



**STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND
SECURITY**

STATE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2023

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

**STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

AGENCY OFFICIALS

Director	Ms. Alicia Tate-Nadeau
Acting Chief of Staff (4/1/2024 - Present)	Adnan Khayyat
Chief of Staff (3/14/2024 - 3/31/2024)	Vacant
Chief of Staff (1/19/23 - 3/13/2024)	Karlo Flowers
Chief of Staff (1/22/22 - 1/18/23)	Vacant
Chief of Staff – Administration (7/1/21 - 1/21/22)	Declan Binninger
Deputy Director of Emergency Management (08/16/23 - Present)	Clayton Kuetemeyer
Deputy Director of Emergency Management (7/1/21 - 08/31/23)	Scott Swinford
Deputy Director of Nuclear Safety & Chief Nuclear Officer (5/1/23 - Present)	Adnan Khayyat
Deputy Director of Nuclear Safety (7/1/21 - 4/30/23)	Adnan Khayyat
Deputy Director of Homeland Security (6/1/23 - Present)	Claire Moravec
Chief Accountability Officer (8/16/21 - Present)	MyongAe Kim
Chief Legal Counsel (6/1/23 - Present)	Douglas Dorando
Chief Legal Counsel (4/19/23 - 5/31/23)	Vacant
Chief Legal Counsel (7/1/21 - 4/18/23)	Eric Lohrenz
Chief Fiscal Officer	Karl Pound
Chief Internal Auditor (6/16/24 - Present)	Candice Long
Acting Chief Internal Auditor, Temporary appointment (5/16/23 - 6/15/24)	Jane Hewitt
Acting Chief Internal Auditor, Personal service contract (3/14/23 - 5/15/23)	Jane Hewitt
Chief Internal Auditor (2/5/23 - 3/13/23)	Vacant
Chief Internal Auditor (7/4/22 - 2/4/23)	Wesley Lewis
Chief Internal Auditor (5/16/22 - 7/3/22)	Vacant
Acting Chief Internal Auditor, Temporary appointment (1/1/22 - 5/15/22)	Jane Hewitt
Chief Internal Auditor (7/1/21 - 12/31/2021)	Jane Hewitt
Chief Information Officer (DoIT) (3/30/2024 - Present)	Vacant
Chief Information Officer (DoIT) (2/16/2024 - 3/29/2024)	Arba Houlden
Chief Information Officer (DoIT) (8/16/2023 - 2/15/2024)	Vacant
Chief Information Officer (DoIT) (2/1/2022 - 08/15/2023)	Pedro Guzman
Chief Information Officer (DoIT) (7/1/21 - 1/31/22)	Vacant

AGENCY OFFICES

The Agency's executive offices are located at:

69 West Washington Street
Chicago, Illinois 60602

2200 S. Dirksen Parkway
Springfield, Illinois 62703

1035 Outer Park Drive
Springfield, Illinois 62704



IEMA-OHS

ILLINOIS EMERGENCY MANAGEMENT AGENCY
AND OFFICE OF HOMELAND SECURITY

JB Pritzker
Governor

OFFICE OF THE DIRECTOR

Alicia Tate-Nadeau
Director

MANAGEMENT ASSERTION LETTER

July 24, 2024

Kerber, Eck & Braeckel LLP
3200 Robbins Rd, Suite 200A
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Emergency Management Agency and Office of Homeland Security (Agency). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Agency’s compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2023 and June 30, 2022, the Agency has materially complied with the specified requirements below.

- A. The Agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Agency on behalf of the State or held in trust by the Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

Illinois Emergency Management Agency and Office of Homeland Security

SIGNED ORIGINAL ON FILE

Alicia Tate-Nadeau
Director

SIGNED ORIGINAL ON FILE

Karl Pound
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Douglas Dorando
General Counsel

**STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	10	10
Repeated Findings	6	3
Prior Recommendations Implemented or Not Repeated	4	3

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	9	2021/2019	Inadequate Controls over Receipts and Accounts Receivable	Material Weakness and Material Noncompliance
2023-002	15	2021/2021	Property Control Weaknesses	Material Weakness and Material Noncompliance
2023-003	18	2021/2021	Noncompliance with Lease Reporting Requirements	Significant Deficiency and Noncompliance
2023-004	19	2021/2021	Inadequate Controls over Internal Audit	Significant Deficiency and Noncompliance
2023-005	23	New	Inadequate Controls over Census Reconciliation	Material Weakness and Material Noncompliance

**STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
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SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-006	25	New	Inadequate Controls over Commodities Inventory Valuations	Significant Deficiency and Noncompliance
2023-007	26	New	Voucher Processing Weakness	Significant Deficiency and Noncompliance
2023-008	28	New	Inadequate Controls over Information Technology Disaster Recovery	Material Weakness and Material Noncompliance
2023-009	29	2021/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-010	32	2021/2021	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Material Weakness and Material Noncompliance
Prior Findings Not Repeated				
A	34	2021/2019	Inadequate Controls over Contract and Obligation Reconciliations	
B	34	2021/2021	Inadequate Controls over Fee Imposition Reporting	
C	34	2021/2017	Computer System Weaknesses	
D	35	2021/2021	Lack of Agreement to Ensure Compliance with IT Security Requirements	

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EXIT CONFERENCE

Findings 2023-001 through 2023-010 and their associated recommendations appearing in this report were discussed with Agency personnel at an exit conference on July 18, 2024.

Attending were:

Representing Illinois Emergency Management Agency and Office of Homeland Security

Alicia Tate-Nadeau, Director of IEMA & OHS
Adnan Khayyat, Acting Chief of Staff
Clayton Kuetemeyer, Deputy Director of Emergency Management
Sally McDaniel-Smith, Chief Human Resources Officer
Candice Long, Chief Internal Auditor
Kelly Horn, Radiation Protection Services Division Chief
Michael McCue, Chief of Logistics
Douglas Dorando, Chief Legal Counsel
Karl Pound, Chief Fiscal Officer
Christa Bull, Deputy Chief Fiscal Officer

Representing DoIT - Illinois Emergency Management Agency and Office of Homeland Security

Joe Corso, IEMA-OHS IT Program Manager

Representing Kerber, Eck & Braeckel LLP

Kate Ward, Partner
Josh Shugart, Partner
Amanda Wells, Senior Manager
Dakota Greer, Manager

Representing the Office of the Auditor General

Megan Green, Senior Audit Manager

The responses to these recommendations were provided by Candice Long, Chief Internal Auditor, in correspondence dated July 24, 2024.

Independent Accountant's Report on State Compliance and on Internal Control Over Compliance

Honorable Frank J. Mautino
Auditor General
State of Illinois

And

State of Illinois, Illinois Emergency Management Agency and Office of Homeland Security

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Illinois Emergency Management Agency and Office of Homeland Security (Agency) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2023. Management of the Agency is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Agency has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Agency has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Agency on behalf of the State or held in trust by the Agency have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with the specified requirements in all material respects.

An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

Our examination disclosed material noncompliance with the following specified requirements applicable to the Agency during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001, 2023-002, 2023-005, 2023-008 and 2023-010, the Agency has not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as item 2023-001, the Agency has not ensured the State revenues and receipts collected by the Agency were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenue and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance from the specified requirements described in the preceding paragraph, the Agency complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-003, 2023-004, 2023-006, 2023-007, and 2023-009.

The Agency's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001, 2023-002, 2023-005, 2023-008, and 2023-010 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-003, 2023-004, 2023-006, 2023-007, and 2023-009, to be significant deficiencies.

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

The Agency's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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

SIGNED ORIGINAL ON FILE

Springfield, Illinois
July 24, 2024

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

MATERIAL FINDINGS

2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not exercise adequate controls over its receipts and refund processing and accounts receivable reporting.

Receipts and Refunds

During testing of receipts and refunds transactions and procedures, we were unable to complete the following testing as the Agency was unable to provide the necessary supporting documentation:

- Testing over 2 of 10 (20%) refund receipt transactions, totaling \$ 1,206,354.
- Testing over 3 of 3 (100%) returned checks.
- Testing over the fee rates for Radiation Machine Inspection and Registration fees reported on the Fiscal Year 2022 and Fiscal Year 2023 Fee Imposition Reports.

According to the State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)), the Agency must maintain records “showing the date of receipt,” for funds received directly by the Agency. Additionally, the State Records Act (5 ILCS 160/8) requires the Agency to make and preserve records containing adequate and proper documentation of the organization’s functions and essential transactions.

Accounts Receivable

The Statewide Accounting Management System (SAMS) (Procedure 26.30.10) and the Illinois State Collection Act of 1986 (30 ILCS 210/2) require the Agency to file quarterly accounts receivable information with the Office of Comptroller by completing a *Quarterly Summary of Accounts Receivable – Accounts Receivable Activity* (Form C-97), *Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables* (Form C-98), and *Quarterly Summary of Accounts Receivable – External Collections Activity for Accounts Over 180 Days Past Due* (Form C-99).

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
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2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

We performed detailed accounts receivable testing on the following funds: the Radiation Protection Fund (067), the Nuclear Safety Emergency Preparedness Fund (796), and the Low-Level Radioactive Waste Facility Development and Operation Fund (942).

During testing of accounts receivable, we noted the following:

- For Fund 067 , various balances reported on all quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency’s records. Differences were noted for various aging categories and ranged from net differences of \$ 2,000 to \$ 251,000.
- For Fund 796, various balances reported on 3 of 8 (38%) quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency’s records. Differences were noted for various aging categories and ranged from net differences of \$ 5,000 to \$ 12,000.
- For Fund 942, various balances reported on 5 of 8 (63%) quarterly Form C-98s for Fiscal Year 2022 and 2023 did not agree to the Agency’s records. Differences were noted for various aging categories and ranged from net differences of \$ 2,000 to \$ 38,000.
- Six of the eight (75%) quarterly Form C-99s tested did not agree to the corresponding quarterly Form C-98s. The amount reported for “Total of Past Due Accounts over 180 Days” on the Form C-99 did not agree to the amount reported for “Over 180 Days” on the corresponding C-98. Differences ranged from overstatements of \$38,000 to \$109,000. In addition, the quarterly Form C-99s did not agree to Agency records. Net differences ranged from \$5,000 to \$543,000.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls, to provide assurance that revenues and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources. Good internal controls require due care be used in preparing the accounts receivable reports submitted to the Comptroller to ensure the forms are accurately completed.

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

Lack of Segregation of Duties

During testing, we noted one individual performed three parts of the transaction cycle, including:

- **Initiation** by generating invoices for amounts due to the Agency,
- **Custody** by handling physical checks and maintaining electronic and physical records, and
- **Recordkeeping** by preparing and posting entries.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds are safeguarded against waste, loss, unauthorized use, and misappropriation. Failure to establish and maintain internal control over receipt processing increases the risk of revenue loss or theft, and represents noncompliance with State laws, rules, and regulations.

Enterprise Resource Planning Program Utilization

The State's implementation of the Enterprise Resource Planning (ERP) program centralized the finance, procurement, grants management, and asset management processes by replacing outdated manual systems and technologies. The ERP can enhance transparency of data, reduce processing time, and improve the timeliness of financial reporting. During the examination period, the ERP's processing integrity was sufficient to enable reliance upon ERP's processing of transactions. During our examination, we noted the Agency billed entities for various services; however, the Agency did not fully utilize the Public Sector Collection & Disbursements (PSCD) ERP module. Invoices and bills are generated through the Agency's legacy Accounts Receivable system, which is an internally developed system based on Microsoft Access. During March 2023, several types of fees were partially migrated to the ERP system. However, invoices and bills and customer data is still entered into the legacy system first. The data is then mapped over to the ERP system electronically. The PSCD maintains transactions related to billings, payments and accounts receivable. During the examination period, the Agency had billings and receipts totaling \$ 10,840,859,988.

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
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2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

Government Auditing Standards (§ 1.02) states:

The concept of accountability for use of public resources and government authority is key to our nation’s governing processes. Management and officials entrusted with public resources are responsible for carrying out public functions and providing service to the public effectively, efficiently, economically, and ethically within the context of the statutory boundaries of the specific government program.

FCIAA (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable laws. Good internal controls over compliance include ensuring the full capabilities of the ERP are used to efficiently process, record, and report transactions. Failure to fully utilize the State’s ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency and resulted in the inefficient usage of State resources.

Late Deposits

During the entirety of Fiscal Year 2022 through February of Fiscal Year 2023, we noted the Agency did not utilize the Public Sector Collection & Disbursements (PSCD) module of the ERP System to process receipts and refunds. As such, we tested receipts and refunds deposited outside of the PSCD module during this period, and noted the following:

- The Agency did not deposit 3 refund items, each exceeding \$10,000, on the same day as received.
- The Agency did not deposit 1 receipt item, less than \$500 in totality, when accumulated to \$500 or on the 1st or 15th of the month, whichever was earlier.
- The Agency did not deposit 2 receipt items, totaling \$ 19,504, within 7 days of receipt, as required per the Agency’s deposit extension approval.

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

From March of Fiscal Year 2023 through the end of the fiscal year, the Agency utilized the PSCD module for certain receipts and refunds. We conducted an analysis of the Agency’s receipts data for the period of Fiscal Year 2023 that the Agency utilized the ERP system for receipts and refunds to determine compliance with the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(b)), noting the following noncompliance:

- The Agency did not deposit 11 receipts items, each exceeding \$10,000, on the same day as received.
- The Agency did not deposit 61 receipt items, exceeding \$500 but less than \$10,000 in totality, within 48 hours.
- The Agency did not deposit 736 receipt items, less than \$500 in totality, when accumulated to \$500 or on the 1st or 15th of the month, whichever was earlier.
- We were unable to determine the timeliness of deposit for 9 receipt items, totaling \$ 14,843, due to apparent data input errors.

The Act (30 ILCS 230/2(b)) requires the Department to pay into the State treasury any single item of receipt exceeding \$10,000 on the day received. Additionally, receipt items totaling \$10,000 or more are to be deposited within 24 hours. Further, receipt items, in total exceeding \$500 but less than \$10,000, are to be deposited within 48 hours. Lastly, receipt items totaling less than \$500 are to be deposited once the total exceeds \$500 or on the 1st or 15th of the month, whichever is earlier.

Agency officials indicated the issues noted above were due to lack of staff within the unit and a turnover of managers. The hiring process turnaround time also played a factor to fill the vacant seats.

Untimely deposits of receipts by the Agency delays realization of cash available for expenditure in the State Treasury and could result in untimely payment of vouchers by the Comptroller. Additionally, failure to establish and maintain accurate reporting procedures and controls over accounts receivable and receipts increases the risk that the Agency’s receivable balances could be inaccurate and improperly valued, increases the risk of revenue loss or theft, and represents noncompliance with State laws and regulations. Further, failure to fully utilize the State’s ERP System could result in outdated systems not being supported, untimely financial information and the lack of full transparency, as well as inefficient usage of State resources. (Finding Code No. 2023-001, 2021-002, 2019-002)

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

2023-001. **FINDING:** Inadequate Controls over Receipts and Accounts Receivable

RECOMMENDATION

We recommend the Agency implement the necessary controls to: facilitate timeliness of deposits; ensure accuracy of accounts receivable reporting; ensure adequate segregation of duties; and ensure ERP is fully implemented and utilized by the Agency.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. IEMA-OHS began using the Public Sector Collection & Disbursements (PSCD) module during FY23 and this will increase visibility of deposit timeliness and provide adequate support for accounts receivable reports. The Agency is in the process of actively filling positions in the accounts receivable unit as vacancies exist.

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

2023-002. **FINDING:** Property Control Weaknesses

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not exercise adequate controls over State property to ensure completeness of property records and accurate and timely reporting to the Office of Comptroller (Comptroller).

Inaccurate Reporting

During our testing of all Fiscal Year 2022 and 2023 quarterly *Agency Reports of State Property* (Form C-15), we noted the following:

- For Fiscal Year 2023, the Agency duplicated a transaction for building and building improvements for \$63,842. The transaction was recorded twice on the third quarter Form C-15, causing the ending property balance to be overstated by the duplicated amount. The beginning balance on the fourth quarter Form C-15 was also overstated, as the balance included the duplicate transaction.
- For Fiscal Year 2023, we noted a difference of \$7,378 between the asset additions reported on the fourth quarter Form C-15 and the Agency's property control records.

Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires agencies to maintain detailed supporting records for the amounts reported on the Form C-15. Additionally, the Fiscal Control and Internal Auditing Act (FCIAA Act) (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal controls that provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good internal control procedures also require proper management oversight to ensure accuracy and compliance with reporting requirements.

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2023

2023-002. **FINDING:** Property Control Weaknesses

Equipment Additions and Deletions Testing

- During our testing of equipment additions and deletions for Fiscal Year 2022 and 2023, we noted for 3 of 60 (5%) equipment additions selected for testing, totaling \$ 8,989, the Agency did not retain sufficient support for the addition of equipment to the Agency’s property listing.

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

- For 3 of 60 (5%) equipment additions totaling \$ 5,967 selected for testing, freight and installation charges, totaling \$ 93, were not added to the value of the equipment item purchased during the examination period.

SAMS (Procedure 03.30.20) states the basic cost of equipment includes all costs necessary to acquire the asset and place it into service, such as freight charges, in transit insurance, applicable taxes, special foundations or bases, assembly, installation, testing costs, and the net invoice cost.

- For 3 of 60 (5%) equipment additions selected for testing, totaling \$ 7,577, the Office did not assign a property identification number to the item when it was added to the Agency’s property listing.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.230) requires the Agency to enter the property identification number into the Agency’s property records for every equipment item.

Forwards and Backwards Testing

During our testing of property, we noted:

- 8 of 98 (8%) equipment items selected for forwards (list-to-floor) testing, totaling \$ 3,234, could not be located at the location indicated on the Office’s property listing.
- 11 of 87 (13%) equipment items selected for backwards (floor-to-list) testing, could not be traced to the Office’s property listing.

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2023-002. **FINDING:** Property Control Weaknesses

The FCIAA Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

SAMS (Procedure 29.10.10) requires the Agency to maintain current property records, including the location. Further, the State Property Control Act (30 ILCS 605/4) requires the Agency to maintain a permanent record of all items under its jurisdiction and control.

Agency officials indicated the issues noted above were due to lack of staff within the unit and a turnover of managers. The hiring process turnaround time also played a factor to fill the vacant seats.

Failure to maintain adequate controls over State property is a violation of FCIAA and increases the potential for loss or misappropriation of State property. Additionally, failure to properly reconcile and account for property additions and disposals resulted in the reporting of inaccurate information. (Finding Code No. 2023-002, 2021-003)

RECOMMENDATION

We recommend the Agency strengthen its internal controls over State property to ensure property records are complete, reconciled, and updated timely to facilitate accurate and timely reporting to the Comptroller.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. During FY24, the Agency hired staff within the property unit. Additional staff will help ensure property records are complete and in accordance with the audit recommendations.

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2023-003. **FINDING:** Noncompliance with Lease Reporting Requirements

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not comply with the Statewide Accounting Management System (SAMS) requirement regarding lease reporting.

During our testing of the three leases executed or revalued during the examination period, for assets totaling \$ 346,908, we noted:

- 1 of 3 (33%) of the SCO-560's, for assets totaling \$ 257,978, was submitted to the Office of Comptroller (Comptroller) 179 days after the contract implementation date.
- 3 of 3 (100%) of the SCO-560's, for assets totaling \$ 346,908, were not recorded in the Agency's property records.

The Statewide Accounting Management System (Procedure 27.20.60) requires agencies to submit Form SCO-560 to the Comptroller on a transaction-by-transaction basis when a lease is executed for assets with a fair market value of \$ 25,000 or more. The completion of this form enables the Comptroller to determine if a leased asset should be considered a capital lease asset which must then be recorded in the Agency's property records.

Agency officials indicated the conditions noted above were due to lack of staff within the asset management unit during the audit cycle.

Failure to timely report lease assets and liabilities to the Comptroller and failure to record capitalized assets reduces the reliability of Statewide property and lease reporting and represents noncompliance with SAMS. (Finding Code No. 2023-003, 2021-004)

RECOMMENDATION

We recommend the Agency implement internal controls to ensure Form SCO-560 is filed timely and leased assets are accurately and timely recorded in the Agency's property records.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. During FY24, the Agency hired staff within the asset management unit. Additional staff will help ensure property records are complete and in accordance with the audit recommendations.

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2023-004. **FINDING:** Inadequate Controls over Internal Audit

The Illinois Emergency Management Agency and Office of Homeland Security’s (Agency) internal audit function did not comply with all applicable Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

During testing of the internal audit function, we noted the following:

- The Agency did not maintain a full-time internal audit function. During the examination period, the Agency was approved for one full-time employee and/or equivalent. For 12 of 24 months (50%), the Agency did not have a full-time equivalent employee. Lack of internal audit staff was also identified by the Agency as a material weakness in the FY23 FCIAA Certification. During this time, the Agency had a part-time contractor.

The Fiscal Control and Internal Auditing Act (FCIAA Act) (30 ILCS 10/2001(a)), requires each designated State Agency to maintain a full-time program of internal auditing.

- The Agency did not sufficiently audit and test the Agency’s major systems of internal accounting and administrative control. For the 10 major transaction cycles which apply to the Agency, the Agency identified 73 internal control objectives applicable to those transaction cycles. Based on review of 4 of the 7 (57%) internal audit reports issued during the examination period, we noted insufficient testing of these internal control objectives. Less than 11% of the internal control objectives were incorporated into internal audit testing performed.

The FCIAA Act (30 ILCS 10/2003), requires the Agency to create and complete a two-year plan to audit the Agency’s major systems of internal accounting and administrative controls over public funds, grants, major new electronic data processing systems and modifications, and any special audits commissioned by the Agency’s chief executive officer. Additionally, the FCIAA Act (30 ILCS 10/3002) requires the Agency to evaluate their major systems of internal controls in accordance with the guidelines promulgated by the Office of Comptroller (Comptroller).

The Statewide Accounting Management System (SAMS) (Procedure 2.50.20) published by the Comptroller identifies eleven major transaction cycles generally applicable to most State Agencies. The Comptroller also identifies the internal fiscal and administrative control objectives that should be considered for implementation and evaluation by State Agencies, as applicable, in their publicly available “Supplement to SAMS Manual Procedure 2.”

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2023-004. **FINDING:** Inadequate Controls over Internal Audit

- The internal audit function had not undergone its required external assessment within the past 8 years. The external assessment was due to be completed by March 6, 2020.

Section 1312 of the *Standards* requires external assessments to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

- The internal audit function did not audit the Public Sector Collection and Disbursements (PSCD) module of the State’s Enterprise Resource Planning System (ERP) prior to its implementation in March 2023.

The FCIAA Act (30 ILCS 10/2003(a)), requires agencies to conduct reviews over the design of major modifications to electronic data processing systems before their installation to ensure the systems provide for adequate audit trails and accountability.

- The internal audit function could not provide adequate documentation of its internal assessments performed for the entire examination period, including ongoing monitoring activities of the internal audit function.

Section 1311 of the *Standards*, and the related implementation guidance, require that internal assessments include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

- For 4 of 4 (100%) internal audit reports, the internal audit function did not disclose nonconformance with Section 1312 (External Assessments) of the *Standards* as instructed by the State Internal Audit Advisory Board.

Section 1322 of the *Standards* states, “When nonconformance with the Code of Ethics or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.” Section 2431 requires disclosure when the results of a specific engagement are impacted by nonconformance.

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2023-004. **FINDING:** Inadequate Controls over Internal Audit

- Internal audit workpapers failed to meet the requirements of the *Standards*. During our testing of internal audit workpapers, we noted the workpapers tested did not include planning notes or any documentation that demonstrated an evaluation of the audit resources required to meet engagement objectives and did not contain adequately documented audit workpapers to support conclusions reached.

According to Section 2230 of the *Standards* and the related implementation guidance, internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources. Documentation to demonstrate conformance may include planning notes, time sheets, or tracking documentation used to monitor budgeted hours and actual hours. Additionally, the *Standards* require internal auditors to document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. Section 2240 of the *Standards* states, “Internal auditors must develop and document work programs that achieve the engagement objectives.”

According to the FCIAA (30 ILCS 10/2005(f)(1)), all state internal auditors are required to adhere to the standards and ethics of the Institute of Internal Auditors, in addition to other standards promulgated by the State Internal Audit Advisory Board.

Agency officials indicated limited audit resources, turnover in the Chief Internal Auditor position, and lengthy hiring processes impacted internal audit’s ability to fully comply with the *Standards*.

Nonconformance with the *Standards* as noted may result in: misunderstandings with senior management as to the purpose and responsibilities of the internal audit function; failure to identify and examine key risks that could affect the Agency’s ability to achieve its goals; reduced assurance that internal control systems are operating as intended; decreased quality and consistency in the performance of internal audits; and unidentified risks in the design, implementation, or effectiveness of the Agency’s ethics objectives. Additionally, nonconformance with the IIA *Standards* is a violation of State law. (Finding Code No. 2023-004, 2021-006)

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2023-004. **FINDING:** Inadequate Controls over Internal Audit

RECOMMENDATION

We recommend the Agency strengthen internal controls over the internal audit function by hiring additional staff; documenting future risk assessments; undergoing an external assessment as soon as possible and completing future external assessments in a timely manner; sufficiently documenting internal assessments; conducting a formal review of the Agency's ethics practices; and ensuring audit workpaper documentation meets the requirements of the *Standards*.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Agency has hired a full-time Chief Internal Auditor in June 2024 and is working towards bringing the internal audit function into compliance with auditing standards and practices. The Agency is considering options for hiring additional staff for the internal audit function.

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2023-005. **FINDING:** Inadequate Controls over Census Reconciliation

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active member's census data during the current period is split between the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees and then transmit this census data to the plan's actuary.

We noted the Agency's employees are members of the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the following:

- The Agency has not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate data.
- Since a base year was not established, the Agency has not developed a process to annually obtain from SERS and CMS the incremental changes recorded by SERS and CMS in their census data records and reconcile these changes back to the Agency's internal supporting records.

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2023-005. **FINDING:** Inadequate Controls over Census Reconciliation

For employees participating in plans with multiple-employer and cost-sharing features, the American Institute of Certified Public Accountants’ Audit and Accounting Guide: State and Local Governments (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate the risk of the plan’s actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members’ census data to a report from the plan of census data submitted to the plan’s actuary, by comparing the current year’s census data file to both the prior year’s census data file and its underlying records for changes occurring during the current year.

Further, the Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or system, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Agency officials indicated the Human Resources Division of the Agency experienced high turnover and inadequate staffing during the time period being examined, and these exceptions were due to lack of training, competing priorities and a lack of resources.

Failure to reconcile active members’ census data reported to and held by SERS and CMS to the Agency’s records could result in each plan’s actuary relying on incomplete or inaccurate census data in the calculation of the Agency’s pension and OPEB balances, which could result in a misstatement of these amounts. (Finding Code No. 2023-005)

RECOMMENDATION

We recommend the Agency implement internal controls over the census reconciliation process by conducting a baseline census reconciliation and subsequently reconciling changes in census data annually thereafter.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Illinois Emergency Management Agency and Office of Homeland Security has appropriately staffed the Human Resources Division and is taking pro-active measures to ensure that the deficiency in Census Reconciliation will be remediated, and a process will be established to ensure ongoing compliance with this requirement.

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2023-006. **FINDING:** Inadequate Controls over Commodities Inventory Valuations

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) was unable to provide sufficient documentation to support its inventory valuations.

During testing, we noted the Agency did not adequately value its commodities inventories as of June 30, 2023. The Agency did not assign values to 1,289 of 1,661 (78%) types of inventory on hand as of the end of the examination period.

Per the Statewide Accounting Management System Manual published by the Office of Comptroller (Procedure 27.20.77), Form SCO-577 must be completed when inventories held by an Agency exceed \$150,000 in a fiscal year. As part of the process, Agencies must price inventory at the lower of cost or market.

Agency officials indicated the omission of values was due to oversight. Correct values of the items were maintained by the Agency, but incorrect values were submitted in error as support for the June 30, 2023 SCO-577.

Failure to maintain appropriate documentation to support inventory valuations increases the risk of inaccurate reporting of financial information to the Office of Comptroller and could result in a misstatement of the State's financial statements. (Finding Code No. 2023-006)

RECOMMENDATION

We recommend the Agency strengthen internal controls to ensure complete and accurate inventory valuations are provided to the Office of Comptroller each year on Form SCO-577.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Agency has implemented additional layers of review to ensure that any missing data will be quickly identified and inserted in the final report to the Office of the Comptroller.

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2023-007. **FINDING:** Voucher Processing Weakness

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not timely submit vouchers for payment to the Office of the Comptroller (Comptroller) during the examination period.

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

We then conducted an analysis of the Agency's expenditures data for fiscal years 2022 and 2023 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the following:

- The Agency did not timely approve 3,125 of 17,472 (18%) vouchers processed during the examination period, totaling \$ 138,873,109. We noted these vouchers were approved between 1 and 280 days late.

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

Agency officials indicated these exceptions are due to competing priorities and a lack of staffing within the Accounts Payable unit as well as other units within the Agency that review and approve invoices.

Failure to timely process proper bills results in noncompliance with the Code and the Act. Additionally, untimely processing could result in payment of interest to vendors. (Finding Code No. 2023-007)

RECOMMENDATION

We recommend the Agency strengthen internal controls to ensure vouchers are approved and processed timely.

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2023-007. **FINDING:** Voucher Processing Weakness

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. During FY24 and FY25, the Agency has filled multiple vacancies within the Accounts Payable unit. Additional staff in Fiscal, as well as other sections throughout the Agency responsible for the review of those invoices, will help ensure vouchers are approved and processed timely and in accordance with the audit recommendation.

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2023-008. **FINDING:** Inadequate Controls over Information Technology Disaster Recovery

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not have adequate control over disaster recovery.

The Agency relies on Information Technology (IT) to carry out its mission of assisting in the event of an emergency.

During our testing of the Agency’s controls over disaster recovery, we noted:

- Detailed recovery scripts had not been developed.
- Recovery categorization of their applications had not been conducted.

Additionally, the Agency had not conducted recovery testing of their applications and data during the examination period.

The *Contingency Planning Guide for Federal Information Systems* (Special Publication 800-34, First Revision) published by the National Institute of Standards and Technology (NIST) requires entities to conduct disaster recovery testing, categorize their application in recovery order, and maintain detailed recovery scripts.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

Agency officials indicated the weaknesses were due to competing priorities and lack of resources.

Without adequate disaster recovery controls, the Agency may not be able to timely recover their environment, applications, and data. (Finding Code No. 2023-008)

RECOMMENDATION

We recommend the Agency review and update its disaster recovery plan to ensure the plan addresses detailed recovery scripts and recovery categorization of applications. Additionally, we recommend the Agency conduct recovery testing of its applications and data.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Agency will work with DoIT to remedy the issues noted.

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2023-009. **FINDING:** Weaknesses in Cybersecurity Programs and Practices

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

To assist the Agency in meeting its mission of providing emergency management assistance, the Agency utilizes several Information Technology (IT) applications which contain confidential and personal information.

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

- Developed policies documenting access provisioning controls.
- Developed a system development methodology.
- Developed change management policies.
- Developed policies documenting the onboarding controls over employees and contractors.
- Developed a project management framework to ensure new application were adequately developed and implemented in accordance with management's expectations.
- Developed policies documenting the controls over verification of the environment, application and data backups.
- Developed policies documenting the detailed procedures to be conducted in the event of a security incident.
- Developed a comprehensive cybersecurity plan.
- Developed a comprehensive risk assessment methodology, conducted a comprehensive risk assessment and implemented risk reducing internal controls.
- Documented how their data would be classified based on risk and the associated protection of the data within the Data Classification Policy. While the Agency had classified 52 applications, the classification levels did not align with the classification schema documented in the Data Classification Policy. In addition, the Agency did not document the safeguards associated with storage, access, retention and destruction of its data.

In addition, the cybersecurity roles and responsibilities documented in the Guidelines for Agency Roles and Responsibilities and Delegating Authority and the overarching Agency Information Security Policy did not align with each other.

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2023-009. **FINDING:** Weaknesses in Cybersecurity Programs and Practices

Further, the Agency did not provide a complete and accurate cybersecurity training report for calendar year 2021. In addition, one of 214 (.5%) employees and contractors did not complete the annual calendar year 2022 cybersecurity training.

Lastly, the Agency did not require the acknowledgement of security policies and the Acceptable Use Policy on an annual basis.

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

The Data Security on State Computers Act (20 ILCS 450/25) states every employee is to complete training concerning cybersecurity on an annual basis.

The Fiscal Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Agency officials indicated the weaknesses were due to competing priorities and lack of resources.

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

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2023-009. **FINDING:** Weaknesses in Cybersecurity Programs and Practices

RECOMMENDATION

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

- Develop policies regarding access provisioning, onboarding, and verification of backups.
- Develop a system development methodology.
- Develop change management policies.
- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Develop policies documenting the detailed procedures to be conducted in the event of a security incident.
- Develop a comprehensive cybersecurity plan.
- Develop a comprehensive risk assessment methodology, conduct a comprehensive risk assessment and implement risk reducing internal controls.
- Document how data is to be classified based on risk and the associated protection of the data within the Data Classification Policy.
- Ensure the classification of data aligns with the Data Classification Policy and the safeguards associated with storage, access, retention and destruction of data is documented.
- Ensure the cybersecurity roles and responsibilities documented in the Guidelines for Agency Roles and Responsibilities and Delegating Authority and the Overarching Agency Information Security Policy align with each other.
- Ensure complete and accurate cybersecurity training reports are obtained and all employees and contractors complete training on an annual basis.
- Ensure employees and contractors obtain and acknowledge the understanding of security policies and the Acceptable Use Policy on an annual basis.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Agency will work with DoIT to remedy the issues noted and to implement recommended policies.

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2023-010. **FINDING:** Lack of Adequate Controls over the Review of Internal Controls over Service Providers

The Illinois Emergency Management Agency and Office of Homeland Security (Agency) had not implemented adequate internal controls over its service providers.

We requested the Agency to provide the population of services providers utilized to determine if they had reviewed the internal controls over their service providers. The Agency provided the population of service providers; however, they did not provide documentation demonstrating the population was complete and accurate. Further, our testing determined the Agency utilized a service provider which was not included in their population.

Due to these conditions, we were unable to conclude the Agency population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, we performed testing of one service provider identified by the Agency. Our testing noted the following:

- The service provider’s agreement did not document roles and responsibilities and requirements to ensure the security, integrity, availability, confidentiality, and privacy controls over the Agency’s applications and data.
- The service provider’s agreement did not document the requirement of an independent examination of their internal controls.
- The Agency had not entered into an agreement with the service provider for the period July 1, 2022 through June 30, 2023.
- An analysis of deviations noted in the service provider’s fiscal year 2022 System and Organization Control (SOC) Report to determine the impact to their internal control environment had not been conducted.
- An analysis of the service provider’s fiscal year 2023 SOC reports had not been conducted.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State’s resources.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Maintenance and System and Service Acquisition sections, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

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2023-010. **FINDING:** Lack of Adequate Controls over the Review of Internal Controls over Service Providers

Agency officials indicated the weaknesses were due to competing priorities and lack of resources.

Without having obtained and reviewed all SOC reports or another form of independent internal controls review over information technology, the Agency does not have assurance the service providers' internal controls are adequate. (Finding Code No. 2023-010, 2021-009)

RECOMMENDATION

We recommend the Agency strengthen its controls in identifying and documenting all service providers utilized. Further, we recommend the Agency enter into an agreement with the service provider documenting the roles and responsibilities, requirements to ensure the security, integrity, availability, confidentiality, and privacy controls over the Agency's applications and data, and the requirement of an independent examination of their internal controls.

We also recommend the Agency conduct an analysis of all service providers' SOC reports and determine the impact noted deviations would have on their internal control environment.

AGENCY RESPONSE

The Agency agrees with the finding and recommendation. The Agency will review controls over service providers and the controls over the analysis of the provider's SOC reports.

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For the Two Years Ended June 30, 2023

A. **FINDING:** Inadequate Controls over Contract and Obligation Reconciliations

During the prior examination period, the Illinois Emergency Management Agency and Office of Homeland Security (Agency) did not exercise adequate controls over its contract and obligation reconciliations. Specifically, in Fiscal Year 2020 the agency did not perform the monthly SC15 reconciliations. In Fiscal Year 2021, the Agency could not determine whether the reconciliations were completed timely due to lack of adequate supporting documentation.

During the current examination period, we noted the Agency strengthened its internal controls over contract and obligations to ensure these errors were not repeated by completing the required reconciliations timely and maintaining adequate supporting documentation. (Finding Code No. 2021-001, 2019-001)

B. **FINDING:** Inadequate Controls over Fee Imposition Reporting

During the prior examination period, the Agency did not exercise adequate controls over Fee Imposition Reporting. Specifically, the Agency was unable to provide documentation to reconcile its Fee Imposition Reports to the Agency's revenue reported in the Office of Comptroller's Monthly Revenue Status reports (SB04). Additionally, the fees listed in the Fee Imposition Reports did not define the population subject to the fee nor did the individual fee and rate amounts agree to the amounts deposited.

During the current examination period, we noted the Agency strengthened its internal controls over its Fee Imposition Reporting. (Finding Code No. 2021-005)

C. **FINDING:** Computer System Weaknesses

During the prior examination period the Agency did not maintain adequate controls over its computing environment. Specifically, programmers had access to the production environment; password requirements were not always appropriate; unauthorized individuals had access to the Agency's data center; and the Agency did not regularly review or monitor users with remote access.

During the current examination period, we noted the Agency strengthened its internal controls over its computing environment to ensure the issues were not repeated. (Finding Code No. 2021-007, 2019-004, 2017-002)

STATE OF ILLINOIS
ILLINOIS EMERGENCY MANAGEMENT AGENCY AND OFFICE OF HOMELAND SECURITY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

D. **FINDING:** Lack of Agreement to Ensure Compliance with IT Security Requirements

During the prior examination period the Agency had not entered into a detailed agreement with the Department of Innovation and Technology (DoIT) to ensure prescribed requirements and available security mechanisms were in place in order to protect the security, processing integrity, availability and confidentiality of its systems and data.

During the current examination period, we noted the Agency entered into a detailed agreement with DoIT. (Finding Code No. 2021-010)