is the financial statements compilation with the intention of having it by the end of next week sir.

Mautino: Next week.

Karner: Yeah.

Mautino: Okay.

Karner: We're working as quickly as possible. That's what was communicated to me. We are compiling it and reconciling the data as soon as we get it upon receipt with the two people that we're working with.

Mautino: Okay. Jeanne, have you been. And I know you two have talked throughout the week here, too, on there, you've received information from that. Does that fit with what your expectations are at this point?

Michaud: It would be rather quick, but that would be wonderful if we could get that. That sounds good. I know they were working on it and they've hired some firms to compile the statements. And they did have a discussion with our auditor, Lindsey. Maybe she. Lindsey Fish from Sikich, maybe she could add to that. If there's anything I missed.

Mautino: Okay. And I thank you for that response in there, as I said with ours ... In our earlier conversation or the earlier conversations you had, you were looking at going to a

cash basis in 26 originally. Has anything changed there since you've now got the ability under this contract to bring basically these five audits in the course of this run.

Karner: The intention is to do cash basis 22, 23, 24, 25, it's going to be all converted over. I know they just did 21 as I mentioned. And then that will obviously speed up the process. As both of you have said, with the cash basis compared to what we used to do is probably one of the major issues. And then now that the portal is open, we can now upload everything else possible to ensure that we're submitting everything they need. Although they might not be able to get to it.

Mautino: With that, thank you for your responses to that and I look forward to it. And we'll see and we'll know as far as the timeline is.

Karner: The other I am committed to too also, for this commission, even provide an update as early as next week. So, you can see that we are on track. I have been in contact with the Auditor General's office and she has been very helpful and has worked with us as we have navigated this unique piece when we were disengaged with the compilation firm. But we believe with this we'll be able to get it done as quickly as possible and be caught up. The two other things is even with bank reconciliations and things like that, there are no issues with fiscal responsibilities or misappropriations. Everything is documented and appropriately fine. We also did have Department of Justice financial audit for a 2 million or million grant that we would receive from them that had no issues with financial as well. That was completed for the 22 through 25 year.

Mautino: Excellent. You shared a document with me just briefly here. Can you make sure that Jeanne has that and Tricia, going forward, you have your timelines and the changes that you've made?

Karner: Yes, I can get that to everybody.

Mautino: Okay, thank you. Mr. Chairman.

Rita: Thank you. Representative Manley.

Manley: Out of curiosity, who prepares your financials monthly? Who does that work?

Karner: Are you talking about the compilation firm that we're doing it currently or just locally at my office?

Manley: Locally in the office.

Karner: Locally at my office it would be the Chief Financial Officer that we have in place.

Manley: Is that person a CPA?

Karner: No, they have a chief school business official. But the compilation firm that we do have now is the CPA.

Manley: Okay, thank you.

Rita: Senator Wilcox.

Wilcox: Welcome Dr. Karner, how was the drive down?

Karner: It was great. Leaving at 3:30 this morning.

Wilcox: So what I'm hearing is that we don't expect to see you again. So I just want to get a few questions on the record. Is it your contention that as you go through these financial statements you're not finding any conflicts of interest with contracts with elected officials?

Karner: No, none at all.

Wilcox: I think you mentioned no missing dollars, misappropriated funds?

Karner: No, none at all.

Wilcox: No indication of hiding expenditures on controversial programs that are being held from the public.

Karner: No, none at all.

Wilcox: Not waiting out any statute of limitations or for certain individuals to retire to be off the hook?

Karner: No, none at all.

Wilcox: And no indication of bias or preferential treatment of certain districts within your area?

Karner: No.

Wilcox: All right. Well, enjoy the ride home. Look forward to hearing that the AG's

Office is getting updates over the next couple months and that we'll have this problem resolved. Thank you.

Rita: Senator Balkema.

Balkema: Thank you for the feedback. From a communications perspective, if we look at the history here now, I'm year and a half into this, so I'm new, but I'm told that this is very, very unusual for an agency like this to come to this level. So, I think one of the pieces that appears to be part of the issue is communication. So, going forward, what could you do to really shore up the communication so that between your internal group, the audit group? I think it was a surprise to you, based on your reaction this morning, that when you heard next week, this can be resolved. Is that first time you've heard that?

Michaud: Well, I knew they were working on the statements, but in one week is very fast. But it would be good, yes. I haven't heard that. I don't recall hearing that, no.

Balkema: All right. So, that's great. So, I guess, you know, from your perspective, I think going forward, when you wake up every morning and brush your teeth and get ready for the day, the next question ought to be what can I do to be completely squared away? Because this one year is one thing, but when you go two, three years, it becomes the story, whether we want it to be or not. So, appreciate Senator Wilcox kind of fleshing out that we don't seem to have anything bigger cooking behind the scenes here. That's great, but super-duper alley, uper crystal clear communication with the audit team and with Frank's team I think would really help going forward. So, we ought to make ROE 34 the shining spotlight of how good communication works with the auditors going forward.

Karner: Yes, I agree. We will update Jean weekly. She did not know about this recent new information since I knew she was going to be doing down here today. But I did prepare this memorandum, which we will send immediately after this hearing and further communication will be crystal clear.

Rita: Representative Elik.

Elik: Thank you. And I'm curious, and maybe the Auditor General's office knows how many other ROEs have to hire outside firms to do the compilation of their financial statements before they have it audited. Would you have any idea? Is that normal?

Michaud: The majority of the audits do because the standards are they usually don't have a person on staff that has the knowledge, skills or expertise to complete the financial statements. Or if they do have a person on staff, it's too time consuming.

Elik: Okay.

Michaud: I think there might be two or three that compile their own statements, but that's about it.

Elik: Okay. Thank you. And then I guess I would just note for the record that while the delays are, there's a lot of effects of the delays. One of those effects is that the Auditor General's office is dragging out. You know, these audits are being dragged out, which cost the Auditor General's budget and hours that they shouldn't have to spend on waiting and following up and that communication. All those things take a lot of time and take them away from doing these audits and other audits. So, I think that's why it's important to come before us and explain that to us and to everybody here as among other reasons. But I think that's something we should point out that you don't get charged back for the cost of what it's costing the Auditor General's office to do these audits. So, we need to be cognizant of that as well. Thank you.

Karner: I hear you and understand.

Rita: Thank you. Maybe, I got a couple questions here. And this is for the Auditor General. Are there any other ROEs in this situation that this one is?

Mautino: As I said in the beginning prior to 2021, we had quite a few that were in this situation and going to cash basis helped that out. In this right now, we have the outstanding that we have for here, basically, grab the right sheet here. Only four remaining do not utilize the cash basis. That is 34U until your statement today, 4556 and Intermediate Service Center 1. In those situations, ROE 47, Lee Ogle and Whiteside Counties, they were more than three years behind but changed to a cash basis of accounting, provided multiple years of financial statements, which is what you're proposing to do right now. We completed two audits in the same time released in 24 and again completed two audits in the same time released in 25. The second is ROE 51, Menard and Sangamon Counties that were more than three years behind but began providing timely financial statements. And that's also the problem here with it as well. We released four audits over 18 months and they are now caught up.

Example the other example, Boone in Winnebago currently more than two years behind, but working on catching up. They appeared actually at the LAC hearing for their 17 audit. At that time it was one of the furthest behind, being five years behind. We've released three audits, 20 through 22, since March of 25 and are going to be ready with 23 very soon. We've also released more than one audit year for the ROEs of 13, 24 and 39. So, I do commend Beth and Jennifer and Jeanne on working with these ROEs to get them caught up. I think we're in a very good place with the current batch of ROEs and I think I'm glad that you're here today to tell us your plans for getting off that list as well.

Because for those who are in for the commission's edification, the State Board of Education looks at these audits and as they get further behind, they have the ability to withhold funding. And in a few of these situations here they have made contact with the ROEs to say we are looking at withholding the funds for your students. So, that's a reason to be timely.

Jeannie, do you have anything to add?

Rita: So, there's about four of them. You said since you changed the law though, it's streamlined a lot of it. So, help me, Dr. Karner. There was a couple of dates in this letter that I see from, I think there was a date in November and a date in December that this was going to be extended. Were they agreed upon with the auditors or...? It was the letter that Frank, that you wrote to the Audit Commission. I'm sorry.

Mautino: Okay, yes. No. Our process is when we get into a situation where we have someone with multiple years or delays or problems. Our structure is first, Jeannie will contact them and send them a letter with a timeline of what was asked for, what was missing. And then if that date is missed from there, then Jeanne and I talk and then I send a follow up letter to you stating that at this point in time we have a delay in the audit because of the following reasons. So, that's the letters that you're referring to.

Rita: All right. So when I look at it, I see a couple of deadline dates and continue to pass. And I still really didn't hear what this timeline is that you're going to. Was it next week you're going to have all this done?

Karner: Yes. For the financial 21 compilations? Yes. And then we can begin to upload for 22, 23, 24, 25, because that portal is now open and upload other documents to suffice that.

Rita: So what was the delay from to this point now that all of a sudden, in a week, you're going to have the ...

Karner: Yeah, I can answer that. So one of the issues was the compilation firm that we used has been so backed up with school districts and others that we weren't really getting timely communication. We were submitting things to the portal, and then when we had a conversation with them February 6th to figure out what are the final things that we needed, you know, because I was coming down here to give an update, they had told us that they were just too busy to finish anything to actually get it to the auditor.

Rita: So what date did you enter? You know, start this with these. This outside firm.

Karner: We engaged with them on July 2nd of 2025.

Rita: And they're just indicating now that they were too busy at the time they took on the task and.

Karner: Yeah, so that they opened a portal for us to submit things over time, which

we did. And we were kind of at the mercy of them needing to complete their other things, and we got pushed to the back of the line.

Rita: Did one of the auditors want to say something it looked like?

Michaud: They originally had another firm before this one that backed out, or I think maybe they weren't as timely. Then they hired the second one, and now they have a third firm. Over the course of the audit cycle, we've been trying to get documents, we've been trying to get dates of when the statements will be ready and estimates of future statements, and we have not been able to get them.

Rita: So here, let's make it easy. When did you? What date did this audit start? Sometime in 22.

Michaud: The FY20 audit was released in June of 2024. So 18 months ago, approximately.

Rita: So that was the FY20.

Michaud: Well, the 21 audit should start right after the 20 audit was released. So, I think we had a contract in place in August of 2025, and we've been slowly trying to get information to audit.

Rita: All right, so it sounds like it started in the 20 audit, not the 21. Even though we're talking about 21 right now. How long was the 20 audit delayed? Which now is delaying 21. And you still have what, 22, 23, 24, 25. I mean, help me out.

Michaud: They've had delays for several years.

Rita: Okay, so that was my point. When did this start? And you're telling me July of 25, but this goes way back.

Karner: Yeah, the 20 and 19 were delayed before I got in there. We worked to get those corrected and then.

Rita: So once you got them corrected, it should start to streamline a little quicker, correct?

Karner: Yes. But we were still waiting on the 21 to get finished, so we could actually start the 22 for the compilation of everything. I'm sorry, for 20 to be finished so we could start the compilation of 21.

Rita: Auditor General.

Mautino: One of the things with this audit and the others is once you have a delay before you can move on to the next audit, you have to finish that so you have good opening balances that you can start from. That is how Jeanne and her team have been able to use multiple years. But you have to get the financial statements more timely. So once they finished 20, they started on 21. There was delay on getting the information for 21. That further pushes things back. And that's why the plan today that he showed me is.

Rita: I know we have a number. We had a couple other outlets we need to hear, but maybe we need a timeline how we're going to complete to get caught up. Can you provide that?

Karner: Yes. So, like I said, by next week, we're going to have the financial statements compiled for 2021. We're then going to meet with Sikich to determine that they have all the documents to complete the audit. They opened up the other portals for 22, 23, 24, 25, which we will then submit everything possible so that they can have all the necessary information. The other piece, because we do have someone who's dedicated to this from a compilation firm now, everything with that will go quickly. The only thing that I am at the mercy of then will be how fast they can complete the audit, which they have indicated to, I believe, the Auditor General's office, too, that due to their backlog, they will not even finish the audit until 2021. I mean, I'm sorry. Until May. They will not finish the audit of 2021 until May to get the report out.

Rita: All right. I don't have any other questions. Anybody else? Maybe we need to call them back at some point, see where we're at before May.

Karner: I'm happy to, you know, provide an update next week and then continue to update the Auditor Generals each week and then notify the commission of our progress, ensure that we are moving as quickly as possible.

Rita: All right, thank you. Let's see, there's. All right, I think we're good. All our questions at this point. Thank you for coming. We're going to move on to the first review. First review will be the Department of Commerce and Economic Opportunity, Director Richards and your other agency officials, if you can make your way to the table. Whenever they get situated, Auditor General, you could start.

Mautino: Thank you, Chairman. The compliance examination of the Department of Children and Family services for the two years ended June 30, 2020.

Rita: Hold on, wrong one, Frank.

Mautino: Wrong, sorry about that. We changed. Gotcha. Well, Kristen, this is absolutely perfect. Okay, take two, folks. The Department of the compliance examination for the Department of Commerce and Economic opportunity for the two years ended June 30, 2024, was conducted by the firm of Sikich. Ryan Randolph is here with us on behalf of the firm. The Audit Manager was Andrea Alderman, who is also here with us. Courtney Dzierwa, our Financial and Compliance Division Director, will discuss the examination. And sorry about calling you DCFS on there. Love them too. However, appreciated working with you all these years. Courtney's going to go ahead and read some of the findings for it and then get a chance to do your opening.

Dzierwa: Good morning and thank you. There were 17 total findings in the compliance examination. 11 were repeated, and 6 were new. I will summarize a few.

In Finding 4, we determined the Department did not comply with various statutory mandates. These included:

- The Department's official website did not contain a comprehensive list of State, local and federal economic benefits available to businesses in each of the State's counties and municipalities.
- The Department did not establish a freight rate information service for U.S. and foreign shippers in cooperation with the Department of Agriculture and the International Trade and Port Promotion Advisory Committee.
- The Department did not create the Clean Water Workforce Pipeline Program.
- The Department did not prepare uniform budgetary forms for use by the local governments of the State: act as a repository for financial reports and statements required by law of local governments of the State: or publish financial summaries of those reports and statements. This finding has been repeated since 2012.

We recommended the Department seek or allocate resources to comply with its statutory mandates or seek a legislative remedy as appropriate. The Department agreed with the finding and the recommendation.

In finding 5, we found the Department did not comply with the Energy Transition Act. During testing auditors noted:

- The Department did not dedicate at least one-third of the Clean Jobs Workforce Network Program placements to applicants who reside in a geographic area impacted by economic and environmental changes, with priority given to applicants facing barriers to employment.
- The Department's scoring mechanism for community-based organizations that receive funding from the Department as an Energy Transition Navigator does not specifically prioritize awarding grants to those organizations that have experience serving populations impacted by climate changes.
- The Department did not administer the Clean Energy Contractor Incubator Programs

through 13 local community-based organizations at designated Hub Sites.

- The Department did not administer the Returning Residents Clean Jobs Training Program during the engagement period since the Program had yet to begin and grantees were still in the planning phase despite this mandate being in effect since September 15, 2021.
- The Department did not select and approve Program Administrators for the Returning Residents Clean Jobs Training Program.
- The Department has not administered the Clean Energy Primes Contractor Accelerator Program through a Primes Program Administrator and Regional Primes Program Leads.
- The Department did not develop scoring criteria to select contractors for the Clean Energy Primes Contractor Accelerator Program.
- The Department did not hire a Primes Program Administrator for the Clean Energy Primes Contractor Accelerator Program.
- Nine total vacancies existed on the Energy Workforce Advisory Council out of the 30 required positions as June 30, 2024.

We recommended the Department develop, administer, and implement all of the required aspects of the Clean Jobs Workforce Network Program, the Clean Energy Primes Contractor Accelerator Program, the Clean Jobs Workforce Program, and the Clean Jobs training program, and the other required aspects of the Act. The Department agreed with the finding and recommendation.

This concludes our opening remarks on the compliance examination of the Department of Commerce and Economic Opportunity for the two years ended June 30, 2024.

Rita: All right, could we add Senator Villanueva is here and then welcome, Director, if you want to introduce who's with you in an opening statement.

Richards: Sure, Mr. Chairman. Good morning, Director Ray Members of the Commission, My name is Kristin Richards and I am the Director of the Illinois Department of Commerce and Economic Opportunity, or DCEO. I am joined at the table today by Garrett Carter, our General Counsel, Jared Ebel, our Chief Accountability Officer, and behind me our Chief Financial Officer, Phil Keshen, to present updated information regarding the status of the Department's FY23-FY24 compliance audit.

Since DCEO provided its last update to the Commission staff on September 15, 2025, progress has been made on implementing corrective action plans for the 17 items identified in the 23/24 report. More specifically, and to update you on information that's found in your committee packets, the September report indicated that of the 17 findings, five corrective action plans were implemented, nine corrective action plans were partially implemented, and three corrective action plans were under study.

As of this February, I'm pleased to share that eight corrective action plans

have been implemented and nine have been partially implemented, which is positive momentum and an indication of DCEO's very intentional approach to use the audit process to inform operations and identify opportunities to improve efficiency. I also want to thank members of the General Assembly. Thank you for your broad bipartisan support of House Bill 3187, which was signed into law last August as Public Act 104283. This legislation allowed the Department to eliminate two outdated unfunded mandates that were a subject of the 23/24 findings.

Similarly, House Bill 5470 has been filed by Representative Morris and provides a legislative solution to additional unfunded outdated mandates, including one found in the 23/24 findings. These legislative efforts, along with your continued support for investments in DCEO staffing and IT modernization, enable the Department to focus its staff time and resources on operationalizing funded programs and other statutory mandates that benefit Illinoisans. We're happy to answer any questions.

Rita: Thank you. Let's add Co-Chair Senator Rose. I forgot to do that earlier. Any questions from Senator Ellman? Still getting these names done.

Ellman: Hi, I'm Senator Ellman. Hello Director. Glad to see you and always great to see people from your agency. Can you give us an update on the progress regarding finding 5 and the Clean Energy Jobs Act? You have a variety of roles to play, so want to know how things are going?

Richards: We do. Thank you for the question. Senator Ellman, good to see you. To set some context, the Department has various statutory requirements under the Clean Energy Jobs Act with respect to workforce programming, programming for small businesses, and those programs are overseen across our Office of Employment and Training, our Office of Energy and Business Utility, and our Office of Entrepreneurship, Innovation and Technology. So we have three divisions involved in standing up CEJA.

By way of background, the period under audit for this particular report coincided with our efforts to stand up all of those programs. And alongside standing up all those programs, we were doing quite a bit of public outreach and engagement in order to hear from people, hear from stakeholders around CEJA, how programs could be structured to be the most impactful, while at the same time we were hiring staff and developing the pieces on our organizational chart in order to operationalize all of CEJA.

I'm pleased to say since the finding, we've made progress towards meeting all the statutory mandates that were part of CEJA. Just, you know, we've updated our policies and procedures to ensure compliance with the Clean Jobs Workforce Network. The Energy Transition Navigators will be repealed, actually effective June 1, 2026. So that's a proactive step that we took in order to implement a change to a legislative mandate. The Clean Energy Contractor Incubator Program, it continues to seek those program delivery hub sites required by statute through an open notice of funding opportunity, which I think is important for all of us to understand. The findings were critical of the department's ability to find hubs and locations for all these things but doing so relies on successful NOFOs. Right. So grantees that come in

and are successful as part of that scoring process, which is something we're continuing to educate the field on and open up competitive NOFOs to the extent to which we have positions that need to be filled.

The Returning Residents Clean Jobs Training program has been implemented and those grants have been executed. The Department developed and is following a comprehensive implementation plan for the Clean Energy Primes Contractor Accelerator Program. We've established the policies and procedures to request that members be appointed to the Energy Workforce Advisory Council. Courtney mentioned, as part of the findings, there were a number of outstanding appointments to that council and once those appointments have been made, we'll be sure to make sure that **body can convenience.**

Ellman: Thank you for that. And just to follow up, so a lot of these programs are rolled out, you know, on the ground with different agencies, different organizations actually implementing these. Does the Advisory Council? How do you know that all of these far-flung organizations are operating well and doing what they're supposed to do? What kind of oversight do you have?

Richards: Sure, there's a great deal of over. Well, first of all, it's a good question in as much as I think, you hit the nail on the head, that we are work as part of the CEJA program, we are working with entities that perhaps don't have a whole depth of experience or any depth of experience with respect to state grant making. And what we've learned as part of that process is they can benefit from some real technical assistance. So, we're in the process of partnering with a public university to enter into some type of relationship in IGA to provide TA to those not-for-profit small businesses that might be encountering state grants for the very first time to make sure they're GATA compliant and also that they have their readiness plan in place. Right. So, we can work with them on back-end compliance with respect to grant making.

We do have community colleges that are part of the network. They of course have a depth of experience in how the state budget works and how GADA works and how to remain compliant with all of our programs. But we're also at a point in time of siege implementation where it's a good point for us to pause and take a look at what we've been doing and how we're doing it well and how we can make adjustments. And so we have a team in place at the agency that are actually, they're actively taking that on.

Ellman: And I've got one more question. There was a finding, a different finding regarding internal audit and that there was a moment, an interval of time, where no internal audits were conducted. I myself am an internal auditor for an organization. And they're important. They're important ways for you as a manager to find out what's going on in the organization, what kind of things should you be alerted to, and to create a non-stop continual improvement loop for always getting better. So how are things going?

Richards: I could not agree with you more. When I walked into DCEO, that internal auditor position was vacant. And I can tell you that I thought from my standpoint that was project

number one to make sure that we filled that vacancy. Filling vacancies in the internal audit positions is something that happens outside of the director's purview because they are subject to the Executive Ethics Act, they maintain that independence and that's so very important to the position as well. I'm happy to say that we have an internal auditor in place.

I meet with him on a quarterly basis to update to receive updates on the status of our **FISHA** plan and how we're moving forward with working with all the different divisions to make sure that they are compliant with internal audit processes. We actually have a training this afternoon with all of our division fiscal managers to make sure that they're up to date on what is required as of part, part of their FISHA checklist process, which is the process we undertake now really to make sure we're ready to have a FISHA plan ready to go for submission in accordance with the statute.

So, we're in a much better place than when we were when I walked into the agency in January 2023. I will, however, say that maintaining staff in internal audit is a challenge for agencies across State Government. The extent to which we can find ways to even partner to bring people into public service that have an interest in internal audit. Public sector internal audit is a career **all years** because it really is an ongoing challenge to maintain that staff. We've had some extraordinarily talented people that of course get picked up by other state agencies. So making sure that we maintain that headcount is top of mind.

Ellman: Thank you.

Rita: Representative Moore.

Moore: Good morning, Director Richards. It's good to see you. First, a little side note, my organization participated in the CEJA capacity Building Grant Workshop or Zoom meeting that was last week. It was very informative. So, keep up the good work on that. I have a couple specific questions and then maybe just an overall question. Could you give me an update on page 27? It said that DCO had failed to have on the website the comprehensive list of state and local fund or and local economic benefits on the website. And specifically, DCEO answered that it was not able to do so due to a lack of funding. Is there a process underway to get that listed on the website? Because I know a lot of our business community finds it handy if they have a one stop shop that they can go to, to understand the incentives that are available to them.

Richards: Thank you for the question, Representative, and the feedback on the CEJA Workshop. I'm glad that you found that helpful. With respect to that particular statutory mandate is actually a part of the legislation that's been filed this year request that we eliminate that statutory mandate. We find that we can achieve that statutory mandate making sure that entities are aware of potential federal, state, local funding opportunities through the various work streams that we've created at the agency.

Your organization, for example, stays in very close touch with our regional economic development team, who on a regular basis are providing quite frankly probably more

up to date like updates and opportunities than we could ever locate on a website or that we'd have the ability to maintain in a real time basis. So, we are working on eliminating that statutory mandate. It is currently unfunded. Having some way to operationalize that at the Agency is not something that has some backing behind it, but we feel pretty confident that we can achieve that in other ways and have been.

Moore: Understand. The Homegrown Business Opportunity Act that the Agency is currently working to complete. You know, the status of that. We're a border community and I find that program might be very helpful. Or is that one that's going to be eliminated?

Richards: Let me work on providing you with an update. I'll get back to you.

Moore: No problem. And I work, as you know, work with your staff on a daily basis. They're very, very hard workers and very knowledgeable. And I often find that the State has such a wide portfolio of incentives that are available to businesses that sometimes it can be a little bit overwhelming not only for folks in my industry, but folks on your side. Do you track internally which programs are being utilized in the utilization rate base and versus what are not? So that way maybe we can get rid of some programs that are not utilized and not wait until an audit comes out and have a legislative fix on that.

Richards: We sure do. And I think you've seen an indication of what we see as successful reflected in the last seven, I believe, convenings of the general assembly, we've come back to you with a business development omnibus package to say, hey, let's make our EDGE program, for example, our legacy Economic Development for a Growing Economy Program. You know that better than anybody else probably on this commission. Let's find ways to make that more impactful and responsible responsive to businesses in 2026.

We've also created some programs that are specific to certain sectors where we feel very strongly that we have a right to win. And the data backs that up like Re-Imagining Energy and Vehicles or the REV program. So yes, we've been investing in those areas where we see progress as a result of the incentive that business has been responsive, but also that the economic development community in Illinois, which is a really important stakeholder of ours, has signaled to us like, yes, this is working and keep going. With respect to those that aren't working. It's an ongoing assessment of ours. Again, you'll see efforts to eliminate things that we think are on the books that just don't make a whole heck of a lot of sense in 2026 reflected in our cleanup legislation.

Moore: Right. And I think there's no shame in admitting some programs work and some don't. Often times in government we feel that if we say that something's not working, then you know, there's, there's something wrong. But as somebody who, you know, drafts incentives at the local level, sometimes it works and sometimes it doesn't. So, I'm happy to be a partner and help you tell that story. But in a lot of these findings in the audit just comes down, in my opinion, to lack of staffing. And in one of the findings I said, I think it says that at the 785

positions, 395 were vacant and some of them were for were internships and things like that. So, it may not be as dire as 50% vacancy rate in your department, but have you made strides in filling those vacancy rates of full-time positions?

Richards: Yeah, I'm glad you asked the question. We have roughly 790 positions on our ORG chart at large. Our authorized headcount for the current fiscal year were authorized at 541. So we would say that we have budget to fund up to 541 positions at the agency. We currently have on board, I believe as of last Friday, probably 438.

Moore: Okay.

Richards: We have, since the period under audit, eliminated 100 positions from our ORG chart. So, we are continuing to make progress on cleaning up those excessive vacancies because we agree it's not an accurate snapshot of where we are, but more importantly, where we're going. Right. Where we want to go. That being said, every governmental unit and state government has to retain some vacancies on an ORG chart. We need flexibility to hire into positions when needs arise. And you'll see as we continue to make progress on cleaning up those excessive vacancies, you're going to see us retain positions like grant managers, accountants. Right. Positions that are really fundamental to operations and government.

You're also going to see the retention of certain verticals and programs where collective bargaining agreements allow for people for upper mobility for people to move up within positions. And so we have to have vacancies in place for people to do that. And then finally, you mentioned interns, student workers, intern pro interns are also vacancies that would likely be retained on an ORG chart because if we have funding to pursue them, we're going to try and do so. And we just need the vacancy there in order to post and fill for the position.

Moore: Right. Makes a lot of sense. Thank you. I don't have any further questions.

Rita: Senator Turner.

Turner: Good morning, Director. So, I think Representative Moore was in my head because that was the exact same question that I was going to ask, but I do want to echo his comments about your staff being very knowledgeable and engaged. I've had the opportunity to work with them on a number of different projects and also to advocate with them on behalf of some of my constituents and they've always been very receptive. However, I do think that some of the problems and issues that come up with constituents is because of, you know, the not being able to fill those vacancies and those kinds of things. So thank you for the attention to that matter.

Rita: Senator Rose, do you have any questions?

Rose: Thank you. Good morning. I got a couple questions, but I wanted to follow

up on Senator Ellman's comments about the repeat finding on the non-compliance with the internal audits. And I think the concern here is that this has been going on forever. So what is the plan to get that fixed?

Richards: Thank you for the question. We have implemented the corrective action plan for that audit finding.

Rose: Okay. All right, that's good. On this issue of the NOFOs and the clean energy incubators, I show that you solicited from 13 locations, which I believe those locations were statutory. Right? Did you receive 13 responses of which you intended to award seven or did you only get seven responses?

Richards: Oh, Senator, I don't want to guess. So let me work with our accountability team when we get back to the office and pull sort of the history on the NOFOs for that particular program.

Rose: It's important because if you solicited 13 only got 7 responses, that's all you got. And we can kind of say, okay, fine, but if you got 13 responses from 13 communities and didn't award the additional six, that's a real problem. And I respectfully, we've had problems in the past at DCEO sharing around the state. Most notably, I will go back again to the small business grants during COVID when people like the Stevens family YMCA and Senator Frachi's district just didn't get considered at all. So, I'm very interested in knowing what the six were. Excuse me? If there were how many applications were actually submitted and if you only awarded seven, what that you know how that decision was made. It's really important because I want to make sure that we're not engaging in our past practices.

Richards: I'd be happy to pull the history for you. Keeping in mind that the extent to which not all regions were awarded is likely a combination of two things. We didn't receive applicants from that region.

Rose: That's why I'm asking.

Richards: Or we received applications that did not meet the minimum scoring qualifications, which is why we would have reopened it to later rounds.

Rose: So fast forward to today, It sounds like you did reopen according to the information here. Where are we at today? Are there 13 awarded or ...

Richards: 13 are awarded, we'll make sure to get a list. Jamie, we can get that to you for distribution to the commission.

Rose: All right. It actually makes me feel better. What was the comment you made

about the website not having all the information and that you're asking to not have to post it on the website? Explain that. I think it was Representative Moore.

Richards: Yeah, there was a legislative mandate from many years ago that required the agency to aggregate and post on its website site, relief federal and state funding opportunities. That is a mandate that we are actively pursuing to eliminate because we very sincerely.

Rose: Why?

Richards: Well, your office is an example of one, Mr. Chairman, that receives regular emails from my team about state funding opportunities that you can distribute to people in your community on a proactive basis rather than sort of waiting around for people to visit our website. Trust me, not a lot of people are visiting our website. So we prefer to proactively send information to our stakeholders about when funding opportunities are available. And we do that through your offices. We do that through our regional economic development team for our Office of Economic Empowerment and others.

Rose: I guess I'll hold off on my comments till the bill comes before us, but I, I, I'm not going to hold off on my comments. I don't know why we'd want to take trans. I don't know why we'd want to take that information off the website for those who aren't in for a small business or any business that's not in contact, particularly a business outside the state of Illinois that doesn't know to call, you know, any of the current conduits, I mean, if you're in Florida checking out a spot in Illinois, you know, we wouldn't necessarily know, but they might be checking your website. Why would we want to take that kind of information off the list?

Richards: That's a good point. We're also in the process of establishing our business portal, our one stop business portal, which is a statutory mandate that was funded for us. We expect launching that in the summer of 2026. And I anticipate that we'll be providing more information to your offices is how you can be part of that launch later this calendar year. But that will serve as an intake place for businesses that are interested in doing work in Illinois.

Rose: That makes sense.

Richards: Yeah. And it's far more tailored and targeted and we hope, the other point is that we really hope to amplify it and market it, which makes a big difference.

Rose: Right. I mean, I mean, I don't think we need less visibility. I think we need more visibility. So, All right, thank you.

Rita: Senator Balkema.

Balkema: Thank you for all your hard work. I appreciate the team been very engaging. So, just in kind of a summary perspective, out of the 17, you've got eight that would be considered green implemented and then nine yellows that you're working on and really no reds, none that would need General Assembly help or where you're stuck on.

Richards: I don't want to go so far as to say we might not need General Assembly help with the nine. I'd like to go, go back with the team and make an assessment because if there's an openness and a willingness to think about some of these things a little bit differently, then we're going to put the question certainly.

Balkema: Okay. And then so when you go back and look at, we could, you could probably come up with some kind of overall target dates for the nine yellows.

Richards: We could, yes. Although I want to say that we ... I meant it earlier when I said that we really do use audit as a way to inform our ongoing process improvement. Just yesterday, in fact, I had some exchange over the audit finding with respect to weaknesses in state property control. We've updated our policies and procedures, we've hired staff, we've disposed of some property that, you know, was no longer needed at the agency. But we're not considering that audit finding closed because we have not completed the full disposition of all pieces of property. So, there's a potential to leave some things open while we continue to test, is my point.

Balkema: Yeah. Okay. Very good. Thank you.

Rita: All right. Representative Manley.

Manley: I want to thank you for being here, and I don't want to sound like I'm riding the coattails of everybody else, but I think it's important for you to know how great your staff is. They've taught me a ton, so I really appreciate it. And I know in an audit, you're always talking about the things maybe we don't do very well. That's the nature of audits. But can we talk a little bit about some of the good things you're doing. For example, there's some good news as it relates to the EDGE Program and that in the audit, six deficiencies were identified. And subsequently, the OAG focused on the corrective action DCEO took in response as a part of the 21/22, 23/24 compliance audits. Can you tell us what DCEO's corrective actions surrounding the EDGE performance audit?

Richards: Thank you for the question, Representative Manley. I just want to, also, I'm extremely fortunate to work with the team at DCEO because they're total rock stars.

Manley: I feel smarter every time they leave me. And by the way, they are extremely responsive. Like, you don't have to, I wish every department worked like this, but they will get back to you immediately. I can't even tell you when you're sitting in front of a constituent that

needs an answer, they pick up the phone. So, I hope...

Richards: I'm very happy to hear that. I'm also not the least bit surprised. We have a really great team of people, people who care deeply for what it is that we're up to at DCEO. The EDGE audit. I was happy to receive the update from Auditor General Mautino's office that we have complied with and implemented all of the findings in the 2021 and subsequent audits with respect to our performance on the EDGE Program. That, of course, is the Legacy Economic Development for a Growing Economy Program. It's an incentive program that incentivizes business to grow in Illinois. And we've had some real success out of that program over the last number of years, something we're pretty proud of. We're also very, very proud to have a clear audit, and that really is a result of having staffed up and trained and developed policies and procedures and taken all of those step steps to bring in some real talent around making sure that program operates with a high degree of integrity.

Manley: I thank you for your hard work. That's good to hear. So, I appreciate you talking about it.

Rita: Representative Elik, for the last question.

Elik: Thank you. I wanted to mention that we at the Audit Commission get reports of the emergency purchases statements and I didn't want to go without asking. If you could just review with us and I appreciate the discussions you've already had on this matter, but could you just review with us for the record, the emergency purchase related to Spurrier Group. And I ask because it's gotten to be a very large amount, \$87.6 million on the most recent extension. So, I think we want to be sure that we're understanding what has happened and what's going to happen going forward with that.

Richards: Sure. Thank you for the question and thank you to Jamie for a very availing her and her team of some time for us to walk through the CPO documents to demonstrate how that extension was level to the prior fiscal year. This is for the marketing and advertising contract with respect to the Illinois Office of Tourism or the Enjoy Illinois brand. The previous vendor determined that they did not want to exercise an option to renew under the contract, which forced us into an emergency contract making situation. Our agency procurement officer along with the CPO's office worked on this project with one another to make sure that we remain compliant along the way.

Absent having that emergency contract in place, the Enjoy Illinois website would have gone dormant, which would have been hugely problematic for the destination economy in Illinois. That's a website that receives 3.7 million viewers a year and it's a website I would encourage you all you to visit it, please. It's a website through which you can book experiences, you can book hotel rooms, you can find an itinerary to spend some time this summer with your family along Route 66 and celebrate the 100th birthday and so on. So not having that website in place, not having our global advertising purchasing power to get us in

market, particularly at a time where Illinois is our prominence as a destination is certainly under a spotlight, particularly in some countries that have a keen interest in Route 66 and some of the other destination experiences we have to offer was just out of the question.

So, we did have to exercise an emergency. We are undergoing an active procurement now, I believe to put in place a permanent vendor with an expectation that that contract will be in place in fiscal 27.

Elik: So do you expect that this will be the last extension of the emergency ...

Richards: That is my expectation.

Elik: That we'll see come through?

Richards: That's my expectation, yes.

Elik: Okay, thank you.

Rita: All right, thank you. Seeing no more questions, Senator Ellman moves to accept the compliance audit of the Department of Commerce and Economic Opportunity. Second by Representative Elik. All in favor, say aye. Opposed say nay. The ayes have it and the audits are accepted. Thank you, director and your team. At this time, I'm going to put Co-Chair Rose in the chair for our next audit.

Rose: Thank you, Co-Chair Rita. Next we're going to hear from the Department of Financial and Professional Regulation. Director Treto and other agency officials. Please make your way to the table. Auditor General, as they are doing that, once we've got to get a little bit of pause in the movement in the room. You are recognized, sir, to go ahead and begin your comments.

Mautino: Thank you, Chairman Rose. And while they're making their way to the table, we're about to hear the compliance examination of the Department of Financial and Professional regulation for the two years ended June 30, 2024. It was conducted by the firm of Adelfia, Stella Santos and Anna Ausan. Welcome, ladies. With us at the table, on behalf of the firm, the audit manager was Evan Johnson and Courtney Dzierwa, our Financial and Compliance Division Director, will discuss the examination. With that, Courtney, go ahead.

Dzierwa: Thank you very much. There were 16 total findings in the compliance examination. 11 were repeated, and 5 were new. I will summarize a few.

In Finding 13, we determined the Department did not maintain adequate internal controls over its accounts receivable and non-sufficient funds checks (NSF checks) during the examination period.

During testing 40 accounts receivable, we noted the following:

In Finding 4, we determined the Department did not comply with various statutory mandates.

These included:

- 26 of 33 accounts receivable, which were more than 90 days past due and had balances greater than \$250, had not been posted to the Office of Comptroller's Illinois Debt Recovery Offset Portal (IDROP) system. These 26 accounts totaled \$424,920.
- 14 of 22 accounts receivable, which were more than 360 days past due and had balances greater than \$1,000, had not been referred to the Attorney General for write-off certification. These 14 accounts totaled \$410,127.
- 8 of 22 accounts receivable, which were more than 360 days past due and had balances less than \$1,000, had not been certified by the Department for write-off. These 8 accounts totaled \$4,377.
- All 22 accounts receivable that were more than 360 days past due, had not been referred to the Department of Revenue's Debt Collection Bureau. These 22 accounts totaled \$414,504.

During our testing of 40 NSF checks, we noted:

- 26 NSF checks, totaling \$67,076, had been determined insufficient, but applicants had not been notified.
- For 14 NSF checks, totaling \$12,303, where the applicants had been notified their check had been determined insufficient, the notification was made more than 359 days after the determination was made. Additionally, 2 of the 14 applicants had active licenses during the examination period, despite no alternative payments being received by the Department.

We recommended the Department establish and implement standardized accounts receivable collection and write-off policies: address staffing shortages to ensure timely referral, certification, and write-off of past due accounts: and ensure timely follow-up actions are taken and proper procedures are consistently followed over its NSF checks.

The Department accepted the finding.

In Finding 14, we determined the Department's internal controls over its voucher processing function were not operating effectively during the examination period. In order to determine the operating effectiveness of the Department's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes to determine if they were properly entered into the State's ERP System based on supporting documentation.

During testing we noted:

- 4 of 140 attributes were not properly entered into the ERP System. Therefore, the internal controls were not operating effectively.
- The Department owed three vendors interest totaling \$348 in FY23: however, the Department had not approved these vouchers for payment to the vendors.
- The Department did not timely approve 3,341 of 7,412 vouchers processed during the

examination period, totaling \$19.3 million. We noted these vouchers were approved between 1 and 555 days late.

- 1 of 25 refund expenditure vouchers tested was not coded with the correct detail object code.
- For 2 of 2 vouchers for furniture purchases tested, totaling nearly \$80,000, the Department failed to provide the State Property Surplus – New Furniture Purchase Form.

We recommended 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.

The Department accepted the finding.

This concludes our opening remarks for the compliance examination of the Department of Financial and Professional Regulation for the two years ended June 30, 2024.

Rose: Thank you, Auditor General and your staff in particular, Courtney Dzierwa. Director, your response?

Treto: Good morning, Co-Chair Rose, Co-Chair Rita, Executive Director Ray, Hon. Auditor General Mautino and distinguished members of the Commission. As many of you know, my name is Mario Treto Jr. And I'm proud to serve as the Secretary of the Illinois Department of Financial and Professional Regulation. On behalf of myself and the entire agency, I want to extend my gratitude to Co-Chair Rose, Senator, Co-Chair Rose and Rita, and all members of the Commission for the opportunity to appear before you today. We appreciate the chance to discuss both the meaningful progress at IDFPR, the that we've made in recent years and the important work that's ahead.

Before I proceed, I would like to recognize Auditor General Frank Mautino on the occasion of his retirement. It was an honor to appear before Auditor General Mautino at the start of my tenure. His professionalism, fairness and deep commitment to public service reflects the very best of Illinois government. On behalf of IDFPR and, personally, I thank you for your service and for the role your office played in strengthening accountability and helping agencies like ours improve.

Just a few years ago, IDFPR faced significant operational challenges. With your partnership and support, we have made substantial progress in a relatively short period of time. We remain committed to continuing that collaboration with each of you as we work to strengthen the agency and improve the services that we provide to the 1.2 million licensees we

regulate across the state of Illinois. IDFP is a mission driven agency. While mission defines our purpose, it is vision that fuels our work. That vision must be strategic, clear and focused on creating meaningful and lasting change. That's the standard we continue to hold ourselves to. Before taking your questions, I would like to briefly address the Auditor General's most recent compliance examination at IDFP.

We're actively addressing the issues identified in the report. While IDFP today is a markedly different agency than the one I inherited in 2021, we continue to confront and remediate long standing structural challenges. Recognition is the first step in problem solving and accountability must follow. The most recent compliance examination identified 16 findings, five new findings and 11 repeated findings from prior audits. Of those 16 findings, three were classified as Category 1 findings. While acknowledging those findings is important, that is not sufficient on its own. Our focus has turned to remediation, structural improvement and compliance.

Before I answer your questions, I want to briefly address a few important items. First, we acknowledge a prolonged vacancy in the Chief Internal Auditor position and that has existed for quite some time now, and I'm very happy to finally report that this position was filled in November of 2023. Since then, we have strengthened the internal audit structure, enhanced oversight protocols, and implemented corrective action plans to ensure this function operates independently and effectively going forward. Regarding our finding related to accounts payable, our Fiscal Operations Team has strengthened monitoring controls, improved communication and awareness regarding submission timelines, and developed standard operating procedures to ensure continuity during staff turnover.

At the conclusion of the audit period, we conducted a comprehensive analysis of overdue invoice invoices and achieved a meaningful reduction in processing times from fiscal year 23 to fiscal year 24, reflecting a 50% improvement. While staffing turnover and vacancies presented challenges, additional corrective actions have been implemented to ensure sustained compliance. Finally, in regard to our finding related to accounts receivable, we acknowledge these concerns and take them very seriously. While we collect approximately 98% of all monies owed annually, historical record keeping challenges, staffing turnover and key vacancies contributed to delays in resolving the older outstanding balances.

We have initiated a systemic cleanup of historical records and already identified approximately 77% of outstanding balances at the end of fiscal year 24 that may qualify for write off free certification. Additionally, we have begun implementing Epay, which provides a more efficient online payment option for licensees and strengthens our ability to collect outstanding fines and fees in a timely manner. Beyond these Category 1 findings, I want to highlight additional progress.

We have successfully remediated four findings from the previous compliance examination period and continue implementing corrective actions on others. We have developed training programs and standard operating procedures to reduce errors and maintain operational continuity during staff transitions. We have strengthened internal controls related to mandated reporting requirements by implementing enhanced accountability and monitoring measures. We continue working closely with our partners at DoIT to address IT

related findings and to automate manual processes where appropriate to reduce inefficiencies in human error. We have sought to and continue to seek legislative and rulemaking remedies to provide greater clarity in licensing requirements. We have worked with the General Assembly and the Governor's Office to appoint 120 members to Department Boards. We have also implemented additional levels of review to mitigate risk related to inaccurate reporting and compliance gaps.

In closing, while the Category 1 findings reflect serious challenges, they also reflect transparency and a commitment to improvement. Our work to address them is a broader transformation underway at IDFP, one focused on stronger systems, enhanced accountability, operational excellence and better service to the people of Illinois. For today's hearing, I'm honored to be joined by members of our leadership team who can assist in responding to your questions. We have Kate Egolf, our Chief Internal Auditor, Gloria Gibson, our Chief Financial Officer, and Lewis Klapp, General Counsel. My team and I appreciate the opportunity to appear before you today and we welcome your questions.

Rose: Thank you, Director. Questions from the commission. Senator Balkema.

Balkema: Thank you for your red, yellow, green chart at the end. So you've got no reds, which is great. And your yellows, is there any way that you can add target dates for implementation on them?

Treto: Thank you, Senator. And thank you for the appreciation for the document and I understand and appreciate the accountability and the transparency that we owe to each and every one of you. My goal is to ensure that all the outstanding findings are remediated by the next audit. And we're, and I can reassure you that we're working thoughtfully and carefully and making sure that we get the resolution as soon as possible. You know, you're asking an attorney to give you a date certain. But to be frank with you, sometimes there are things that are outside of our control. I can tell you that my goal is again, within the next two years, to find resolution. And in fact, some of these, you're going to be finding resolution rather quickly because we're working with CMS, because we're working with DoIT. So, I do want to reassure you that the goal is to have everything complete by the next audit.

Balkema: And that's a good aspirational goal. But I understand target dates move sometime, but just the target helps, you know, put that in perspective. Because if we have all, all of them, you know, planning on being green by the next audit, that's great. I think in some cases, some of these would be easier than others. If you come back and need LA or General Assembly assistance or that, and make it a red and ask for help, that's wonderful. But I think putting out target dates would be a great next step, if possible.

Treto: Thank you, Senator. I appreciate that. I appreciate the collaboration and us working together. What I did want to also kind of point out to in the chart is the yellows are filled in at different degrees. And I think to your point, the ones that are closer to the end of the

bar mean that we're going to be achieving those relatively soon. But I appreciate the feedback. Thank you.

Balkema: Okay, good catch on the bars. So thank you. Thanks for all your help.

Rose: Other questions from commissioners. Okay, I've got a couple. Director, who is your New Director of Audit?

Treto: Kate Egolf, who's sitting here on my right, your left. And we couldn't be more grateful for her taking leadership on this particular audit.

Rose: So you came in in the middle of this audit. Correct. Okay. And so, first of all, one of your category ones was not having the position filled. So that came off as soon as you were hired. Right. So as the other two category ones, can you give me a status update on those?

Treto: We certainly can.

Rose: I believe those are 13 and 14.

Treto: 13 and 14.

Rose: Because they're both partially implemented.

Treto: Chair Rose, I appreciate the question and the opportunity, again, to be before you, I do think about the time when I first was a newly tenured Secretary in 2021, and we had great conversation in making sure that we're moving the Agency in the right direction. And I hope that the improvements that you're seeing today and the improvements that you see through the Hub and through our website capture my dedication and persistence in making sure that we move the Agency in the right direction. So thank you for that. I have my Chief Fiscal Officer, Gloria Gibson, who can provide additional color, and I also have to acknowledge all the work that she's done within our fiscal office. We've had significant transitions with staff within that particular unit, and a lot of these issues really stem from a lack of staffing. And we've been able to staff the agency a lot.

Throughout my tenure, we were under 400 employees, and now we're 489 as of yesterday, many of them that were that have been employed within the fiscal unit. We also, didn't have very many standard operating procedures, and we've been leveraging technologies with DoIT, such as scribe, to make sure that we have those in place again to hold us accountable. But also, one of the things that I wanted to make sure that we achieve within the agency is where there is staff turnover, I don't want us to begin at zero again. I want to make sure that as new team members join the agency, they're able to pick up where we left off. And so, we've been working really diligent across the entire agency to create SOPs and

responsibilities and obligations within each unit. Not just out, not just giving them the responsibilities, but also showing them how to get these things done.

And so, Gloria has been an incredible partner in that work in making sure that our team members, we were just discussing last night, the work that she's been able to do and also making sure that there's a lot of retention recruitment efforts within that particular unit. There have been a lot of improvements made. She's been working with the Attorney General's Office and making sure that there's been a reconciliation of some of the outstanding historical receivable records that we've had within the Department. Accounts that have been deemed uncollectible will be certified and processed for write-off in accordance with all of our statutory procedures. We've also, in terms of the staffing issue, we've temporarily and strategically been utilizing staffing resources where necessary.

And then I mentioned the Epay system earlier. I know that many of you are aware and I, and I would be remiss in not saying thank you to all of you for giving us the opportunity to procure any licensing system that has really been transformative at the agency. But I do want to let you know that at the same time, concurrently, we've been looking at other, other technologies that we can leverage to make sure that we're working effectively but also making sure that recordkeeping is maintained at the levels that they need to be. And so utilizing Epay has been helping, helpful in being able to again, streamline those online payment options.

Rose: So in all that, with respect to the other two Category 1 findings, how quickly can we resolve those? So we don't have any category ones on the next audit.

Treto: So those, so those that response was specific to category or finding 13. And so those are the changes that we're making. And then with category 15, a lot of those do ...

Rose: 14, I think the other ones. Isn't the other one 14?

Treto: Or rather 15. My apologies.

Rose: Yeah, I think it. Hold on. Let's just make sure the record's clear. I believe category ones are finding 13 and finding 14. Is that Courtney, correct? Okay.

Treto: Correct. Apologies with the numbers.

Rose: That's okay, go ahead.

Treto: So we have been working diligently at the staffing issues and again, the goal is to, by the next audit finding to have many of these remedies. I can also turn it over to our CFO who can shed a little bit more color in some of the work that she's been able to do outside of the things that I've mentioned earlier. But again, it's been really helpful that many of the findings that we've found resolution in have been a result of the hard work within our fiscal

unit.

Gibson: Good morning. What we've been able to do in fiscal is create standard operating procedures and as we bring new staff on recreated objectives. So, when we have senior level people that we bring on, we make sure they could, I mean, process all the, they can perform all duties within their unit, meaning in the absence of a lag time when staff is vacant, that senior level person that supervises that section can produce, I mean, can perform those duties as well. So, with us bringing on Epay, we process over 40,000 transactions and we probably bring in like less than 2,000 checks a month. So, we are depositing money sooner and we are reporting to the comptroller's office within the time frame, the 30-day window. So, we've been able to sustain that during my tenure.

Rose: Okay. So normally this is like where I get very upset and angry at directors sitting in chairs for lack of things that aren't done yet. But honestly, when you came in, you had a heck of a mess and getting the new system up and running was goal one. And I don't want to excuse this list, but I am somewhat understanding of the fact that now that we have the new system up and running, we need to turn around and start going through this list. I do have one question, and frankly it's not, well, it is sort of with respect to this audit, but we have the new system now, I still have literally last week with physician assistants who were telling us that they go to Iowa because it still takes six months to get their licenses knocked out.

That's six months of lost wages to those individuals. It's also six months of lost productivity to the state of Illinois, it's lost six months of lost tax revenues in the State of Illinois. Ultimately, if they go to Iowa, we'll never get them back. But at the end of the day, it's six months of less care, health care to the constituents that we all represent. So, I'll take a little bit of liberty here, but could you give all of us, and I'm sure I'm not alone on this, could you give us a little bit of just a bright line on where we're at with implementation of the new licensing system and how we're going to handle some of these challenges that are still occurring.

Treto: Thank you, Chair Rose, and thank you for the acknowledgment of the hard work of the team. I think the pendulum of state agencies swings in both ways in periodic phases. And I inherited the Agency in a difficult time where there were a lot of changes that needed to have been made. And I want to reassure you all that while a lot of my attention was focused on licensing, at the same time I was working on making sure that we were addressing enforcement challenges, that we were addressing innovation, you know, and now I can tell you at a national level, and if you look at the QR code behind me in the hub, you'll see that we really are looked at as national leaders in terms of regulation. And the implementation of the new system is one of the things that I've had my colleagues, Secretary Dan Harrith in Wisconsin, Executive Director, Patty Salazar from Colorado, others that have reached out and wanting to know how we were able to collaborate to get to where we are today.

We're in the midst of that implementation and one thing that I've promised to each and every one of you is transparency and communication. And I know that my legislative team has worked with you. We have press releases regularly with each of the different phases

within the Department's transition. Some of the healthcare workers still are on the old system on ILS. So right now, and this is where I'm very thankful for my team because they're doing double the amount of work than they've ever had to using two systems, having to navigate going back and forth between the two. My goal is by the end of this calendar year is to have the licensed professionals onto the new system. We are being very thoughtful and strategic with that migration. I do want to be very clear with that. I'd rather wait a couple of days to make sure that the rollout, and that's what I've been doing with the previous three phases, is making sure that the rollouts make sense and that we don't have to go back and fix anything because that would create more headache for us and for you all, candidly.

So, the end of the calendar year is the target date for the licensed professionals. Keep in mind this is truly a transformative process within the Agency because it also captures state chartered financial institutions like banks and credit unions. It does a lot more than licensing. It's going to provide; it provides a 360 kind of view of each applicant so that you're able to not just do licensing but also enforcement actions can take under can take place within the system and that's what we're doing as well. I'm really proud of the work. I'm really proud of the implementation of the system and I can't, I say it all the time. I couldn't be more grateful for your partnership, each and every one of you, for getting us to where we are. Illinois is an incredible place to live and it's an incredible place to work. And to your point, that's where I knew the responsibility that I had on my shoulders in making sure that we delivered to the people of Illinois.

And this is a testament to the great work that we can do when we collaborate across the aisle, across the dais, in achieving some of the goals that we're seeing now. We have some professions that are seeing really rapid, quick turnaround times. Those that do take a long time. There are deficiencies that we're working with them. Sometimes there are things outside of our control. For example, a medical school might not give us a transcript in a timely fashion, you know, or we were working with Continental Testing Services, which is a third party vendor with nursing testing. You know, there's a lot that is at play. But I want to reassure you that I'm working hard making sure that we do whatever communication outreach that we need to do with those stakeholders to make sure that we achieve the deliverables that you want and that the people of Illinois deserve.

Rose: Thank you, Director. I may have a follow up on that, but Representative Manley wishes to ask a question.

Manley: In following Senator Rose's situation with the PAs, I met with them also. Is there anything we can do to think outside the box, like a temporary license or something that can be issued so that we don't lose this talent? You know, they need to work. Right. And I know we've made huge strides in the office, and I'm grateful and you have my admiration. But maybe think outside the box. I don't know if that creates more problems, but I know that a young person or old person coming out of school, they want to get to work. And I don't want that to be a barrier. Have you considered any other, maybe temporary things while these other things are going on that would suffice so they can get to work?

Treto: Thank you, Representative Manley. And you know, just off the bat, the provision of mental health services is critically important. I was the Chairman of the Board of a federally qualified health center for multiple years. And so this is something that's near and dear to my heart. I work with industry, I work with all the associations. I would love to connect with your organ, with the groups that you've been meeting with so that they have a seat at the table. I have an open door policy with my team, with agent, with associations, with stakeholders, with you all. And as you hear these things, let us know so that we can work with them in being thoughtful partners. An example of that is the international medical graduate program that we are fully. The task force is underway. We've been working with the different associations and we're seeing talent that was not being utilized, that was underutilized, being utilized now. And so, that is an example where we were thinking outside of the box.

To your point. I'm always thinking outside of the box. I'm always willing to have these conversations with each and every one of you again. So, I'd love to make that connection. I will, right after this hearing, connect with you so that we can have a conversation to see and find and establish ways that, again, it's a balanced approach. I think you all know that the creation of a license for six months might create more work than you know in terms of balancing the implementation of that new system, that we might find resolution within those six months. So I will keep you informed of that information as well. But I will work with my Division of Professional Regulation.

Manley: I wonder how they do that in other states. Like what the PAs were expressing. Like how do they do that next day? How. I'm just curious if maybe we look at that first and find out how they're able to actually get that in place so quickly. Good job.

Treto: No, thank you. I'd love to connect again with them. Every state is different and we've been able to create a lot of legislative changes that have remedied some of those problems. And like I've mentioned before, there's still work ahead of us, so I'd love to connect with them. And I have partners with other state agencies across the country that regulate medical professionals. And so our conversations are ongoing. We have the Federal Association of Regulatory Boards that oversees medical professionals. So, there are a lot of working groups just so that you're aware in terms of addressing those issues that you raise.

Manley: At the risk of making, it sounds like a love fest in here today, great job. Like amazing work. Your team, you really deserve, my hat is off big time. Good work. Thank you.

Treto: Thank you.

Rose: I won't say anything other than I just won't yell at you.

Manley: That's the love fest.

Treto: Thank you. Thank you, Chair Rose.

Rose: Yeah. Senator Ellman. Yeah, no, please, go ahead. Sorry. Chris, you're up on deck.

Ellman: Hello there. Glad to see you. I love you guys too, but I do have some questions. Some of the items that I saw in this audit report were in regard to cybersecurity. You know, sign-on's. And I want to make, I want to hear about these outward facing applications where you're collecting information from professionals, from financial institutions. What kind of risk and how is it mitigated for potential breaches in that data?

Treto: Senator Elman, thank you for your thoughtful question and I appreciate your work with our financial institutions and I completely understand where you're coming from in terms of cybersecurity concerns. Number one, during, with regard to the finding that we had, it was in the midst of a protocol change within DoIT. And so, we have been working and making sure that our changes are abiding by the requirements that DoIT has imposed on state agencies. That's not to say that the cybersecurity concern is very real.

And I take very seriously the information, the PII that I have that our agency has in terms of the 1.2 million licensees, financial institutions. It's very important for us to think those things through in procuring the new licensing system, that was one of the top things that I wanted to make sure was kind of captured within the contract. I'm really grateful for our General Counsel, Louis Klapp, who's behind me, and his legal team, who worked really hard in making sure that that was captured. Quite frankly, and it was part of the conversation I had with you all when I was talking about our old system that was from 1999, I spoke to the head of regulation in Washington in which they had a breach that was significant. And it, it scared me, frankly.

And so, that was part of the reason why I wanted to make sure that that was embedded within the contract of the new licensing system. So, we were thinking ahead. We are thinking ahead. That finding is, I recognize the finding, but I want to reassure you that we've been working really hard at remedying it. And so, we are working with DoIT, and we've established a great relationship with Secretary Ragel and Laura, who have been working with us and making sure that we're complying. So, the work is there. The work is there.

Ellman: Okay. And just a quick follow up. My understanding of cybersecurity also involves regular audits of the program, regular, you know, operational checks to make sure that threats are identified and, you know, addressed. So does the, this outward facing program or, you know, your applications, do you have a regular cybersecurity audit schedule on that? And, and how are those, how are those conducted? Are they done internally or do you use external consultants for those?

Treto: So, I'll turn it over to your chief internal auditor in a quick second. But in terms of all of the different, all the different audits that we have, we have some that are internal, that are initiated by the Department. And so, I'll make sure that that is captured at the next

internal audit that we conduct. But again, we do work with DoIT in making sure that we comply with their, with the obligations that we have with their department. Kate, I'll turn it over to you to add additional color there as well.

Egolf: Yes, we do perform cybersecurity audits as part of our internal audit program.

Rose: Thank you, Senator Balkema.

Balkema: Just to follow up. Thanks for the QR code, for those in the audience that can't see it, it's great. I looked at it. You've got tons of metrics out there. That's wonderful. Do we have a target date for implementation for all 298 licenses? In other words, license one, target date three days, license two, four days.

Treto: Thank you Senator, for the, for the new licensing system.

Balkema: Yeah, so, so physician's assistant license. Do we have a target to say, you know, bold goal is to have that license issued three days after application?

Treto: Oh, I see. The goal is to be as quick as possible. I think, you know, when you look at what, again, nationally, what the averages are, they really fluctuate. It's very different. It's profession specific. With 120 plus license types that we have, I can tell you that it's a little ...

Balkema: 298. Right?

Treto: So, there's license types and then there's licensed professionals. There's sub license types. Like for example, a physician also has a controlled substance license that falls within that. So, that's part of the bigger picture. But every profession is very different. Like I can tell you that licensing a cosmetologist is much quicker than it would be to license a medical professional, specifically physicians, because there are boards, there are additional qualifications that they have and we're at the mercy of third parties, timeliness to achieve that.

And so, part of this new licensing system is providing that communication and transparency to the licensing so that they know this is what's holding us up. Like we need to make sure that we get the transcript from the physician. In an ideal world, it would be great to get everything on average throughout the Agency, two weeks to a month at its worst. Again, but it really is contingent, in fact specific to each licensee. And when we were working through that in some professions you're seeing licenses issued the next day. And so, that's a success. But again, I acknowledge the difference in terms of professional requirements for all of the different professions we have.

Balkema: So there's 120 different professions, 298 total licenses. So, is there a

downside to having a target date for each one? Cosmetology, I'll make it up two days. Medical professional, you know, 40 days. Is there a downside to having targets that we could communicate to the world? Again, as an attorney, I understand that. But if we don't set a bold goal and set a target, there's always this swirling of, oh, it took me six months, and that, why don't we just put a target date for each one and then try and hit them.

Treto: So, Senator, I'm glad that you went on the hub and you saw that was my attempt at trying to communicate numbers and metrics to you all. You're forcing my hand here because there's a bit of a surprise that I wanted to do in the future, and that is I want to have a tracker. I'm working with a vendor to have a tracker on what the average licensing time for each profession is. And so that's in the works right now because my counterpart in Wisconsin has a similar. It's not as sophisticated as what I'm looking for. And so I think once we have that information, you're going to be able to kind of take a look at that to see what the averages are across license types.

Balkema: Beautiful. Okay, sounds great.

Rose: So, in the interest of time, we are losing the room right now. Does anyone else have any short questions? Okay.

Treto: Chairman Rose, if I can real quick.

Rose: Please.

Treto: And Senator, if you can please keep that update to yourself. That would be great.

Rose: Sure. There's just announced that the whole world. You got Balkema's now going to want a tracker from everybody. So, you're in good shape.

Treto: I just mentioned it. Chairman Rose, Chairman Rita, and honorable members of the commission again, I want to reiterate how important this work is. I do think, you know, there's an accountability that I made sure we worked hard at. And I'm before you as the face of the Agency. Strip this face of the Agency and look at the people behind me and look at the people in Chicago, in Des Plaines and our Springfield office. I'm incredibly honored to work with some of the best public servants not in the State of Illinois, not only in the Midwest, but in the country. And sometimes people don't see that. People don't see that hard work. Just this weekend, on Saturday, our fiscal team was working overtime and making sure that they're resolving some of the issues that we've been addressing. So, just rest assured that we're working hard at delivering the results that the people of Illinois deserve. So, thank you for this opportunity.

Rose: Thank you. See no more questions. Representative Meier moves to accept the compliance under the Department of Financial Professional Regulation. Seconded by Senator Ellman. All in favor say aye. Aye. Opposed say nay, the ayes have it, and the audit is accepted. Thank you, Director. Members, we do have just a few more housekeeping items.

Turning now to the consent calendar, appearing today are 11 reports which are older audits that need to have action taken in order to focus on the newer audits of these agencies. I would like to note that this list contains old audits only and addresses the backlog we have. Members, this is in no way should be construed as us condoning the findings of those audits but simply fulfilling our responsibilities to act on the audience released by the Auditor General and prepare for the new audits that the Auditor General is bringing.

Additionally, I would note for everyone in attendance that we are removing from the consent calendar the Prison Review Board audit and the Department of Healthcare and Family Services audit from that list, which we will see them once their new audits come out. With that said, if there is no objection on a motion by Representative Elik, seconded by Senator Wilcox, to accept the consent calendar, all in favor say aye. Aye. Opposed, say nay. In the opinion the chairs, the ayes have it and the consent calendars accepted.

We additionally have four financial statements for the Audit Commission from October 2025 through January 2026. If there is no objection on a motion made by Senator Balkema, seconded by Representative Meier to accept the financial statements, all in favor, say aye. Aye. Opposed, say nay. In the opinion of the chair, the ayes have it and the financial statements are accepted.

We also have the minutes for the Audit Commission meeting on October 28, 2025. If there is no objection on a motion made by Senator Ellman, seconded by Senator Wilcox, we accept the meeting minutes. All in favor say aye. Aye. Oppose say nay. In the opinion of the chair, the ayes have it, and the meeting minutes are accepted.

Next are the emergency purchases for the fourth quarter of February 25th and the first quarter of 2026. Excuse me. FY25 in the first quarter of FY26. Questions or concerns from members of the Commission on any of these purchases. Seeing none, the Commission does not need to take any action on this matter. But we acknowledge receipt of those emergency purchases.

We also acknowledge receipt of four items which do not require commission action. They are items A through D on the Auditor General's quarterly report for the second quarter of fiscal year 26. Information submitted by the Retirement Plan for Chicago Transit Authority Employees, 2025 Annual Review, Information submitted by the Chicago Transit Authority's Retiree healthcare care trust, 2025 annual review and the State Actuaries Report of Actuarial Assumptions Evaluations of State Funded Retirement. State Funded Retirement Systems.

Looking ahead, there are only two pages left. And the Audit Commission will meet again the following Tuesdays, March 24, April 14 and May 5. The tentative agencies to be heard in March will be the Illinois State Police, Aging, DoIT. Tentative agencies to be held in April are Corrections, SIU and the Gaming Board. If there's no further to come before the Legislative Audit Commission today seeing none on a motion from Senator Ellman seconded

by Representative Elik. The meeting is adjourned. Thank you. See you next month.