

## LEGISLATIVE AUDIT COMMISSION

October 14, 2025

State of Illinois

Senators: Rose, Balkema, Ellman, Villanueva, and Wilcox

Representatives: Rita, Elik, Manley, Meier, Moore

Meeting began at 9:20 am – 11:08 am

**Rose:** Good morning. It's Tuesday, October 14, 2025. I'm Senator Chapin Rose, and we'll call the order this meeting of the Legislative Audit Commission. Thank you all for being here. Let me acknowledge for the record the presence of our Audit Commission members that are here. Senator Ellman, thank you. Senator Wilcox, thank you. Senator Balkema, thank you. Representative Manley, thank you. Representative Elik, thank you. Representative Moore and not last but not least, Representative Meier. Thank you for being here today, sir. We will acknowledge others as they come in and add them to the roll. Some auditors are going to be joining us remotely, so please let me remind everyone that may be attending by Zoom to keep yourselves muted unless you wish to speak. Please use the raise hand feature and I will call on you. Once you are called on, say your name and begin to speak. It's important that you do say your name for the record, LIS is recording and BlueRoom Stream is providing video and audio so the public and media can be listening online.

Just a note for our agency and university officials and members. For transcribing purposes, please always allow speakers to finish before the next question is asked. And please do your best to avoid talking over each other. And I apply that same rule to myself, which will make Natalie Manley very happy. Our audits today are for Central Management Services, the Environmental Protection Agency, and Governor State University. First up is CMS Director DeVaughn and other officials. Looks like you're making your way to the table. Yes, please. In the meantime, General, would you like to begin your comments, sir? Thank you.

**Mautino:** Thank you, Mr. Chairman. The compliance examination of the Department of Central Management Services for the two years ended June 30, 2023, was conducted by the firm of Sikich CPA LLC. Ryan Randolph is here on behalf of the firm. The audit manager for the engagement was Megan Green. Courtney Dzierwa, our Financial and Compliance Division Director, will discuss the examination.

**Dzierwa:** Good morning and thank you. There were 10 total findings in the compliance examination of the Department of Central Management Services (CMS). Of the

10 findings, 8 were repeated and 2 were new. I will summarize a few.

In Finding 2, we found the Department entered into interagency agreements that failed to adhere to provisions of the Fiscal Control and Internal Auditing Act (the FCIAA).

During the examination period, CMS was party to interagency agreements with the following designated State agencies to provide internal audit services:

- Illinois Finance Authority
- Department of Agriculture
- Department of Corrections
- Department of Financial and Professional Regulation
- Department of Human Rights
- Department of Public Health
- Department of Veterans' Affairs.

We noted the following issues with these interagency agreements:

- The Illinois Finance Authority, Department of Financial and Professional Regulation, and the Department of Human Rights did not have a Chief Internal Auditor during the engagement period and strictly relied on CMS to provide internal audit services. The interagency agreements ultimately resulted in these 4 agencies not maintaining their own full-time internal audit function. Further, these interagency agreements resulted in CMS's own Chief Internal Auditor not working full time on CMS's own internal audit function.
- CMS did not obtain the Governor's approval for CMS to provide professional internal auditing services for the:
  - o Illinois Finance Authority:
  - o Department of Agriculture:
  - o Department of Corrections:
  - o Department of Financial and Professional Regulation: and
  - o Department of Human Rights.
- CMS has inconsistently established reimbursement arrangements for these agreements and did not follow any reimbursement arrangements in the interagency agreements, during the examination period. However, recent legislation has been passed to authorize CMS to use their own GRF appropriation to provide internal audit services to the State agencies mentioned previously.

This finding has been reported since 2019.

We recommended CMS refrain from entering into interagency agreements which result in agencies and CMS not maintaining their own full-time internal audit function. Additionally, we recommended any other services provided to agencies be done only with the approval of the Governor, and that CMS consistently establish and enforce reimbursement arrangements and

amend its interagency agreements to reflect the reimbursement arrangements followed by CMS.

CMS accepted the finding and recommendation. They stated they have begun the process of updating the interagency agreements and the necessary changes related to billing issues. These agreements are now sent to the Governor for approval. Further, CMS stated that they are committed to training staff to become Chief Internal Auditors for the designated agencies, and are committed to encouraging qualified staff to consider these positions as they become available. CMS also stated they are committed to training and preparing staff for other internal audit positions within the State.

In Finding 10, we found the Department had not implemented adequate internal controls related to cybersecurity programs and practices.

During our examination of CMS's cybersecurity program, practices, and control of confidential information, we noted they had not:

- Ensured all staff members and contractors completed cybersecurity training upon employment and annually thereafter.
- Documented and implemented a formal backup policy related to backup verification and off-site storage.
- Documented a formal change management policy noting Department specific procedures.
- Ensured that data classification documentation included information related to data retention and destruction.

This finding has been repeated since 2019.

We recommended CMS:

- Ensure all employees and contractors complete security awareness training annually.
- Document a formal backup policy and change management policy and procedures.
- Include information related to retention and destruction of the data classification and documentation.

CMS accepted the finding and recommendation. CMS stated it was in the process of hiring an Information Risk Officer to oversee technology trainings and to develop and document a formal backup policy along with a retention and destruction policy. CMS stated this position will also work with the Department of Innovation & Technology (DoIT) to ensure DoIT cybersecurity policies are followed within CMS.

This concludes our opening remarks on CMS.

**Rose:** Thank you. Before turning over for response, I'd like to recognize my friend Senator Villanueva has joined us. Please add her to the role. And my friend and Co Chairman,

Representative Rita has joined us, so please add him to the role. We will now turn over response to Director DeVaughn and if you would please introduce your team as you respond. Thank you.

**DeVaughn:** Good morning. I have a few opening remarks, but if you just want me to jump right into responding, I can do.

**Rose:** No, that's fine. Go ahead. If you would, before people speak, just make sure they introduce themselves from your team.

**DeVaughn:** Yes, sir. Understood. All right. Good morning. Co-Chair Rose, Co-Chair Rita, and members of the Legislative Audit Commission. My name is Raven DeVaughn, and it's my honor to serve as Director of the Illinois Department of Central Management Services. While the Department strives for audits with no findings, given the breadth and complexity of our operations, the presence of some findings are inevitable.

The Department views each as an opportunity to enhance administrative efficiency and effectiveness. In regard to the most recently completed compliance audit for fiscal year 2022 and 2023, the department has implemented corrective actions to address each item as described. The fiscal year 2024-2025 compliance audit is currently underway. However, it has not reached the stage of evaluating or clearing the fiscal year 2022 and 23 findings. All 2022 and 23 findings have been noted as either partially or fully implemented as we present before you today. While the Department believes certain findings have been fully addressed, final disposal disposition, of course, will follow the Department's engagement in the compliance examination that is currently underway. Joining me at the table today is CMS's Acting Chief Internal Auditor, Dawn Meier and Chief Fiscal Officer Karen Pape, along with other members of the executive team that are in the galley. I'm happy to take any questions you may have.

**Rose:** Questions from the Commission. Oh, Senator Balkema with his hand up. You are recognized, sir.

**Balkema:** Good morning. Thank you for the opening remarks. And I spoke with my, my friend, Dana, the other day. From an overall perspective, then having the 10 findings, which is good to have everything identified, can you just walk through a bit of the, don't give the details on each one. but just the owner, the process that you use to have an owner for each finding, kind of the action plan, and then the end date, if you have one on each of the items. So you don't have to go through each one, but just how do you handle that structure of finding? Okay, here's the owner, here's the correction item, and here's the target, when it's going to be closed.

**DeVaughn:** Sure. Thank you. So every finding that's come out of a specific Bureau, it is owned by that Central Bureau Chief. We don't call it a Bureau Chief, we call it deputy director, but I'll say Bureau Chief for ease of understanding. They are responsible for working with their various colleagues, whether or not it's legal, if it's finance, and of course, our internal audit team

to make sure that they're following this through, from a management perspective. Each quarter, every Bureau, presents to executive leadership on the last quarter, meaning their goals, what they did well, what is still in progress. We're talking about our strategic plan, how that aligns, and every single Bureau reports on their audit update. And so, the audit, the Chief internal auditing team is with that Bureau, so there is no daylight between what the Bureau Chief is saying is happening and what audit is confirming. So that level of accountability is very clear and a throughput through all agencies, and we found through those quarterly reviews, we're able to track progress toward implementation of open audit findings. There's typically no deadline except right away, that's always it, yesterday. Sometimes solutions require resources whether or not that's human resources, God forbid, it's a software, you know, challenge or need. Regardless, what we always get to is that by the time you are made aware of your audit finding, immediately the steps have to be started to ameliorate them, and we're tracking them at every level, whether or not it's the Bureau and their counterparts, or at the executive level, quarterly.

**Balkema:** So, it'd be a fair statement to say then for these 10, you've, you know, an owner's identified, there's an action plan and there's a target end date to complete it.

**DeVaughn:** Yes, I mean, everything is at least partially implemented in terms of the recommendations. So, at a base level, we've already started to make progress and then we can't say fully implemented unless it was something very simple that we know, okay, you had to change a policy. We changed the policy and now implemented that policy. That's a very clear finding, that was one of our findings and we were able to do that without, with ease.

**Rose:** Senator Ellman.

**Ellman:** Thank you. Good morning. Thank you for joining us here today. Director, I have a question for you on the internal audit finding, was the CMS Internal Auditor actually conducting assessments and audits in these other agencies, financial authority, IDFPR, etcetera?

**DeVaughn:** Sure. So unfortunately, and we're trying to change that, people don't go to school and say, I want to be a Chief Internal Auditor. They should, but they don't, and so there are times when agencies just don't have the capacity. They don't have a Chief Internal Auditor, they don't have an auditing team, and for better or worse, we are Central Management Services. You're going to come back to CMS and say, we need help. So there are times when agencies, for whatever the reason, they don't have the body to actually fulfill the role, but they still have the legislative responsibility to deliver on an audit. And so there are times when our colleagues come to us and say, we need help, we don't have the role and we will help implement an audit on their behalf to avoid a legislative finding or a different finding on the other side of the House. Now, what we have also done, because we are CMS, we obviously have a great deal to do with recruiting and filling those roles. So last spring, I want to, it was 24, because at the time we didn't have an Internal Auditor either. So while we were hiring for our own Internal Auditor, we

also were able to place, I believe, four Chief Internal Auditors at agencies, and so that was part of our push then. We continue to push because those are hard to fill roles. And honestly, we've taken the stance at CMS that we're the training ground. If somebody's going to become a Chief Internal Auditor within the state, it is likely that they will come through our shop. And so the way we are viewing our Internal Auditors, they are the next generation of Chief Internal Auditors. We also are encouraging them to get all the certifications that they need under CMS so that they are prepared when a role comes up that they can pursue that role and move on in the state. It's retention, it's recruiting, and it's also owning that we're the training ground for so much of the state. So, we either take it as folks are picking us off or we're training them to go work in a different part of the vineyard.

**Ellman:** Thank you. Just are you authorized or agencies authorized to contract that out? Because as we know, there are companies that offer those services too.

**DeVaughn:** I'm going to ask my Chief Internal Auditor, my acting Chief Internal Auditor, Dawn Meier, to answer that, I also want to know. Our Chief Internal Auditor is Butch Stillwell, he is on parental leave and so she is our temporary. She is a CMS employee. She is just temporarily assigned into the CIA role.

**Meier:** Thank you. My name is Dawn Meier, Chief and Acting Chief Internal Auditor. Yes, the Fiscal Control and Internal Auditing Act, I believe, is what allows us to assist with those. They can, like you said, contract out, but if a partner agency comes to us, we do our best to try to do a temporary stopgap until they can fill that position.

**Ellman:** Thank you. Thank you very much. Now, I wanted to ask about finding number nine, a smattering of statutory mandates that the auditors found various weaknesses in. Wanted to get just a summary of what has been implemented to date and whether there are any legislative remedies that you will be seeking. It was noncompliance with statutory mandates. Various topics.

**DeVaughn:** I was ready for everything and not nine. Dawn, will you, will you take the lead on that?

**Meier:** Yes. So there are 1, 2, 3, 4, 5, 6, 7, 8. There were 10 mandates that that finding addressed. Some of those were requiring positions to be filled on a board for which we didn't have a control over. So we've done that. We have done the state government Suggestion Award Board. The department has published a webpage and collects responses and will facilitate a meeting upon request of appointed members. However, we don't have that authority to compel a legislative appointment. The Hispanic, Asian American, Native American Bilingual Employment Budget Allocations, we believe that's fully implemented. The monitoring of bird mortality, the department has a standard operating procedure responsive to bird strikes at state facilities. The African Descendant Citizens Reparations Committee is partially implemented.

The statute outlines which parties are responsible for making appointments and our role, unfortunately doesn't include that function, but some of those have been appointed and we stand at the ready. The African American Employment Plan act, we believe is fully implemented. Illinois South Asian American Advisory Council Act, that one's partially implemented. The Department has appointed its ex officio member and stands at the ready of the call of the chair.

**DeVaughn:** Dawn, if I may. So, a lot of these boards, we don't control either appointing, and so what we have done is to notify bodies that we are comfortable with. We will certainly notify the governor's office. Respectfully, we will communicate with the Speaker's staff as well as Senate president staff, but there is nothing we can do to compel them to make the appointment. Though we remind in a very respectful way the things that we control. We have, we have either implemented or we're tracking differently. So all CMS boards and commissions, whether or not we make appointments or not, we're just tracking internally as opposed to waiting for the body to reappear and we're not active. So not only our legal team, our ledge team, but both are tracking who's appointed to what, who's rolling off as you know, staff changes. We are tracking that differently internally. But when it comes to appointments that will still just be a fundamental, probably disagreement between CMS and the out ... I can't appoint, I'm not an appointing body. Where we are appointing bodies, we're tracking internally to keep that going.

**Ellman:** Okay, thank you. Now I have one last question. It might be more for the auditors. A perennial family of findings for these is related to cyber and agencies ability or not necessarily ability, but their practice of deactivating accounts when employees leave and making sure they have a security plan, a variety of these things. Audit team, I'm assuming that you have seen this in other assessments as well, is there a through line that you can guide us through on what you see when you find these cyber related issues?

**Dzierwa:** Certainly access, provisioning and deprovisioning is something we take incredibly seriously. What we try to encourage agencies to do is to really take a risk based approach and to you know, increase the frequency or decrease the frequency based on the access that the folks had, you know, what they had access to, the type of information they had access to. We don't want to be doing that deep provisioning in an incredible, you know, extra timely in a really low risk situation. We want them to use their resources in an appropriate way to best protect the state's information.

**Ellman:** Thank you very much. And now just my understanding of CMS, you do a lot of recruiting and hiring. Does CMS play any role in the off boarding of employees or is it just ...

**DeVaughn:** Yeah, from a statewide perspective, no. Only from if you're a CMS employee do we control the off boarding. However we do share best practices for both onboarding and offboarding with agencies. More like guidance, toolkits, toolboxes if you will. But we don't actually control the off boarding process at agencies outside of our own.

**Rose:** Thank you Senator. Representative Manley.

**Manley:** Morning. Thank you. I think this is for the auditors. Is it part of your procedure to sit down at the beginning of an audit to go over the past audits findings?

**Dzierwa:** Yes, it is. We hold an entrance conference as we begin each engagement and that generally includes some, you know, high level discussion of where the agency feels like they have made improvements or changes so we can help gauge our procedures accordingly.

**Manley:** And then at the end of the audit, you sit down with your recommendations and the admitted the top brass gets a letter that is well defined on what the weaknesses are and what you recommend to solve those weaknesses.

**Dzierwa:** That's certainly part of our communication, but it's always our hope that we've had extensive communication throughout the process.

**Manley:** And if one director leaves and a new director comes in, they have access to that information or at least should have access to that information?

**Dzierwa:** I can't speak to the agencies and how they transition that information across, but that's certainly my hope.

**Manley:** Is any new director ever reached out and said, can I see the management letter or the letter of findings from the previous audit in your experience?

**Dzierwa:** On occasion we do receive such requests, but I think that communication generally happens most frequently within the agency themselves and the management team.

**Manley:** Okay, thank you.

**Rose:** Other questions from commission members. Senator Wilcox, thank you.

**Wilcox:** Thank you. I'd like to go to the actuarial amount for the health insurance or the group Insurance Act. I know the state doesn't exactly set a great precedent or model on using actuarially sound practices, especially on pensions. But in this case the State Employees Group Insurance act does require it. I did see that there was a loan made in 2024 and some rate increase, but wanted to give you a chance to talk through how that will get us to the actuarial sound balances and by when.

**DeVaughn:** Sure. Thank you for that. So with the work and the approval of the General

assembly, we were able to pass a fix for the college insurance program where we anticipate it will be paid in 2033. At the outset of our fix of our proposal, we anticipate it at the end of 2032, but as a result of the inflation act and higher than anticipated costs on the health insurance program, we had to push that out about a quarter. And so if I'm joined here by my colleague Colm Brewer, who'll introduce himself, but he's the man with all the numbers behind the SIPP program for the last 23 years.

**Brewer:** I'd be happy to add anything ...

**Rose:** Please introduce yourself for the record, sir.

**Brewer:** I'm sorry, Colm Brewer, Benefits Finance Officer for the Bureau of Benefits. As the director mentioned, in the spring of 2023 we did pass, or the legislature passed language that was included in the budget implementation act that did include that \$50 million interfund loan from the health Insurance Reserve Fund. It is my expect, it was my expectation at the time that that loan will be paid back as prescribed in the statute. I believe it was 96 month period. So, at the end of 2032 we should be able to have that completely paid off. Meanwhile, we are currently buying down the fund balance in or, sorry, the, the fund payment delays in that fund. When we got through fiscal year 2023, we had about \$127 million worth of payables on hand. That \$50 million that came in in September of 2023, at the beginning of fiscal 24, we used that directly to buy down bills, and we've been consistently using the increased revenue based on the funding stream increases that were included in the Budget Implementation Act to be able to buy that down, and I think the most recent hold cycle that we looked at just the other day was probably about 44 million. So, it's been coming down and we expect it to continue to come down, all things being equal, but as the Director mentioned, the inflation Reduction act included some changes to Medicare law that increased some of our cost. So, we moved it back a quarter from 2032 to 2033 but I still think we're on track to achieve the ultimate goal.

**Wilcox:** Okay, I know that the rate was a significant increase on the teacher salaries and will go up again in 2025. I guess my bigger question, we also put a restriction on future rate increases to 5%. Under what scenarios will that 5% increase become a prohibitive aspect? In other words, it's not going to be a large enough increase based on cost increases. What is the scenario? Is it only worst case scenario? Is it the average likely expectation of increased cost scenario or is it almost any scenario by 2033 that 5% percent will be restrictive?

**Brewer:** I don't think by 2033 it'll be restrictive. I think at that point the SIP fix, as we like to call it, was designed to actually start building a balance and not knowing exactly what healthcare costs are going to do over the next eight years. The projections that we created did include the assumption of that 5% increase in the out year. So if there were significant cost increases, like I said, we did have to push our estimate of completion back by about a quarter depending on what happens in the healthcare industry. Then again, depending on what happens with federal or state law, there could potentially be changes that bring down long term

costs in healthcare. We don't know yet. Those are all the unknowns that we kind of have to project for. So we might not even need all of those 5%'s just in, you know, depending on what happens in the future.

**Wilcox:** So current projections don't expect that 5% increase every year, but knowing it's there.

**Brewer:** No, they do ...

**Wilcox:** The projections look, okay.

**Brewer:** The current projections do include a 5% increase in that rate every single year up to 2033.

**Wilcox:** Every year. Okay, thank you.

**Rose:** So represent Elik, I note your hand up, if you don't mind. I have some follow ups on this because this is the question I was going to ask. So welcome, Mr. Brewer. My first question is, is this an audit finding that occurred before the deal that was made in the budget that you just referenced to catch up. The timing of this finding an artifact?

**Brewer:** From a technical standpoint, the fighting still exists because we are not creating rates that are currently creating a reserve balance, but with the understanding that the legislative fix is working towards that, it just cannot be achieved in an immediate fashion like some other more Bureaucratic type findings.

**Rose:** So that's my next question. So this finding will reappear through 2033.

**Brewer:** Assuming that the auditors take that position that the legislative fix is not sufficient to eliminate the finding, then I would expect it to be so.

**Rose:** And then and I'm going to ask that question to them in a second because this is kind of interesting. I mean, I actually think you're sort of stuck in a trick back as regards to this finding. Let me ask you. But do you still have the authority to independently set the actuarial rate? I mean, could you just catch up if you decided to.

**Brewer:** The legislation that was passed included that 5% maximum increase in the outgoing years that Senator Wilcox mentioned. So we do have that limitation upon us.

**Rose:** Okay, so you can't exceed 5%.

**Brewer:** Correct.

**Rose:** So you could set it at 4.99 or 1.99, but you can't go over 5, so you're not going to catch up.

**Brewer:** But it is currently contemplated that using the 5% will get us where we need to be.

**Rose:** By 2033?

**Brewer:** Yes.

**Rose:** Okay. Before I go to the auditors. I mean, this is a critical issue for all of our constituent groups. When you said there's 44 million in remaining unpaid, past due, backlog bills. Well, first of all, is that in network or out of network or both?

**Brewer:** Every type of bill that we have in network, out of network, fully insured, self-insured, does have some type of payment delay.

**Rose:** Okay, so what is the time value of in network and the time. What's that translate to in days, months, weeks, for our constituents waiting.

**Brewer:** I would need to get back through the Chair to get you that information. I don't have it with me, but I would happy to give you the exact days of all of those current hold cycles.

**Rose:** Okay. For both in network and out of network.

**Brewer:** Yes.

**Rose:** And then one last question for my own edification, and I should know this, but I don't. Is Delta in this dental in this as well?

**Brewer:** Yes.

**Rose:** Yeah. So while I've got the Chair, I would politely remind everybody that in my part of the world, the in network Delta, for all practical purposes, doesn't exist. So everybody is out of network. And you guys keep sending me a gobbledygook spreadsheet of dentists that don't exist, or they're Delta dentists, but they're not in network. Like, everybody takes it and you're like, here's your choice. But really it's not a choice because when you go there, they charge you on top of the actual cost, and then the reimbursement throws you into the auto network. And so if you're in SIP, you've been waiting 18 to 24 months or longer to get your reimbursements. And I really honestly think we need to figure out something that takes account

of reality. In fact, if I recall correctly, our esteemed Governor had an entire point in his budget address last year about Ghost Networks. And yet Ghost Networks popped up in both the Delta dental offerings in my world and also, quite frankly, popped up again in the primary health care insurance for state and university employees in my world when Health alliance dropped out. And we had to deal with that, and we're still dealing with that, with your office. And I do appreciate the help your office has given in dealing with that, but this whole Ghost Network thing is a nightmare. And so if you would and I would appreciate if you could get us those timelines, maybe a trajectory, even more to the point, a trajectory of where we've been and where we're going. So at least when I have the nice lady who retired from Parkland five years ago telling me she's 24 months behind, I can at least hand her something and say, yeah, but it's getting better.

**Brewer:** I'll be happy to get you that information. Both the past and the future looks.

**Rose:** Thank you. And again, I don't discount the fact that as regards as audit finding, you're in a trick box. So let's talk to the auditors briefly. Auditors, based upon the new law, will they still be getting dinged on this? Because I don't know that it's something they necessarily need to be getting dinged on when there's a new law that sort of put them in a trick box.

**Dzierwa:** I'd like for Ryan Randolph, our director of the audit with SIKICH CPA to address that question, please.

**Randolph:** Thank you.

**Rose:** State your name for the record.

**Randolph:** Ryan Randolph, Director at SIKICH. You know, last year, I believe last year was the first year we actually saw the fund make a profit. So with, you know, it's something that we'll continue to evaluate from a financial perspective. I do not expect it to continue with the change of legislation from compliance. It is still noncompliance with the act. So I would imagine the compliance years that that would still be an issue. It may drop off from material to immaterial finding, but we'll, we're still evaluating it currently.

**Rose:** Okay. I just, this is one of these ones we should just put a pin in because it's not really fair to hold them accountable. I'm not. You're doing your job, I get that. But it's not really fair for us to hold them accountable when there's now a statute in place to deal with this. Quite frankly, the statute should have paid this off completely and been done with it. And we've all got constituents in this position, but the statute didn't do that. So, I don't know that it's right for us to hold them accountable but okay. Representative, Elik, thank you.

**Elik:** Thank you. And maybe I'll start, start there when we talk about these

appointments to boards and commissions. And I think this is probably a question for the auditors as well. When there are appointments missing from the governor's office or the legislative offices, are those things noted on those audits as well?

**Dzierwa:** Generally, yes. We do try to facilitate a lot of communication across the different audit teams to ensure that issues are communicated well and are reported accordingly.

**Elik:** So the governor's office is getting an audit finding for failure to appoint or the House minorities leader. I mean, is that common to have those?

**Dzierwa:** It is common.

**Elik:** So, okay. Okay so again, you're sort of getting dinged on something that you don't have any control over there. But I wanted to make sure that someone that has control over it is also getting dinged in some way. So okay. And then question on the audit findings 3 and 4 and 3 is regarding performance evaluations. I think this is something we see in quite a bit of the audits that come before us. But I think my specific question on this relates to the response that was given, which is, you know the HR staff is sending out monthly evaluation reports to cover the fiscal year, noting the deadline dates and the importance of the completion of the employee evaluations as reiterated by the HR Director at quarterly meetings. So I think that's great. But this finding has been going on for a long time. So, is reiterating and letting people know enough? Are you kind of following up on that as well? And is there somebody else maybe following up on, making sure those are done?

**DeVaughn:** My answer probably won't be satisfactory to you. The reality is evaluations, we all have had to do them. They're not necessarily our funnest partner here at the state. They're not tied, we can't tie it to anything. So it's a performative act. I'm being wildly candid. That notwithstanding, there's a lot that's performative that we do. And so there's no less commitment to it. It's just for a small time I worked in higher ED, whatever, there was compensation tied to my evaluation, both for me and my boss. So you have to understand we both had an aligned commitment to getting them done, if you will. We don't have that here. And so this is what we are doing. We are very clear about it. I get emails about them too. Like, it's not, we're not, you know, we send out lists to all of senior leadership so you know how many you've done. So we're trying to get at every level, whether or not it's competition, embarrassment, whatever, get this thing done. On the horizon, though, it is our hope that our new HCM system will be able to also track it in a different way so that not just. We're not just going through an Excel spreadsheet, but a manager can go in, a director can go in, push a couple buttons and see, oh, you know, Senator Rose hasn't done, has forced outstanding evaluations and then I can have a different conversation. That would never happen, but yes. So at every level, we're trying to make sure that it is at the focal point of HR and also our managers. But the loud part, unsaid, is they're not tied to anything. So there's not a different mechanism or motivation besides yet another thing we have to do. Doesn't matter, it's still

something we have to do and we're working towards making it no longer a finding.

**Elik:** I greatly appreciate your brutal honesty with that. Thank you very much. I've always felt that you were very, very forthcoming and honest on those realities of how a state government is done. So thank you for that. And I think my next question then is kind of the same question on number 4. Which part of the finding is related to the I9 forms? That's again something that we see across different agencies and departments. But the other one was the failure to submit timesheets within a timely manner on some employees. And I guess my question is in my office, if I don't sign those timesheets and get them in like immediately, I'm told my people won't get paid. So, is there anything like how does that happen I guess to where people are not spending submitting time sheets timely? Are these salaried employees maybe that are going to get paid no matter what or.

**DeVaughn:** Yeah, so I would say it's because of CMS. It's a bit of a mix. You know, we have both salaried employees who will get paid regardless or they're going to get paid an hourly. Sometimes like things happen whether or not there's an injury on the job. I'm running late, I don't do it. I will say I think for salaried employees there is a bit of an incentive to do it on time depending upon your role and what you may elect. So for the most part it's not. It doesn't. I find it more happenstance than we did have a repeated offender at CMS, he is no longer employed with CMS. And to be honest, brilliant experienced person could not, would not do time sheets. And so you lose a very safe and good job and that was really part of it. So when we have like those sorts of offenders, CMS is being a little bit more proactive, but it's not widespread.

**Elik:** Okay.

**DeVaughn:** Our timekeepers are still responsible, they're still going to send out the notices and for the most part people will apologize and get their stuff in. It happens from time to time. I don't know of any today that are repeat offenders and grossly like we did have one gentleman who we had to separate with.

**Elik:** Okay, thank you so much.

**Rose:** Other questions for members. I have one quick follow up for Mr. Brewer. You'd referenced that there could be changes in the costs coming. What are those changes you're referencing?

**Brewer:** I'm sorry, I wasn't referring to anything specific. I'm just saying all of my projections are kind of based on the status quo and what we know about general long term health care trends. Like I said, it could get better if there were some legislative changes. It could get worse if there were federal changes that increased the cost for us. I don't know what those are specifically.

**Rose:** Okay. Someone had said mention then inflation act specifically and said there's going to be additional costs. What are those costs?

**Brewer:** The Inflation Reduction Act had three major components to it. One was graduate medical education spending. I think it's a, don't quote me on that one. I just, it's not huge, so I'll just say that's what it is. One of the big ones was the reduction in the true out of pocket cost for drugs. So for Medicare Advantage plans, what people would pay in maximum went from 5,000 probably down to 2,000. I can follow up with the exact numbers with you. But it was those type of changes that were included in the Inflation Reduction Act that have had cost pressures in the last two years for us.

**Rose:** Okay, and so that's the bill that was passed under the Biden administration?

**Brewer:** Yes, I believe it was.

**Rose:** Just making sure. Okay. Seeing no other questions from members of the committee and knowing Mr. Brewer to be a man of his word that he'll follow up with the information he's going to get to us. Do we have a motion to accept the compliance audit of Central Management Services? I guess I should ask the General if he has anything else he wanted to say or his team.

**Mautino:** Thank you. Thank you, Mr. Chairman. I just wanted to also bring a little light to the subject of the Internal Auditors within the agencies and that finding, because back in 2003, excuse me. Executive Order 10 by the Blagojevich administration consolidated those functions within CMS and it turned out to be a massive failure. The agencies, the Internal Auditors, who I think are one of the most important people within our agencies were taken from those positions. They reported to CMS. Findings rose from about a thousand to three thousand because there wasn't that direct contact between the director and his eyes within his agency that structures the internal audit program. So, from that point we went and sought a ruling from the Attorney General's office that said these designated agencies need to fill these positions. Some of these positions have been vacant for six years. And so a concentration has to go there because as a director, your eyes on your programs before you get a finding from me come from that person who reports to you. And that's in a general agency structure. So for CMS, your Internal Auditor should be auditing the CMS and working with the agencies where it's allowed in the law and in statute. But in this situation for the findings, there has to be some concentration placed back in the individual agencies and giving them their own Chief Internal Auditors so they can have a robust program that's missing. At the time that I sought the Attorney General's opinion on there, there were nine agencies. I think we've got four now. And so that's where concentration has to come back for the good of the people of Illinois and for the agencies, because the Director, their first line of defense for checking into our findings is to find out from their people what's going on within the things that are in their purview. And so with that, I would

appreciate continued concentration on filling those positions and giving them their abilities to internally monitor their own systems before it gets to me. And so with that, I appreciate your comments today. But we don't need to just train. We need to hire those people, whether they come from your shop or from the outside. So that process has to have some direction. Otherwise, when there is no oversight or transparency and that the auditors are not talking directly to the Director, that responsibility gets missed, and it's an opportunity for more problems to be left undiscovered. Thank you, Chairman.

**Rose:** Thank you, General Mautino. We appreciate your depth of knowledge on these topics, and you've just demonstrated why you're going to be missed next year. So, any other questions? Okay. On a motion of Senator Wilcox to accept the compliance audit of Central Management Services, seconded by Senator Villanueva, all in favor, say aye.

**All:** Aye.

**Rose:** Opposed, say nay to the chair. The ayes have it, and the audit is accepted. Thank you very much, Director and your team, as always, you never fail to impress when you are here. So thank you, Director.

**DeVaughn:** Thank you so much, Chair.

**Rose:** Next up, EPA, FY, please make your way to the front FY21 and FY23. Excuse me. FY21, 22 and FY23 and 24 compliance examinations. Director Jennings and other agency officials. As you're coming forward, I'll hand it off to Auditor General Mautino to make his introductory comments. Frank or general, whenever you're ready?

**Mautino:** Thank you, Mr. Chairman. Both compliance examinations of the Environmental Protection Agency (for the two years ended June 30, 2022, and for the two years ended June 30, 2024) were conducted by the firm of Roth & Co. Elda Arriola, Partner is with us on behalf of the firm. Welcome, and thank you for coming in. The audit manager for the FY21-22 engagement and FY23-24 engagement was Lisa Warden, who joins as at the table. Welcome, Lisa. And our Financial and Compliance Division Director, Courtney Dzierwa, will discuss the examinations.

**Dzierwa:** Good morning and thank you.

**Rose:** Excuse me, briefly just Representative Rita in the chair, thank you. Please proceed.

**Dzierwa:** Thank you.

**Rose:** You may proceed.

**Dzierwa:** There were 18 total findings in both compliance examinations. Of the 18 findings in the FY23-24 compliance examination, 13 were repeated, and 5 were new. I will summarize a few.

In both examinations, Finding 22-03 and 24-04, we found that the Department did not have adequate controls over the administration of its accounts receivable.

Excluding receivables from the Water Revolving Fund and the Environmental Protection Trust Fund, the Agency reported \$47.7 million in accounts receivable, of which \$13 million was over one year past due as of June 30, 2024. In FY21-22, the Agency reported \$35.4 million in accounts receivable, of which \$12.3 million was over one year past due as of June 30, 2022.

During testing in the FY23-24 compliance examination, the auditors noted:

- Two of 40 accounts receivable tested, amounting to almost \$223,000, were 13 and 14 years past due. The Agency had not made active collection efforts during the examination period or referred the accounts to the Comptroller's Offset System, the Department of Revenue's Debt Collection Bureau, or the Attorney General.
- Three of 40 accounts receivable tested, totaling nearly \$14,000, were placed in the Comptroller's Offset System 106 to 5,453 days after their due dates.
- One receivable was overstated by nearly \$80,000.
- The Agency did not provide documentation to determine if they pursued collection efforts for 4 of 40 accounts receivable tested, totaling over \$5 million.

This finding has been reported since 2014.

In both examinations, we recommended the Agency pursue all reasonable and appropriate procedures to collect outstanding debts as required by Agency policies, State laws, and regulations. We also recommended the Agency maintain records of accounts receivable and documentation of its collection efforts and ensure receivables are properly recorded.

In FY21-22, Agency officials agreed with the finding and described corrective actions being taken, including revising the processing plan to include a subscription to acquire necessary information, utilizing a debt collection agency, and working with the Attorney General's Office to complete write-off packets for uncollectible debt.

In the FY23-24 examination, Agency officials accepted the recommendation and stated they have made great progress on removing old account receivable balances.

In both examinations, Finding 22-06 and 24-07, we found the Agency did not maintain adequate controls over its monthly obligations, expenditures, appropriations, and revenue reconciliations.

In the most recent compliance examination, in testing monthly reconciliations between the Office of Comptroller and the Agency records, we noted:

- For the Monthly Appropriation Status Reports:
  - 13 of 32 reconciliations were reviewed 4 to 110 days late.
  - 8 of 10 fund reconciliations did not contain documentation of preparation date, the name of the preparer, or the name of the reviewer.
- For the Monthly Revenue Report:
  - The Agency did not perform reconciliations for two of 21 funds, while the remaining 19 funds were missing reconciliations for one to 18 months. For the 19 funds where some reconciliations were performed, we identified instances where there was no documentation of supervisory review.
  - 29% of monthly reconciliations were reviewed 13 to 89 days late.
- For the Monthly Cash Reports:
  - 88% of required monthly reconciliations did not contain documentation of preparation date, the name of the preparer, or the name of the reviewer.
  - 15% of fund reconciliations were not performed for June or 2023 or 2024.
  - One reconciliation was reviewed 19 days late.
- For Monthly Agency Contract Report or Monthly Obligation Activity Report:
  - 13% of reconciliations did not contain the date the reconciliations were completed, reviewed, or the reviewer.
- This finding has been reported since 2018.

In both examinations, we recommended the Agency ensure monthly reconciliations of obligations, expenditures, appropriations, and revenues are performed and documentation of the timely completion and supervisory review of its reconciliations are maintained.

The Agency accepted our recommendation.

In the FY23 and 24 Compliance Examination, in Finding 14, we found the Agency did not comply with the Illinois Solid Waste Management Act. The Act requires the Agency to develop guidelines and funding criteria for providing grant assistance to institutions for the implementation of approved waste reduction plans. During testing, we noted the Agency has not developed the guidelines and funding criteria required by the Act.

We recommended the Agency assign staff to ensure implementation and administration of the mandated program, including timely development of guidelines and funding criteria for providing grant assistance. The Agency accepted our recommendation.

This concludes our opening remarks on the Illinois Environmental Protection Agency.

**Rita:** Okay, thank you. Acting Director James Jennings. Would you like to introduce us to you and give your opening statement?

**Jennings:** Yeah. Good morning, Leader Rita, Members of the Commission, my name is James Jennings. I was appointed to this position last September, and I'm honored to be serving the agency. With me this morning is our Chief Internal Auditor, Sally Burton and our Chief Financial Officer, Jake Poechel. I view the audit process as a valuable tool for improving our transparency, accountability, and performance across the totality of our operations. I take the reports and findings from the Office of the Auditor General very seriously, and in the 13 months since assuming this role, my leadership team and I have worked diligently to address issues identified in each of these examinations. As reflected in the fiscal year 23-24 examination, the agency has implemented corrective actions for findings noted during the previous audit cycle. These actions included strengthening internal controls and improving documentation and approval processes, enhancing compliance and data accuracy and ensuring timely reporting and fee collection across key programs. We've also accepted all of the findings and recommendations from the most recent compliance examination, which was issued in June of this year. Since then, we've improved coordination's across program areas where needed and bolstered our internal processes to promote timely compliance with our numerous statutory mandates in order to prevent repeated findings. As Director, I'm focused on internal and external accountability, improving our operations and delivering results that ensure the environment of the state of Illinois is protected. I value our partnership with the Auditor General in this commission, which I believe is integral to serving each of these objectives. Our staff appreciated the questions that were submitted ahead of time and happy to answer those, as well as any others that the commission may have. Thank you.

**Rita:** All right. Thank you. Is there any questions from members? Senator Balkema.

**Balkema:** Thank you for your opening remarks. So for the findings, then, same question. I asked CMS do we have an owner in action of the action item and a target date for completion of closing it out?

**Jennings:** So not to entirely plagiarize Director DeVaughn, yes, to both. So, the objective obvious would be that these were completed yesterday. One of the overriding themes that you'd see across some of our findings is they were attributable in part to staffing issues in the past, which we are now in a much better situation, but then also in some cases, some needs for legislative fixes. The legislative fixes do have a timeline and as you very well know, legislative session is calendared. Beyond that, though, each of our programs is designated by either a Bureau Chief or a Chief Officer, and ultimately, they are the owner of the individual activities that are the subject of these findings. They then in turn report statuses to our Chief Internal Auditor, who I meet with on a monthly basis to go over the individual nuances where there's either a resource issue, a programmatic issue that needs to be addressed, or just to get a sense of where things are relative to where they were the previous month.

**Balkema:** So would you be able to because some of these ... I mean, that's great what you're saying, and it sounds like you've got a good plan going forward. As the team submitted or in their opening. Some of this stuff's been going on for 10 years. Would you be able to provide an owner and a target date for each of the findings?

**Jennings:** Absolutely. Do you mean it to go directly through them or.

**Balkema:** Not now, but I mean is that, does somebody out there wake up every morning and the first thing that's on their mind is wow, I own action item number 12 and I got to report back to the director on when it's going to be completed and I really don't want to go to my next performance review without that date.

**Jennings:** So I can't speak to what's on their mind first thing, but it's certainly on their mind at some point in the morning. But yes.

**Balkema:** Okay. So from an overall. Because seriously, I mean if you do that, it's going to change a decade of kind of prep. If we look at CMS, it's huge. They got 10 items, they have dates for each one of them. If we look here, obviously the team's inherited a larger opportunity, but to be able to have end dates on these would be huge based on what was kind of uncovered here year over year. So if you could submit that to the team and whatever is the most easiest thing to do without causing a lot of extra work, I'd love to see, you know, when they're going to be done and kind of a target date. And it seems like then the next time the audit comes that information would be used based on the who owned, it and who was accountable to get it fixed.

**Jennings:** Absolutely.

**Balkema:** Okay. Thank you.

**Rita:** Representative Manley.

**Manley:** Thank you, Chair Rita. Mr. Jennings, you're the acting director for 13 months. Have you worked in a different capacity at Illinois EPA at all?

**Jennings:** Yes, so I've been with the agency, it'll be 12 years actually tomorrow, and so I've served as a regulatory attorney for three years. I was in our Bureau of Land Programs running the state's recycling programs and reg compliance for seven and then deputy director for the 18 months or so immediately prior to this appointment.

**Manley:** Happy anniversary.

**Jennings:** Thank you.

**Manley:** So when you became the acting director, did you reach out to the auditors and ask for what findings? In other words, what were you stepping into and as the acting director, how to be aware of what was on the table, so to speak, as you stepped in?

**Jennings:** So yes, and it's really a two part response. One, having spent a lot of time in the program areas within the agency, I was acutely aware of both the importance of the auditing process, but also the need for diligent follow up. Secondly, our Chief Internal Auditor started at roughly the same time that I was appointed to this position. And so there was some coalescence in both of our responsibilities. And so, to that end, we had to compare notes on both what was already in, in the process, but also from her perspective with fresh eyes what we could do differently to avoid continued repeat findings.

**Manley:** And I guess this would be for the head of the internal audit. Do you, or do you do this on your own or do you have people that work with you?

**Burton:** I am a department of one. It is just me.

**Manley:** Well, when you're awesome, you know.

**Rita:** Could you introduce yourself for the record?

**Burton:** Sorry, my name is Sally Burton. I started with EPA as their Chief Internal Auditor in June of 24.

**Manley:** June of 24. So, Sally, does it bother you that people aren't reconciling the monthly accounts?

**Burton:** During the finding or the field work, the testing part of it. Bother, I know that the work is being done. Some of a lot of the things that were noted were like there weren't initials on things or there weren't dates on things. But I also know that our fiscal staff is presented with some challenges and getting them done, whether that be staffing related or just problems with the software and getting things to balance and understand some of the issues. And you know, a lot of these things were inherited.

**Manley:** So you, as an Internal Auditor, you come up with what internal controls you're going to be implementing, correct?

**Burton:** Well, that is done. You know, they do it in their department. I don't necessarily tell them what the internal controls are to be. They come up with the internal controls and then I would assess them.

**Manley:** So if they feel that the initials, let's just use that example that you cited, are important for ownership responsibility but you don't. Perhaps they could tweak their audit responsibilities.

**Burton:** Sorry. What I would say is if they don't think they're important, I would just approach it from the perspective of as an auditor, if it's, if you can't document that it's been done, if you can't show that it's been done, then as an auditor, it's hard to say that, yes, it's been done. So I would, you know, I would explain just that. Yeah, initials and dates should be there. That way you can say who did it and when they did it and why it's important.

**Manley:** Okay, thank you.

**Rita:** Representative Moore.

**Moore:** Yeah. So I have a question regarding the finding number 5, inadequate control controls over awards and grants. And I guess first would be for the auditor and then for the acting director. So, you highlight that for the auditor 57 of 313 reports were submitted to the agencies, 1 2, 1 to 297 days late. Later it states that 72 of 313 progress reports tested were 2 to 265 days late. Can you provide some colors? I guess I'm less concerned about a report that's 1 day late versus 297 days late and on the other one, 2 days late versus 265. So do you know as a percentage or how many were actually really, really late? And one that just barely missed the deadline.

**Dzierwa:** I'll ask Elda, the audit partner on that, to respond. If she doesn't have that information readily available, we can certainly gather that.

**Moore:** Right.

**Rita:** Could you put the mic on and then state your name?

**Ariola:** Good morning, I'm Elda Ariola. I'm the partner of Roth and Company. So if you, we'll provide the details, if you've wanted all the details of this one, we'll provide it later on.

**Moore:** Sure, no problem. And I think for later on, things like that, it would be just helpful to know as a percentage what we're talking about because obviously I've done grants myself and haven't been late, but I could see myself being one day late, but not 297 days late. So for the acting director, you say that you have a tracking mechanism now, a database first. How's that going? And it seems like this would be something very good to put on a scorecard that you can say, hey, this is where we were trending before I got here. This is where we're trending now. And you can track the progress. So I don't know if you could give us a little update on how that's going.

**Jennings:** So, for this question, I will be deferring to Jake Poeschel, who is our Chief Financial officer.

**Poeschel:** Hey, Jake Poeschel, Chief Financial Officer, EPA. So the database is currently being built. We're actively tracking everything in that there is going to be a 30, 60, 90 day like approval review, sign off process. So for all the PFRs, the financial reports, the progress reports, the budget templates, all that stuff, it will go through full review by our program staff and then it will go to our CAO and CFO and also the grant staff.

**Moore:** And so is the database, is the tracking system implemented or is it is implemented?

**Poeschel:** It is implemented.

**Moore:** It is implemented.

**Poeschel:** Yes.

**Moore:** Okay. And you feel, how's it, how do you feel it's going?

**Poeschel:** I think it's going well.

**Moore:** Okay.

**Poeschel:** Yeah.

**Moore:** Thank you. Thank you for that.

**Rita:** Senator Ellman.

**Ellman:** Thank you. Good morning. Welcome. Glad to see you. A couple questions regarding the accounts receivable and the ability to collect those in a timely fashion. I've got a question on just the nature of those that money. Are those fines? Are they fees? Are they you know, what's like, what are the components of those?

**Poeschel:** So those fines are or the AR is a lot of different things. There's court orders, there's permit fees, there's license fees, there is penalties as well. So there are, it's a plethora of different type of receivables.

**Ellman:** Okay, thank you. I think it's really important when there are penalties and fines to collect those, because that not only provides dollars for your coffers, but it also sends a message about what regulatory compliance means here in Illinois. And, you know, if people

don't pay their fines on time, you know, they should not be allowed to do that. So I want to make sure that when you are collecting those fines, you're collecting them in a timely manner. Thank you very much.

**Rita:** Could I just interrupt you. Could you just state your name and title for the record?

**Poeschel:** Yes, Jake Poeschel, CFO,

**Ellman:** Thank you. There was a finding on potentially infectious medical waste from the 21-22 audit, but it didn't see it come up in the second one. Let's see, how are those, It seems like that might have been corrected, that people were submitting their reports late. And I think one of the responses that the agency had was, you know, you will collect those, you will accept those at any time. You're not going to, you know, reject them. Are you receiving those in a timely manner, and how did you do that?

**Jennings:** So to the best of my knowledge, we are receiving them in a timely manner. One of the complications with a fee structure like this one is that it is inherently tied to activities that we don't know in real time are occurring. So we issue medical waste hauling permits. We also issue medical waste disposal permits, but that permit is an authorization to operate. It's not a compulsion to operate. And the fee structure is tied to actual use. And so the issue historically was we wouldn't know until after the fact who was or was not actually operating. What we have done in the interim is be more proactive with the types of entities that we regulate by doing things like sending out notifications to help nudge them along. One of the notes that we made at the time with respect to that finding was that state law actually contemplates the possibility of late submissions in that we have enforcement authority and we have the ability to pursue enforcement. If people are tardy in their submissions, which we have done in the past in this specific instance, and then perhaps more globally in comparable examples, we're actually transitioning to an entirely electronic reporting system. We've issued a procurement for that and anticipate that it'll be completed by the end of 2027. One of the features that we have requested be designed into that are automatic notifications so that we're able to get away from this structure where we have either tardy fee submissions, tardy permit applications because it's something that is automated, and then to the extent that people don't comply, then we have a backstop in place to identify and then immediately pursue whatever enforcement is appropriate.

**Ellman:** Okay. Thank you. And I wanted to ask the Internal Auditor. I can't remember your name. I'm sorry Susan.

**Burton:** Sally.

**Ellman:** Sally. Thank you. I'm an Internal Auditor myself in my other jobs, so I commend you on your activity. So you've been doing this since June of 2024?

**Burton:** With EPA, yes.

**Ellman:** Okay, what's the. What's your previous background? Do you have a CPA or.

**Burton:** I am a Chief or certified Internal Auditor and I have been, I've worked in state internal auditing since February of 2011.

**Ellman:** Okay.

**Burton:** At a couple different locations.

**Ellman:** Great. Thank you. And I commend the function. Thanks.

**Burton:** Thank you. I think that's all the questions I have.

**Rita:** Representative Elik.

**Elik:** Thank you. Good morning. My question is on the 23-24 compliance audit finding number 9. And that's related to controls over property. And one of the items says that one equipment item totaling 88,983 was not found at the location indicated on the agency's property listing. So has it been found or do we know what that is? And then same question for the previous audit, there was one item that was \$49,000. So those are high dollar items. So I'm wondering if we have located those.

**Jennings:** Yes. So we have located them. The item in the 23-24 audit was a device that was used for training in one of our regional offices and was ultimately stored in Springfield because of space considerations. But I will let our CFO speak more directly to some of the nuances of what that process looked like.

**Poeschel:** Bear with me here. I'm trying to find the \$49,000 item that we're talking about.

**Elik:** Okay. And if I'm understanding you said that was an item that's used for training purposes. Okay, thank you.

**Jennings:** Correct. And just because of size considerations, we had space in Springfield, but not in Display's.

**Elik:** Okay.

**Poeschel:** So. Yeah. So and then that too, that it's when you put the asset into the kind of system it is designated to someone in a location and the training is done in Chicago at Display's office. And it's stored down here in our warehouse. I can't find the \$49,000 item, but what I can say is that we used to do a headquarters audit one year and then do our regional offices the next year. Giving two years between an annual inventory. And when we did that, it was creating a lot of lost items. So we hired a new agency property control officer/vehicle coordinator. And they are doing the annual inventory every year for the entire agency. And it has definitely taken us down on our lost items.

**Elik:** Oh, that's great to hear. Can you maybe just follow up? If you can just determine what that 49 was at a later date. Follow up with me. And then my next question is on finding number 10 from the 23-24. This is related to the Environmental Lab Certification Committee. And in the notes that we have, as of June 30, 2024, that committee had not been created. So has that been created? And then I guess my next question is, you had stated the committee requirement was submitted to a legislative panel for dissolution but was rejected. So can you share more information on that?

**Jennings:** Yes. So many of the functions that are identified in statute already exist in the combination of our lab programs as well as the external certification bodies to which we are of which we're a member. In addition to that, the cost considerations are actually a value evaluated as part of a periodic assessment that we have an outside entity due to ensure that the fees that our lab assesses are directly in line with their operating costs. The idea being that we're not profiteering. Our objective is to make sure that things are entirely zeroed out. So what we are now exploring is an alternative legislative solution to address this so that we ensure that the necessary public oversight is still available, but not necessarily duplicating work of our already stretched thin lab staff.

**Elik:** So that's something you're going to be pursuing here maybe in the spring or.

**Jennings:** Potentially in the spring. Yeah.

**Elik:** Okay. And then you. It says, I mean, was there a legislative panel that discussed that is like, is that an internal legislative panel?

**Jennings:** Budgeting for results.

**Elik:** Oh, okay. Understand. Okay, thank you. That's all I have.

**Rita:** Senator Ellman again.

**Ellman:** Yeah, thank you. I forgot I had another question. I see in the, the second

audit that there were emergency vehicle purchases and I noticed on the first one that there was a finding or a listing of vehicles that had deferred maintenance. I don't know if those are related, but you had mentioned the fleet manager. Are those, are vehicle purchases going to be budgeted going forward or are they going to continue to be emergency purchases.

**Jennings:** So I would defer to our CFO on that.

**Poeschel:** Vehicle purchases are always budgeted for. In this instance, we released off of the master contract through Ford multiple times during COVID and during the supply chain issues. We put in the order and within nine months the order was then canceled by Ford. And we were told that a lot of agencies were currently doing emergency purchases. To purchase vehicles directly off of a lot. So you would go to the lot. Sorry, you would go to the lot and make sure that they would take a contract from the state of Illinois. And then you could then purchase directly through them and post the emergency. We did that a few times. One of them was for a large truck. I think it was an F or a maybe an F550. And it had a geo probe on. It that on a trailer. So we had to have a large truck. And it was ordered through the master contract twice, both times canceled. And then we had some federal funding that we were going to lose if we didn't utilize it. So we posted the emergency and went directly through a Ford dealership.

**Rita:** Any other members? I do have. So out of the 18 findings, 13 were repeated. Two of these or 16 you you've answered to two are under a study, correct?

**Jennings:** Correct.

**Rita:** And could you explain what the study and what you're studying?

**Jennings:** So one of the studies has to do with toxicology reporting. There was in the mid-1980s, the General assembly passed, passed a law that compelled the agency to provide an annualized update of all what were characterized as toxic chemicals and reported out each year. And this was to be tied to reports that we received from the federal government. In the intervening decades much of the substance of that was ultimately codified in either Federal Law or state law, which then carried forward to us. And because of the combination of staffing issues as well as other resource considerations over the past decade, this was a report that ultimately did not make the cut because of where we were standing. We're now in a very different position. We have an Office of Toxicology Assessment. That office is fully staffed for the first time in over a decade. And given the combination of new emerging contaminants that are of potential concern, as well as the need for a centralized, publicly available resource, on this, we're examining what the most appropriate way is to characterize this, recognizing that the model that was most recently used in 2009 is likely not reflective of what the public needs are now.

**Rita:** And that's on both of the findings.

**Jennings:** So that was on the toxicology one on the second one, I will have to, I have to pull up which one that was.

**Rita:** I think it's finding number 14.

**Burton:** The other one was on the Illinois Solid Waste Management Act. We made some changes to part of that through budgeting for results. I'll maybe let CFO answer that more specifically. But the part that was noted specifically in the finding, we were kind of waiting to see what happened with those first changes that we did and are now assessing the impact those have for what we need to do to complete comply with this, those findings in light of the changes we did make. Jake, do you want to?

**Poeschel:** Yeah. As part of budgeting for results, we requested a change to this act and it was to repeal the requirement for EPA to consult with CMS and other higher education institutions on recycling plans. The commission had approved the change and we're currently reviewing additional changes that might need to be made because of the funding requirement piece of this. It's not necessarily that institutions of higher ED or CMS would need funding for recycling plans, but taking our consultation out of that act, we definitely need to study and see if it's still a requirement for us to do.

**Rita:** I guess now I get a little more confused. You said partially you're studying part of it. The other part. Maybe you could re explain what you said there.

**Jennings:** So, it's a combination of a need to clean up this specific mandate versus the more holistic issue of examining what our role is with respect to university recycling and solid waste management. So, for this specific mandate, it's not clear that we necessarily have a continued role here because of the way that the university system currently operates, as well as the recycling system more broadly. That being said, we are taking a very hard look at the best way forward for the state's recycling infrastructure. Roughly a year ago, we issued a request for proposals to put together or bring in a consultant to build out a needs assessment to examine the current needs of the solid waste management infrastructure. What improvements are necessary to ensure. Ensure that it is effectively adapting to this century, and then also comply with some other state changes in state law that were passed two General assembly sessions ago.

**Rita:** Thank you. Is there any other questions? All right. Seeing no more questions, Representative Manley moves to accept the compliance audits of the Environmental Protection Agency. Second by Senator Ellman. All in favor say aye. Opposed say nay. The ayes have it, and the audits are accepted. Thank you, Director.

**Jennings:** Thank you.

**Rita:** All right, next we're going to go to Governor, State University President Esther and other university officials. If you could please make your way up to the table. And once they make their way up their Auditor General, do you have any comments when they get settled in?

**Mautino:** Thank you Chairman. I'd also like to acknowledge some of my new employees from the Office of the Auditor General. Olivia Acheampong, Gia Pozzi and Anthony Strickland are joining with us today and welcome. President, thank you for joining with us today as well. And I was honored to be at your, on your campus a couple of weeks ago and I met with Mike Trendle and your accounting program. Spoke with your juniors and seniors there. Very insightful, great questions. Matter of fact, I think a couple of the kids are applying for internships, but just wanted to tell you it was a good experience going up there and hopefully maybe some of the kids will enter the field of auditing. The compliance examination of Governor's State University (GSU) for the year ended June 30, 2024 was conducted by the firm of Adelfia LLC. Ana Ausan, Stella. Santos, and Allan Salumbides, thank you, are with us on behalf of the firm. The audit manager for the engagement was José G. Roa, and he is joining here with us, remotely. Courtney Dzierwa, our Financial and Compliance Division Director, will discuss the examination. Thanks, Courtney.

**Dzierwa:** Thank you. There were 17 total findings in the compliance examination of GSU. Of the 17 findings 10 were repeated, and 7 were new. I will summarize a few.

In Finding 8, we found GSU did not have adequate internal control over reporting its census data to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate. During our cut-off testing of data transmitted by GSU to the State Universities Retirement System (SURS), we noted 3 instances of an inactive employee becoming active were reported to SURS after the close of the fiscal year in which the event occurred. These instances have been previously reported: however, they still impacted the June 30, 2022, census data. And, because SURS' actuary and CMS' actuary used census data transmitted by GSU during FY22 to project pension and OPEB-related balances and activity at the plans during FY23, which was then incorporated into GSU's FY24 financial statements, this finding continues.

SURS determined the total potential impact of these errors was the instructors' service credit was off by a combined 6.75 years.

We recommended GSU continue to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. Any errors identified during this process should be promptly corrected by either GSU or SURS, with the impact of these errors communicated to SURS' actuary and CMS' actuary. We further recommended GSU

ensure all events occurring within a census data accumulation year are timely reported to SURS so these events can be incorporated into the census data provided to SURS' actuary and CMS' actuary.

GSU agreed with this finding and accepted the recommendations. They have established procedures to address timely and accurate reporting of census data events to SURS.

In finding 11, we found GSU had deficiencies within its internal audit activities.

During our testing we noted 3 of 4 (75%) audit reports were not provided to the auditors. Additionally, the internal audit workpapers for 2 sample audit reports remain outstanding. GSU's Chief Internal Auditor reported 4 complete audits in GSU's annual report dated September 30, 2024 to University's President.

Additionally, GSU's internal audit function failed to conduct a new external assessment during the examination period as required. The last external assessment was conducted in July 2018. Additionally, the annual audit report September 30, 2024, incorrectly stated that internal audit engagements were conducted in accordance with International Standards for the Professional Practice of Internal Auditing.

We recommended GSU improve its procedures to ensure timely finalization of its audit documentation. We further recommended GSU conduct a periodic external assessment of the internal audit function, in compliance International Standards for the Professional Practice of Internal Auditing standards. GSU officials agreed with the finding and stated they will work toward full compliance. This concludes our opening remarks on GSU.

**Rita:** All right, thank you. President Ester, is it? Would you like to have an opening statement introduce who's here with you?

**Ester:** Thank you. Good morning. Co-Chairs Rose and Rita and members of the Legislative Audit Commission. I am Dr. Joyce Ester and I'm honored to serve as the seventh president of Governor Seattle State University, effective July 1st of this year. Joining me this morning is Villalyn Baluga, Associate Vice President for Finance and our interim CFO, Charles Pustz, Associate Vice President of Information technology services and CIO. And behind me is Ms. Maureen Kelly, executive Director of Government Relations. We sincerely appreciate the opportunity to speak with you today. Governor State University is deeply committed to ethical governance, transparency and a full compliance with all applicable state and federal regulations. We view this hearing not only as an opportunity, as an accountability measure, but also as a valuable opportunity to demonstrate our ongoing efforts to strengthen institutional integrity. As the Commission is aware, higher education institutions operate within a highly regulated environment. We are subject to a broad array of laws, rules, and oversight mechanisms, and we take these responsibilities seriously. I'm pleased to report that our

external auditors have consistently issued unmodified or clean opinions on the University's financial statements. This represents the highest level of assurance and reflects our commitment to sound financial stewardship for fiscal year 2024 none of the audit findings were classified as material weaknesses. That being said, we do not take any audit finding lightly. We have implemented corrective action plans to address each issue as soon as possible. Some findings, particularly those related to IT security, may take longer to fully resolve due to the complexity of the systems involved and the resources required, both in terms of staffing and funding. While we've made meaningful progress in this area, we recognize that cybersecurity demands are evolving rapidly, and we continue to work diligently to meet those standards. To further strengthen our compliance infrastructure, Governor State University has created four new positions in recent years. A university compliance officer, an additional Internal Auditor, and two cybersecurity professionals. These roles are central to our proactive approach to risk management and regulatory compliance. In addition, we are enhancing our internal monitoring processes, refining policies and procedures, and investing in training to assure that our faculty and staff are well equipped to uphold the highest standards of accountability. At Governor State University, we review audits not merely as evaluation, but as valuable opportunities to learn, grow, and strengthen our institution. We are committed to continuous improvement and remain dedicated to upholding the highest standards of transparency and accountability. Thank you again for your time and attention.

**Rita:** All right, thank you. Any members with questions? Co-Chair and Senator Rose has a couple questions.

**Rose:** On number 8. Welcome. A lot of universities have this same issue. So what is it? That's the problem that's causing everybody to get compliant.

**Baluga:** Good morning. My name is Lynn Baluga. I'm the AVP for Finance and the interim CFO. So I would just like to note that when Governor State University first received this finding, and again, this finding was issued to all Illinois State universities. Right. So the finding then was we were not performing reconciliations, and we have since performed that. So we addressed that finding. The only remaining issue we have at this point is the cutoff issue or the timely reporting of events. And that is particularly challenging because for events, specifically employee terminations that occur towards the end of the fiscal year, say for example, you know, June 1st or June 15th. So we are required to report that to CERS before the end of the fiscal year. However, we all know that whenever we terminate, you know, whenever there are changes in events, there's a process involved. Specifically for termination we have to do a clearance process and we have to have time to process that final payout. So it is challenging for us to do that process within a 15 day or 13 day turnaround. So I would see this finding to be repeating because of that challenge.

**Rose:** So, is it ultimately completed? It's just completed after the July, the June 30 end of the fiscal year?

**Ester:** That is correct. That is the cutoff issue that's being raised by the auditors.

**Rose:** So auditors you, do you kind of agree with that?

**Dzierwa:** I'd like for Anna to discuss that issue, please. I'm sorry.

**Ausan:** Yes, they actually. My name is Anna Ausan and I'm from Adelphia. They actually reported the event after, subsequent to the fiscal year end.

**Rose:** So, it's a timing issue?

**Ausan:** Yes, it was a cutoff issue.

**Rose:** Okay. These are the types of things that I think when our new Auditor General's chosen, we as a group need to kind of talk about how we can get some of these things off the, off the repeat list. Okay. On 15, finding 15. This has been going on since 21. I know you said you've maybe got some tech issues that are helping, but when will we see this one go away?

**Pustz:** Good morning. Charles Pustz, CIO. This item has six actual sub bullet points. We have already remediated four of those recently. One of the bullet points has to do with policies and procedures or contractual terms and we are working on getting that done. It takes a challenge only because we have approximately 160 type individuals we have to review from a policy procedural on a contractual term. So that's a little challenging, and then with the security operation type 2 review, the new regulation is we have 60 days to do the SOC2 review when our provider provides a new SOC2. Unfortunately, we don't always know when that happens.

**Rose:** I don't know what that is.

**Pustz:** Go ahead, Lynn.

**Baluga:** Service organization control review.

**Rose:** Yes, the old SOC reports.

**Pustz:** The old SOC reports, yes.

**Rose:** Say in vain it's a TPS report, I'm sure.

**Pustz:** 100 pages long at times.

**Rose:** Okay, so on these aptly named SOC reports, what is the timeline to complete those or when will that finding go away?

**Pustz:** So, we have completed. So every year now, annually, starting last year, we review every, every single service provider on an annual schedule basis. We review the SOC, we work with the vendor to get their latest SOC2 report. The challenge we're having now is when a new SOC report is issued to that service provider, we have to review that within 60 days. We always don't know that they're getting one until sometimes after the fact. So, then they have to provide a bridge letter, which sometimes a bridge letter doesn't cover the full length between their gap. So then we have to go through a HECBAC report, and it takes quite a while to get through all of that. So we're working on that. We have procedures. We have to work with the vendors. We're working on our contractual obligations, making sure that that information is in the terms and conditions. So it takes a while to get through all those.

**Rose:** So, so I guess the, the general comment to the president would be, if there's, if there's items on this list that are more procedural than substantive and you're getting hung up on timing, why don't you get us a letter that says what those items are? And I would. I know that the all you university presidents used to have, like, a big powwow once a month. It was like the conclave or something. I don't know. Everybody got together with their fancy titles. Maybe you could ask all the other presidents and chancellors if they'd want to submit, like, a joint letter to us of stuff like that. I'm not promising action. I'm saying that, at least for myself, I think a lot of these, we sometimes get tripped up in things that, at the end of the day, aren't that important, and we're missing things that are important because we're wasting time. So if there's, if there's stuff like that and General Mautino remember, and other members of the commission may remember, a couple years ago, we did a change to our internal auditing procedure to try to accommodate the universities and maybe remove some of the things that were just routinely tripping you up that really weren't at the end of the day, you know, anything that was a major concern to the taxpayers. You know, don't bring me, you want to get out of time sheets. We're not going to do that. But, you know, these things that are causing you procedural hiccups and are just flagging you year in and year out, I think we'd like to see those at least, at least review them. So thank you.

**Rita:** Representative Elik.

**Elik:** Thank you so much. I've sort of kind of summarized that, I think by my count, seven of the items noted in here are related to cybersecurity or IT, and I'm assuming that's why your IT, your CIO is here. But it does speak to a larger issue of, like, what's going on to make sure that everything's, have you ever had a cybersecurity incident with the university? Like, you know, a hack or something?

**Pustz:** Yes, we have.

**Elik:** Okay, how long ago?

**Pustz:** September of 2025, we had an incident of

**Elik:** 2025. So last month.

**Pustz:** I'm sorry, 2024, someone breached a server of ours and we remediated it immediately.

**Elik:** Okay, so I would say then maybe given that information and that makes all of these findings a little more, a little more timely and important, I guess. Are there things in here that would have affected or, you know, maybe made your response better or prevented a breach?

**Pustz:** Yeah. We are currently in the third round of a request for proposal for Security Operations center which will monitor our network and servers 24 hours a day. I have a very small IT team, so we can't build our own internal review, you know, process. So, we're hoping by the end of this calendar year here, in the next couple months we will have engaged with one and that that vendor will then be monitoring our networks and servers and logs 24 hours a day and alerting us immediately so we can take much quicker action to isolate the incident and remediate the situation.

**Elik:** So it's been a year since the breach, but that seems like an emergency purchase type item or an emergency. How did you respond to that breach without those, I mean, so obviously that was not in place, but why wouldn't it? You know, even for companies that any of us work for, like small to large, that that's kind of a standard, standard thing is that someone's watching the, you know, software and things like that. So why wouldn't that have been in place before?

**Pustz:** It wasn't in place before through personnel and funding restrictions. But this is our third RFP for the security operation. Two of them contractually with the procurement office, State procurement office, we had to restart it up. So this has been going on for about a year. But the good news is we're at the end of the, we believe now to complete the RFP. We did issue an emergency purchase order and we are having our cloud systems monitored now. We had a 90 day emergency order, we submitted that and that was approved by the state. So we do have a firm monitoring that 24 hours a day now and we're already getting information and responding to that much faster. The RFP will then monitor our infrastructure internally as well, which is a much larger scale obviously and it takes a lot more effort and time to get that up and running.

**Elik:** So, in essence your kind of outsourcing some of the functions that your

office is not able to handle at the moment?

**Pustz:** That's correct.

**Elik:** Is that correct?

**Pustz:** Yeah. Managed service. Correct.

**Elik:** And so, I mean, one of the items was an incident response plan. Did you not have one when this breach happened?

**Pustz:** Not fully documented. We do now. We did contract a firm in Chicagoland, and we now have it, and we actually use our, we'll use that now, if we have any incident. We have an incident response plan, and we have multiple categories based on the incident. What our response has to be, how quickly, how does it escalate, how does it get to me, how does it ultimately go up to chain of command, and so we have that in place now. We did that in June, June, July of this year, we sign, finally got that completed.

**Elik:** I guess I'm glad to hear that for audit purposes, that some of these things are going to be handled or have been handled, and maybe the audit next time, but I'm really disturbed to hear that you had a breach and that some of these things were not already in place. So, I guess, do you feel like adequate funding is being allocated towards IT resources and you know, like, what kind of investments have been made that maybe should have been made a long time ago?

**Ester:** Well, just to clarify, I've been there since July, and that's one of the things that I'm looking at, all of our processes, all of our funding, where money is allocated, where money needs to be allocated. So this is definitely something that we need to look into, especially with the RFP that he's talking about. So. Absolutely. That's all a part of my job right now is to really do an evaluation of what has happened, what needs to go forward. Yes. With the limited resources we have.

**Elik:** Thank you.

**Ester:** Thanks.

**Rita:** Any other questions from members? All right, seeing no more questions, Senator Wilcox moves to accept the compliance audit of Governor State University. Seconded by Representative Manley. All in favor say aye. Any opposed say nay. The ayes have it. Any audits are accepted. Thank you, President. All right, we have three financial statements from the Audit Commission from August, August lapse period spending in September 2025. If there's no objection on motion by Senator Wilcox, second by Representative Manley to accept the

financial statements. All in favor say aye and oppose say nay. The ayes have it and the financial statements are accepted. We also have the minutes for the Audit commission meeting from August 22, 2025. There are no objection on a motion made by Senator Rose, second by Senator Ellman. We accept the meeting minutes. All in favor say aye, opposed say nay the ayes have it and the meeting minutes are accepted. The next are the four DHS audits we have heard at the August meeting we received request that follow up information from DHS and I would ask that the members have any further follow up request that they provide them to Jamie by the end of the week in order for us to vote to approve the audits at our next meeting October 28th. We acknowledge receipt of 11 items which do not require commission action and they are items A through K and are follow up reports from the Auditor General's office on the previous performance management audits. Looking ahead the audit commission will meet again on Tuesday October 28th at 9:00am here in Springfield. We'll review the State Fire Marshal's, Department of Public Health, and the University of Illinois. Seeing no further business to come before the Legislative Audit Commission today, motion from Senator Rose second by Representative Manley, the meeting adjourned. Thank you we'll see you in two weeks.