

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Commerce and Economic Opportunity

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Springfield, Illinois 62706
217/782-7097

REVIEW: FY21-22 DCEO Compliance Examination – Review #4565

**REVIEW: #4565
DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY
TWO YEARS ENDED JUNE 30, 2022**

**RECOMMENDATIONS – 18
ACCEPTED AND PARTIALLY IMPLEMENTED -**

**IMPLEMENTED – 3
PARTIALLY IMPLEMENTED – 8
NOT ACCEPTED -1
UNDER STUDY - 6**

REPEATED RECOMMENDATIONS – 15

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 19

This review summarizes the auditors’ report of the Department Commerce and Economic Opportunity (DCEO) for the two years ended June 30, 2022, filed with the Legislative Audit Commission on April 18, 2023. The auditors conducted a compliance examination in accordance with State law and Government Auditing Standards.

Agency Narrative

In FY22, DCEO continued to bring and sustain jobs, business, and opportunities to the State of Illinois while providing critical services to the citizens of Illinois, especially those most impacted by the COVID pandemic. Efforts are guided by the State’s economic development plan: A Plan to Revitalize the Illinois Economy and Build the Workforce of the Future, as well as Federal and State plans for pandemic recovery.

- After reopening, travel to and within Illinois is rebounding to pre-pandemic levels. In FY22, DCEO offered the Tourism Attractions and Festivals Grant Program to boost tourism and festivals in Illinois. FY22 Hotel-Motel tax receipts were \$226.5 billion, nearly 91% of the FY20 receipts. Domestic and international travel expenditures rose from \$23.3 billion in FY21 to \$32.2 billion in FY22. Illinois is thrilled to be welcoming back travelers and expects to see even more travel throughout Illinois in the future, especially with the 100th anniversary of Route 66 coming in 2026. As the ad campaign declares, Illinois is truly the “Middle of Everything.”
- The film production industry stayed strong during the pandemic. In FY22, the Film Tax Credit Program brought in over \$562 million of total production expenditures and \$333.2 million in wages. The theater production industry boomed again in FY22 after the lights had gone down during the pandemic. In FY22, the Live

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Theater Tax Credit Program brought in \$15.1 million in production expenditures and \$4.4 million in wages.

- Through the catalog of offerings from the Office of Business Development (Advantage Illinois, Economic Development for a Growing Economy Tax Credit Program, High Impact Business Program, Illinois Opportunity Zones, Prime Sites and River Edge Redevelopment Zone Program), over 66 businesses were assisted with financing, resulting in over 4,500 jobs created, 7,000 jobs retained and \$3.3 billion of private investment leveraged in fiscal year 2022.
- The value of export sales continued to climb in Illinois. The export sales value increased from \$50.9 billion in FY20 and \$59.2 billion in FY21 to \$72.6 billion in FY22. Additionally, DCEO facilitated 185 Illinois companies participating in trade missions overseas and the addition of 151 jobs added through foreign companies locating in Illinois.
- In FY22, DCEO activated Community Navigators to deliver targeted outreach and promotion of the programs to traditionally underserved populations. The Minority Economic Capital and Infrastructure Grant Program provided funds to minority-owned businesses to invest in necessary infrastructure improvements to existing property or the acquisition of new property and essential equipment. In FY22 this resulted in 113 jobs created and 60 jobs retained. Also, DCEO provided capital grants to incubators which serve minority-owned businesses. Over 1,300 minority businesses were provided space to startup their business, provided networking and consulting services, and/or received professional services and training. In FY23 DCEO was poised to provide financial assistance to Social Equity Applicants and/or Licensees to increase equity in the cannabis industry.
- Illinois Small Business Development Centers, funded through DCEO, continued to support small businesses and startups in Illinois through direct services and a network of resources by providing information, regulatory assistance, advocacy and business guidance. In FY22, over 15,000 clients were advised by centers (of those over 46% served were minority clients). 236 new business startups were attributable to centers in FY22 and over 3,400 jobs were created and retained in Illinois.
- Illinois Procurement and Technical Assistance Centers helped Illinois businesses secure over \$632 million in government contracts in FY22. 2,456 clients (53% minorities and 46% women) were advised and 2,230 clients trained (25% minorities and 28% women).
- Illinois Works, a statewide initiative to increase the number of apprentices on capital state-funded projects and create a diverse talent pipeline into the construction trades through its pre-apprentice program, which assists in reducing barriers to public works employment in the trades for historically underrepresented populations, and bid credit programs, which incentivizes contractors who hire

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Illinois Works graduates, kicked off in FY22. 775 applicants were accepted into the Pre-Apprenticeship Program and of those 173 graduated and 64 were hired into DOL registered apprenticeship programs. The Bid Credit component began in FY23 as the pipeline of Pre-Apprenticeship Program graduates continues to grow.

- In FY22, DCEO provided assistance to individuals through various federally-funded programs that included:

Illinois Low-Income Heating Assistance Program

- 304,524 households receiving heating assistance
- 127,376 households receiving emergency assistance of reconnection of heat
- 115,929 households in imminent threat of disconnection or that were disconnected receiving heating assistance

Illinois Home Weatherization Assistance Program

- 1,944 heating systems repaired or replaced
- 2,304 housing units weatherized

Illinois Low-Income Water Assistance Program (a new program in fiscal year 2022)

- 14,672 customers in disconnection/imminent disconnection/reduce arrearages status receiving water/sewer services

Community Service Block Grant Program

- 603,163 individuals receiving services to improve health development
- 16,919 individuals receiving services to stabilize their housing
- 117,084 individuals receiving services to improve their social /behavioral development

Community Development Block Grant Program

- 57,476 individuals served by public infrastructure (water and sewer) improvements (over 52% were low to moderate income individuals)

Workforce Innovation and Opportunity Act Program

- 6,887 workers trained

Current and Past Directors

Director Kristin Richards has had a distinguished Illinois career where she was the Senate Dem Budget and Research Director then the Senate Dem Chief of Staff. Prior to the DECO Directorship, she was the IDES Director.

Erin Guthrie was named Acting Director on January 21, 2019 and Director on February 18, 2020 where she continued to serve until February 21, 2021. Michael Negron was Acting Director during Ms. Guthrie's maternity leave from May 22, 2020 to August 31, 2020. Sylvia I. Garcia was named Acting Director on February 22, 2021 to January 12,

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2023. Kristin Richards has been Acting Director from January 13, 2023 then Director on March 10, 2023.

Appropriations and Expenditures

| Reporting Programs | FY21 Expend | FY21 Head count | FY22 Expend | FY22 Headcount |
|--|------------------------|------------------------|------------------------|-----------------------|
| Community Assistance | \$426 million | 46 | \$768 million | 52 |
| COVID-19 Response | \$803 million | 0 | \$277.3 million | 0 |
| Employment & Job Training | \$168.8 million | 74 | \$184.5 million | 75 |
| Grants Management | \$14.1 million | 32 | \$117 million | 41 |
| Tourism | \$29.8 million | 8 | \$61.3 million | 8 |
| Business Development | \$25.7 million | 38 | \$38.1 million | 38 |
| Community Development | \$47.6 million | 22 | \$30.8 million | 16 |
| Entrepreneurship, Innovation, Technology | \$15.5 million | 21 | \$12.7 million | 14 |
| Trade & Investment | \$8.3 million | 17 | \$8.1 million | 12 |
| IL Film Office | \$4.3 million | 10 | \$4.7 million | 10 |
| Minority Empowerment | \$2.67 million | 6 | \$3.9 million | 8 |
| Illinois Works | \$512,000 | 1 | \$2.5 million | 4 |
| Broadband | \$1.75 million | 3 | \$1.96 million | 3 |
| Energy Transition Assist | \$0 | 0 | \$46.5 million | 0 |
| Urban Assistance | \$0 | 0 | \$0 | 0 |
| Totals | \$1.548 Billion | 278 | \$1.511 Billion | 280 |

DCEO Locations

DCEO local offices are located at:

- 607 East Adams – Springfield 62701;
- 1 West Old State Capital Plaza - Springfield 62701;
- 100 West Randolph Street, Suite 3-400 - Chicago 60601; and
- 2309 West Main – Marion 62959.

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Regional offices are:

- Springfield, Effingham, Peoria and Canton, Lisle and Chicago, Rockford, Viola, Maria, Galesburg and Quincy.

Foreign offices include:

- Brussels, Belgium;
- Tokyo, Japan;
- Mexico City, Mexico;
- Toronto, Ontario;
- Shanghai, China and
- Jerusalem, Israel.
- The Far East Office at Wanchai, Hong Kong closed as of July 1, 2018.

Accountants' Findings and Recommendations

Condensed below are the 18 findings and recommendations included in the audit report. Of these, 15 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by DCEO, via electronic mail received April 18, 2023.

- 1. The auditors recommend DCEO address its staffing limitations and conduct internal audits of major systems and administrative controls at least once every two years in compliance with the Act.**

FINDING: *(Noncompliance with the Fiscal Control and Internal Auditing Act) – First reported 2012, last reported 2022.*

DCEO internal auditing program did not fully comply with the Fiscal Control and Internal Auditing Act (Act or FCIAA).

DCEO's Office of Internal Audit (OIA) conducted a total of six internal audits during FY21-22, three in FY21 and three in FY22. Within these audits, only seven of the eleven FCIAA major event/transaction cycles applicable to DCEO were addressed to ensure major systems are reviewed at least once every two years. The OIA failed to audit budgeting, accounting and reporting; property, equipment and inventories; revenue, receivables and cash; and grant administration.

This finding was first noted during DCEO's compliance examination for the two years ended June 30, 2012. In the subsequent years, DCEO has been unsuccessful in implementing a corrective action plan.

DCEO management indicated the failure to comply with the Act was due to staffing constraints.

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The major areas of internal control must be audited by internal audit on a regular basis to ensure adherence to an effective internal control system. Failure to perform regular internal audits of major systems of internal and administrative controls may result in weaknesses in internal control not being timely detected.

DEPARTMENT RESPONSE:

DCEO agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. and continues working to backfill the vacant Chief Internal Auditor position. The position was posted 5/2/23 thru 6/2/23 and again on thru 7/23/23. DCEO will also look to backfill the Deputy Chief Internal Auditor position which recently became vacant due to retirement in June 2023.

- 2. The auditors recommend DCEO ensure necessary information is collected and required reports are timely submitted to the Governor and General Assembly or seek legislative remedy from the statutory requirements.**

FINDING: *(Failure to Submit, or Timely Submit Required Reports) – First reported 2010, last reported 2022.*

DCEO did not submit or timely submit required reports in accordance with the mandates set forth in State Law.

During testing of statutes applicable to DCEO, auditors noted the following:

- DCEO did not ensure the Task Force on Opportunities for At-Risk Women (Task Force) met at least quarterly or submitted the required report on January 1 of each year of the examination period as required by the Opportunities for At-Risk Women Act (20 ILCS 5075/5 and 15). DCEO did not submit an annual report for CY20 to the Governor and General Assembly. Additionally, DCEO did not submit the CY21 report by the required date of January 1, 2022. The report was submitted on January 12, 2022, 11 days late. The Opportunities for At-Risk Women Act mandates DCEO provide administrative support, technical assistance, meeting space, and funding for the Task Force. The Opportunities for At-Risk Women Act also requires the Task Force to meet at the call of the chair, but not less than quarterly. The Task Force, on or before January 1, 2018, and on or before January 1 of each year thereafter, is to report to the Governor and the General Assembly on its activities and include any recommendations for legislation or rulemaking to facilitate its work in the targeted areas of assistance and outsourcing. DCEO management indicated there were no meetings of the Task Force during the examination period due to membership turnover and reduced bandwidth at the agency due to focusing on the COVID-19 emergency response activities. DCEO

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management indicated the failure of the Task Force to meet during the examination period impacted the noncompliance related to the report submissions.

- DCEO failed to timely submit the FY22 annual report to the Governor and the General Assembly as required by the Cannabis Regulation and Tax Act (410 ILCS 705/7-15 (e)). The report was submitted on January 25, 2022, 24 days late. The Cannabis Regulation and Tax Act states, beginning January 1, 2021 and each year thereafter, DCEO shall annually report to the Governor and the General Assembly on the outcomes and effectiveness of this Section. DCEO management indicated the report was submitted late due to confusion about the redundancy of the requirement with a previously submitted report.

Failure to submit or timely submit required reports was first noted during the Department's compliance examination for the two years ended June 30, 2010.

Failure to submit or timely submit required reports inhibits accumulation of meaningful oversight information for the Governor and General Assembly.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO is working with the Legislative sponsor to reconvene the Taskforce on Opportunity for At Risk Women. Once reconvened, DCEO will ensure the annual report is submitted timely. Additionally, DCEO has clarified the confusion regarding the Cannabis Regulation and Tax Act report and will submit timely reports going forward.

- 3. The auditors recommend DCEO appoint the required designees and attend the meetings as mandated by statute to the applicable boards, commissions, committees and councils; or, when applicable, continue to formally communicate to the Governor's Office the need to fill the vacancies to comply with the required membership in the mandated boards, commissions, committees, and councils. Further, when DCEO deems it appropriate, they should seek legislative remedy from the statutory requirement.**

FINDING: *(Boards, Commissions, Committees and Councils Not Fully Staffed) – First reported 2012, last reported 2022.*

DCEO did not ensure that certain boards, commissions, committees, or councils mandated to provide guidance to DCEO had the required number of members or met as required during the examination period.

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During testing of statutes applicable to DCEO requiring various boards, commissions, committees and councils, the auditors noted the following:

- DCEO did not ensure the Coordinating Committee of State Agencies met as required by the Illinois Promotion Act (20 ILCS 665/4b) and the Director did not serve as its chairman. The Illinois Promotion Act creates a Coordinating Committee of State Agencies (Committee) involved with tourism in the State of Illinois. The DCEO Director is to be the chairman of the Committee. DCEO management indicated DCEO was noncompliant because the Committee has not convened since 2016.
- DCEO did not formally appoint a liaison to serve ex-officio on the Illinois African-American Family Commission (Commission). The Illinois African-American Family Commission Act (20 ILCS 3903/20) requires DCEO to appoint a liaison to serve ex-officio on the Commission. DCEO management indicated no meetings occurred during the examination period and the Commission remains inactive. As a result, DCEO did not appoint a liaison.
- DCEO did not appoint a liaison to serve as ex-officio member on the Illinois Latino Family Commission for the entire examination period. The Illinois Latino Family Commission Act (20 ILCS 3983/20) requires DCEO to appoint a liaison to serve ex-officio on the Illinois Latino Family Commission. DCEO management indicated it did not appoint a new liaison to serve as ex-officio member on the Illinois Latino Family Commission as the Illinois Latino Family Commission remained nonoperational and no meetings occurred during the examination period.
- DCEO did not participate in the Illinois Muslim American Advisory Council (Council). The Illinois Muslim American Advisory Council Act (20 ILCS 5110/20(e)) requires the Deputy Director of the Office of Trade and Investment within the Department, or his or her designee, to serve as an ex-officio member on the Council. DCEO management indicated the Council is overseen by the Governor's Office. DCEO management indicated that while the Office of Trade and Investment Deputy Director is ready to participate, there have been no meetings called of the Council since 2015.
- The DCEO Director was appointed a member of the Illinois Ethanol Research Advisory Board (Board). DCEO's representative attended one of two (50%) meetings held during the examination period. The Southern Illinois University Management Act (110 ILCS 520/6.6) (Act) establishes the Board, of which the Department's Director is a member. The Act states the Board shall meet annually, or at the call of the Chairman, and shall review the annual operating plans and budget of the National Corn-to-Ethanol Research Pilot Plant and advise on research and development priorities and projects carried out at the plant, among other duties included in the Act. DCEO management indicated they have been in contact with Southern Illinois University to notify them DCEO is available to

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participate on the Illinois Ethanol Research Advisory Board; however, the Illinois Ethanol Research Advisory Board has been inactive since 2015.

- The Director or designee of DCEO was not present at three of 10 (30%) of the Restore, Reinvest, and Renew Program Board meetings held during the examination period. The Cannabis Regulation and Tax Act (410 ILCS 705/10-40) (Act) states the Director of the Department or his or her designee shall serve as an ex-officio member of the Restore, Reinvest, and Renew Program Board. DCEO management indicated they were unable to comply with the Act due to competing priorities and employee turnover.

Failure to appoint representatives, communicate vacancies, or ensure regular attendance of meetings was first noted during the compliance examination for the two years ended June 30, 2012. In the subsequent years, DCEO has been unsuccessful in implementing corrective action for this noted weakness.

Noncompliance noted in the previous examination regarding the Women's Business Ownership Act of 2015 (20 ILCS 5060/5), the Illinois Route 66 Centennial Commission Act (20 ILCS 5125/10), and the Bikeway Act (605 ILCS 30/4) was not repeated due to the corrective action implemented by DCEO within the examination period.

Failure to appoint representatives, communicate vacancies, or ensure regular attendance of meetings prevents or hinders the boards, commissions, committees, or councils, which are mandated to provide guidance to or from DCEO, from carrying out their duties in accordance with the statutes.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO expects to convene the Tourism Coordinating Committee in FY24. Also, DCEO is identifying alternatives to attend meetings when the designee is unable to make it due to other commitments. Lastly, DCEO stands at the ready to contribute to commissions once they become active.

- 4. The auditors recommend DCEO seek or allocate resources to comply with its statutory requirements or seek a legislative remedy as appropriate.**

FINDING: *(Noncompliance with Statutory Mandates) – First reported 2012, last reported 2022.*

DCEO did not comply with various statutory mandates.

During testing, auditors noted the following:

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- DCEO did not make any annual modifications to the five-year plan that was drafted in 2019. DCEO also did not consult with the representatives of the private sector, other state agencies, academic institutions, and local economic development organizations in the development of the annual economic development plan since no modifications were made to the five-year plan. DCEO management indicated an internal, informal assessment to determine if modifications were warranted was conducted and they determined modifications were not warranted. DCEO management indicated the informal process included review and internal discussions to determine whether DCEO anticipates sufficient deviations from the goals and initiatives laid out in the five-year plan to warrant a modified plan. DCEO management indicated it did not maintain documentation to support its internal informal assessment.
- DCEO failed to comply with the Code regarding the Office of Urban Assistance. Since 2016, DCEO's Office of Urban assistance has been inactive, and has not fulfilled the duties listed in the Code (20 ILCS 605/605-400) to plan and coordinate existing State programs designed to aid and stimulate the economic growth of depressed urban areas. DCEO management indicated the lack of compliance was due to a lack of sufficient resources devoted to this area. DCEO management indicated it believed these services are provided to these communities through other programs at DCEO.

Failure to use the Office of Urban Assistance to aid and stimulate economic growth of depressed urban areas represents statutory noncompliance and hinders economic growth in already depressed urban areas.

- DCEO did not adopt and implement rules as required by the Code (20 ILCS 605/605-456) regarding business incentives. The Code requires DCEO to adopt rules for the implementation of this Section. DCEO management indicated it did not adopt rules because the section was seen as self-explanatory by DCEO.

Failure to adopt rules for the implementation of this program represents noncompliance with State law.

- DCEO did not comply with the Code (20 ILCS 605/605-465) which requires the official website to contain a comprehensive list of State, local, and federal economic benefits available to businesses in each of the state's counties and municipalities that DCEO includes on its website. DCEO officials indicated the noncompliance was due to the lack of resources and capacity to aid statutory compliance.

The failure to comply with this requirement of the Code prevents the state from providing the public a comprehensive list of economic benefits available to Illinois businesses in a centralized location using the Department's website.

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- DCEO did not establish a freight rate information service for U.S. and foreign shippers in cooperation with the Department of Agriculture and the International Trade and Port Promotion Advisory Committee. DCEO management indicated it instead provides supporting services by referring companies to service providers and shipping companies to address their logistical needs.

Failure to establish a proper freight rate information service could result in increases in freight costs and increase the risk of accidents happening due to unintentional overloading.

- DCEO did not create the Clean Water Workforce Pipeline Program as required by the Code (20 ILCS 605/605-913(b) through (d)). The Code requires DCEO to create a Clean Water Workforce Pipeline Program (Program) to provide grants and other financial assistance to prepare and support individuals for careers in water infrastructure. Grants and other financial assistance may be made available on a competitive annual basis to organizations that demonstrate the capacity to recruit, support, train, and place individuals in water infrastructure careers. DCEO management indicated appropriations had not been sought for this program due to competing priorities.

Failure to carry out the duties described in the Code results in lost financial assistance opportunities for individuals searching for careers in water infrastructure.

- DCEO failed to comply with the Code (20 ILCS 605/605-940 (10) thru 605/605-940 (16)). The Code states the Department shall prepare uniform budgetary forms for use by the local governments of the State and be a repository for financial reports and statements required by law of local governments of the State and publish financial summaries of those reports and statements. DCEO did not perform these activities during the examination period. DCEO management indicated the noncompliance occurred due to inadequate resources.

Failure by DCEO to provide the information, services, and tools to local governments as required by the Code could negatively impact multiple local governments and their financial situations.

- DCEO failed to comply with the Illinois Emergency Employment Development Act (20 ILCS 630) (Act) during the examination period because the position of Illinois Emergency Employment Development coordinator (coordinator) did not exist. Since the position did not exist, the coordinator did not administer the program within DCEO. Additionally, DCEO did not provide administrative support services to the coordinator for the purposes of the program, nor did the Director establish priorities by rule for the allocation of funds among eligible employers within each service delivery area, in accordance with the coordinator's recommendation.

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The Act requires DCEO to house the coordinator. The coordinator shall administer the Illinois Emergency Employment Development Program within DCEO, and the Director of DCEO must provide administrative support services to the coordinator for the purposes of the program. Additionally, the DCEO Director, upon recommendation of the coordinator, must prioritize allocation of funds among eligible employers within each service area to the Private Industry Council. DCEO management indicated the coordinator position creates a duplicative structure within the Workforce Innovation and Opportunity Act and the Local Workforce Innovation Areas.

Failure to comply with the Act represented statutory noncompliance and could have resulted in missed opportunities to assist state agencies, especially employment administrators in service delivery areas, in hiring individuals for open positions.

- DCEO did not create the economic plan to assist businesses and municipalities located geographically close to bordering states as required by the Illinois Home Grown Business Opportunity Act (20 ILCS 725/5 and 15) (Act). The Act became effective January 1, 2019. DCEO management indicated, as it did in the previous examination, the Act does not include a date or reference to a given time period in the statute for when the economic plan is to be completed, and DCEO plans to complete the economic plan in the future.

The failure to create this economic plan could result in a lack of assistance and representation for the businesses and municipalities located geographically close to bordering states.

- DCEO failed to comply with the Illinois Works Jobs Program Act (30 ILCS 559/20-15 through 559/20-25) (Act). During the examination period, DCEO did not create or administer the Illinois Works Bid Credit Program and the Illinois Works Credit Bank as required by the Act. The Act states DCEO shall create and administer the Illinois Works Bid Credit Program that shall provide economic incentives, through bid credits, to encourage contractors and subcontractors to provide contracting and employment opportunities to historically underrepresented populations in the construction industry. The bid credit rate is to be established by DCEO, and DCEO was to establish the rate by rule and publish it on their website. The Act also stated DCEO was to administer the Illinois Works Credit Bank to track the bid credits from the program.

DCEO management indicated much of the planning and design of the program was completed during the engagement period, but DCEO was unable to fully implement the program. DCEO management indicated the Act requires that bid credits be issued to companies hiring apprentices through a specific pipeline. DCEO management indicated the pre-apprenticeship program was implemented in CY22, and DCEO has begun to create the pipeline of apprentices required to be

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hired by companies to be eligible for the bid credits. DCEO management indicated it expect companies to begin seeking bid credits later in CY23.

- DCEO did not administer the Industrial Development Assistance Law (30 ILCS 720/4) (Law) which requires DCEO to recognize industrial development agencies. The Law states DCEO, upon receipt of certified copies of such resolutions from industrial development agencies that have been chosen to act within a particular county, shall recognize such industrial development agency as the sole such agency within the county. In addition, DCEO did not make grants to recognized industrial development agencies during the examination period, or develop the necessary rules and regulations and prescribe procedures in order to assure compliance by industrial development agencies in carrying out the purposes for which the grants may be made, as it was authorized to do so by Sections 5 and 7 of the Law, respectively.

DCEO management indicated it was not in compliance with the statute during the examination period because it is planning to submit the statute to the General Assembly for statutory modification.

The failure by DCEO to administer the Law could prevent the State from providing the assistance it intended to industrial development agencies.

- DCEO failed to comply with the Broadband Advisory Council Act (220 ILCS 80/25) (Act). DCEO did not include a schedule for implementation of free universal broadband in either the Broadband Advisory Council's study or the summary website for the goal of providing free access to all residents of Illinois to broadband service. The Act states the Broadband Advisory Council's study shall include a recommended schedule for implementation of free universal broadband to the extent determined to be feasible. DCEO management indicated the noncompliance occurred because producing a reliable, comprehensive implementation schedule is difficult.

Failure to provide a schedule for implementation could prevent legislators from adequately evaluating the efficacy of the goal to provide free broadband service access to Illinois residents.

This finding was first noted during the compliance examination for the two years ended June 30, 2012. In the subsequent years, DCEO has been unsuccessful in implementing a corrective action plan.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

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UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO is determining best approaches to comply with some of the statutory requirements identified while for others, DCEO is seeking legislative remedy.

- 5. The auditors recommend DCEO ensure the reporting related to tax credit programs include the statutorily required information.**

FINDING: *(Weaknesses in Tax Credit Programs Administered by DCEO) (Continued) – First reported 2018, last reported 2022.*

This finding was first noted during the compliance examination for the two years ended June 30, 2018. In the subsequent years, DCEO has been unsuccessful in implementing a corrective action plan.

Administering, adequately documenting, and accurately reporting tax credit programs is necessary in order to verify compliance with the applicable statutes and ensure State resources are utilized on qualified investments.

RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Implemented. DCEO agrees with the finding and recommendation. DCEO has incorporated language in Film and Live Theater Tax Credit programs agreement which requires the tax credit recipient provide the necessary information for reporting compliance.

- 6. The auditors recommend DCEO annually evaluate and update its organizational chart to reflect the true reporting lines and programs of the Department.**

FINDING: *(Excessive Vacancies on the Organizational Chart) – First reported 2020, last reported 2022.*

DCEO's organizational chart contains excessive vacancies and no longer reflects a usable representation of the organizational structure of DCEO.

During the examination, auditors obtained DCEO's most recently compiled organizational chart. For the two years ended June 30, 2022, DCEO's organizational chart depicts 772 positions, of which 194 were filled and 578 were vacant (75%). Additionally, DCEO provided its own Organizational Chart Analysis table. This analysis showed 859 total positions, of which 323 were filled and 536 were vacant (62%). DCEO indicated these numbers were a better representation of number of positions by office within DCEO. A tabular analysis by office within DCEO:

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| DCEO Offices | Number of Positions | Number of Vacancies | Filled Positions | % Positions Vacant |
|---|----------------------------|----------------------------|-------------------------|---------------------------|
| Director's Office | 30 | 17 | 13 | 57% |
| Assistant Director's Office | 4 | 1 | 3 | 25% |
| Accountability | 35 | 21 | 14 | 60% |
| Broadband Development | 5 | 3 | 2 | 60% |
| Business Development | 50 | 35 | 15 | 70% |
| Community Assistance | 73 | 30 | 43 | 41% |
| Community Development | 38 | 28 | 10 | 74% |
| Employment & Training | 146 | 87 | 59 | 60% |
| Entrepreneurship, Innovation & Technology | 55 | 42 | 13 | 76% |
| Equal Opportunity Monitoring & Compliance | 10 | 7 | 3 | 70% |
| External Relations | 18 | 14 | 4 | 78% |
| Financial Management | 65 | 47 | 18 | 72% |
| General Counsel | 15 | 8 | 7 | 53% |
| Grants Management | 34 | 9 | 25 | 26% |
| Human Resources | 14 | 5 | 9 | 36% |
| IL Works | 12 | 7 | 5 | 58% |
| Illinois Film Office | 16 | 9 | 7 | 56% |
| Internal Audit | 10 | 6 | 4 | 60% |
| Legislative Affairs | 7 | 4 | 3 | 57% |
| Management Operations | 21 | 13 | 8 | 62% |
| Minority Economic Empowerment | 24 | 18 | 6 | 75% |
| Policy Development Planning & Research | 17 | 13 | 4 | 76% |
| Regional Economic Development | 56 | 40 | 16 | 71% |
| Tourism | 17 | 10 | 7 | 59% |
| Trade & Investment | 13 | 6 | 7 | 46% |
| Urban Assistance | 6 | 6 | - | 100% |
| Information Management (DoIT) | 68 | 50 | 18 | 74% |
| Total | 859 | 536 | 323 | 62% |

DCEO's headcount, going back approximately 20 years, was highest in FY2004 at 519 employees. During inquiry with DCEO management during their examination, DCEO management stated it does not view "vacant" positions on the organizational chart as needed to be filled in a specific time frame. Rather vacancies on the organizational chart are placeholders for positions that can be filled and are part of the approved headcount. Management explained that intern or trainee positions are considered "target" position titles. This means for every intern or trainee position there is a separate position listing that must tie to that individual. As these jobs are created for one position, there are positions on the organizational chart that are unfillable. DCEO had 48 unfillable positions in their analysis, making total fillable vacancies 488 (57% of the number of positions listed by the Department).

DCEO management explained it is actively trying to hire for these vacant positions, and management holds weekly meetings to discuss hiring practices and expectations. A hiring

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pipeline spreadsheet is used to outline the status of current openings and their hiring status and is frequently updated by management.

DCEO disagreed with this finding. DCEO management reiterated its position from the previous examination and indicated it maintains established positions on the organizational chart in order to be agile as new mandates require programs to be established and staffed expediently. DCEO management stated it is difficult and time-consuming to establish new positions in government, so strategically maintaining established positions is critical for operations and compliance.

Failing to utilize and maintain an up-to-date organizational chart with true reporting lines and programs existing within the Department diminishes the usefulness of the organizational chart as an element of internal control.

DEPARTMENT RESPONSE:

The Department disagrees with the finding and recommendation on the premise that the criteria applied to DCEO was a best practice for non-governmental organization.

ACCOUNTANT'S COMMENT:

An organizational chart should be a pictorial representation of an agency's lines of authority and communication to assist management with managing the organization and only include vacancies expected to be filled within a reasonable period of time. DCEO's organizational chart contains so many vacancies that its usefulness as a management tool has been significantly degraded.

UPDATED RESPONSE:

Not Accepted. DCEO disagrees with this finding and recommendation on the premise that the criteria applied to DCEO was a best practice for non-governmental organization. However, as lead times for many of our position types have recently been reduced, DCEO continues the process to eliminate many of the vacant positions on the organization chart.

- 7. The auditors recommend DCEO timely complete employee performance evaluations and continue to monitor compliance with the Illinois Administrative Code and Department policy.**

FINDING: *(Employee Performance Evaluations were Not Completed Annually and Timely) – First reported 2006, last reported 2022.*

DCEO did not perform annual employee performance evaluations for all employees and did not perform certain employee performance evaluations on a timely basis.

During testing of employee files for performance evaluations, auditors noted the following:

- 7 of 40 (18%) employees tested did not have an annual performance evaluation completed in either FY21 nor FY22.

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- Evaluations for 14 of 40 (35%) employees tested were completed 33 to 303 days after they were due.

This finding was first noted during the compliance examination for the two years ended June 30, 2006. In the subsequent years, DCEO has been unsuccessful in implementing corrective action.

DCEO officials indicated the failure to complete or timely complete performance evaluations were due to employees' and supervisors' competing priorities.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO has developed tracking and monitoring procedures to ensure timely completion of performance evaluations and is evaluating the effectiveness of this new system.

- 8. The auditors recommend DCEO strengthen controls and monitor the eTime system to ensure employees' time records are completed and submitted timely.**

FINDING: *(Weaknesses in Employee Time Reporting) – First reported 2016, last reported 2022.*

DCEO had weaknesses in controls over employee time reporting.

DCEO utilizes the automated eTime system for reporting and summarizing the employees' work hours and time off. Each employee is expected to submit a weekly timesheet in the eTime system for approval by the supervisor.

During their testing of 40 timesheets, auditors noted three (8%) were not submitted by employees timely. The timesheets were submitted between four to five business days late after the timesheet period end date.

This finding was originally noted during the compliance examination for the two years ended June 30, 2016. In the subsequent years, DCEO has been unsuccessful in completely implementing corrective action.

DCEO management indicated the noncompliance was the result of oversight from agency personnel and their supervisors.

Not ensuring the timesheets of employees are submitted timely can result in the Department lacking documentation supporting the time spent by the employees on official State business as required by the State Officials and Employees Ethics Act.

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DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. The Department is revising its current tracking and monitoring procedures to ensure timely submission of employee time records.

- 9. The auditors recommend the Department adequately monitor required employee training to ensure the employees complete mandatory trainings on a timely basis.**

FINDING: *(Mandatory Employee Training Not Completed) – First reported 2020, last reported 2022.*

DCEO did not ensure its employees completed the mandatory training.

During testing of training policies, auditors noted one of seven (14%) tested new employees did not complete mandatory trainings within 30 days of employment. Ethics training was completed 17 days late, sexual harassment training was completed 31 days late, and security awareness training was completed 19 days late.

DCEO officials indicated the exception was caused by competing priorities while onboarding.

Failure to monitor and determine required training has been completed could result in a workforce that is not adequately trained to fulfill required duties and may expose the State to potential liability.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Implemented. DCEO agrees with the finding and recommendation. DCEO has developed tracking and monitoring procedures between DCEO's Ethic Officer, Human Resource Office, and DoIT to ensure mandatory training is completed timely by new employees.

- 10. The auditors recommend DCEO improve controls to ensure Agency Workforce Reports are accurately completed and timely submitted. In addition, they recommend DCEO file amended Agency Workforce Reports with the Office of the Governor and the Secretary of State within 30 days after the release of the compliance report.**

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FINDING: *(Agency Workforce Reports Not Accurately Completed) – First reported 2020, last reported 2022.*

DCEDO Agency Workforce Reports (Reports) were not accurately or timely completed in accordance with the State Employment Records Act (Act).

Auditors tested both Reports required to be filed during the examination period and noted the FY20 and FY21 Reports contained inaccuracies regarding the data reported across multiple categories. These inaccuracies included:

- DCEO did not include information on Physically Disabled Male and Female Employees on the FY20 Report.
- DCEO did not properly report its professional employees on the FY21 Report.
- DCEO reported three inaccurate totals on the FY21 Report.

During their fieldwork, DCEO corrected these inaccuracies on amended Reports submitted on August 18, 2022; however, auditors noted the following exceptions on the amended Reports:

- 28 and 78 inaccurate percentages were reported on the FY20 and FY21 Amended Reports, respectively.
- No information was reported in the Females column and an inaccurate total was reported for the White Males \$40,000-\$49,000 column on the FY21 Amended Report.
- DCEO provided us with the source information that was used by the Human Resources Department to create these Reports. No information on contractual employees, new hires, or promotions was included in this source information. As a result, auditors were unable to confirm the number of contractual employees, new hires, and promotions reported on these Reports based on the support provided by DCEO. As a result, auditors were unable to conclude DCEO's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

DCEO did not file the Amended FY19 Report with the Governor's Office or the Secretary of State within 30 days of release of the prior compliance report. The prior compliance report was released on April 22, 2021, and the amended Report was submitted on July 8, 2021, making it 47 days late.

DCEO management indicated these errors happened because of oversight and turnover at key positions responsible for the creation of these Reports.

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The State relies on agencies to report accurate demographic information in order to help guide efforts to achieve a more diversified State work force. Inaccuracies in the information reported provides an incomplete picture of the State's workforce demographics.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO has updated the standard operating procedures to ensure future compliance. Additionally, DCEO will submit revised reports as recommended.

11. The auditors recommend DCEO certify the names and mailing addresses of the persons filing statements of economic interest to the Secretary of State by February 1 annually.

FINDING: *(Failure to Timely Certify Statement of Economic Interest Information) - New*

DCEO failed to certify names and mailing addresses of its employees filing statements of economic interest to the Secretary of State on or before February 1 of each year. Specifically,

- In FY21, 7 of 20 (35%) employees tested were not certified in a timely manner. They were certified on February 10, 2021, 9 days late.
- In FY22, 7 of 20 (35%) employees tested were not certified in a timely manner. They were certified on February 2, 2022, one day late.

DCEO officials indicated the late certifications were a result of competing priorities.

Failure to certify employee names and mailing addresses could result in inaccurate information being utilized by other State agencies and prevent all required Department employees from filing their statements of economic interest.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Implemented. DCEO agrees with the finding and recommendation. DCEO's Ethics Officer has procedures in place to ensure annual certifications are filed timely.

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12. The auditors recommend DCEO work with DoIT to obtain a detailed understanding of each party's responsibilities related to cybersecurity controls. Further, they recommend DCEO:

- Conduct an analysis of DoIT's policies to ensure they meet the Department's requirements.
- Develop policies and procedures related to:
 - Configuration management standards;
 - Access control standards;
 - Data maintenance and destruction standards;
 - Security awareness training standards; and
 - On-boarding procedures
- Develop a data classification methodology and classify its data.
- Establish a cybersecurity plan describing the security program, policies, and procedures.
- Document the security solutions utilized to provide security and resilience of their assets.
- Develop a project management framework to ensure new applications are adequately developed and implemented in accordance with management's expectations.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.

In addition, auditors recommend DCEO obtain knowledge on how their assets are monitored, how or if security events are timely detected, and the actions taken in response to a security event.

FINDING: *(Weaknesses in Cybersecurity Programs and Practices) – First reported 2020, last reported 2022.*

DCEO is responsible for supporting and maintaining a climate that enables a strong economy for DCEO's customers, which include taxpayers, businesses, workers, and communities, by keeping, attracting, and growing businesses, maintaining a skilled workforce, and enhancing communities so the climate in Illinois is one in which businesses, small and large, and workers, can succeed to the greatest extent possible.

As a result of DCEO's mission to administer the state's laws, DCEO maintains computer systems that contain large volumes of confidential or personal information such as names, addresses, and Social Security numbers of the citizens of the State.

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During their examination of DCEO's cybersecurity program, practices, and control of confidential information, auditors noted DCEO:

- Relied on DoIT policies and procedures; however, DCEO had not conducted an analysis of DoIT's policies and procedures to ensure they met their needs. Additionally, DCEO had not established policies and procedures related to:
 - Configuration management standards;
 - Access control standards;
 - Data maintenance and destruction standards;
 - Security awareness training standards; and
 - On-boarding procedures
- Had not developed a data classification methodology or classified their data.
- Had not established a cybersecurity plan describing the security program, policies, and procedures.
- Had not documented the security solutions utilized to provide security and resilience of their assets.
- Had not developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations.
- Had not developed a risk management methodology, conducted a risk assessment or implemented risk-reducing internal controls.

In addition, DCEO did not have knowledge on how their assets were monitored, how or if security events were timely detected, and the actions taken in response to a security event.

DCEO management indicated it works with DoIT to provide cybersecurity controls and other IT resources DCEO. DCEO management indicated noncompliance resulted from the complexity in roles between DCEO's responsibilities, DoIT's oversight of the DCEO's Information Technology, and the DoIT staff assigned to DCEO. DCEO management also indicated the rules in the intergovernmental agreement and inability to hire internal IT staff creates barriers in addressing cybersecurity internal controls.

Failure to implement internal controls related to cybersecurity programs, practices and control of confidential information could result in unidentified risks and vulnerabilities and ultimately lead to DCEO's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

UPDATED RESPONSE:

Under Study. No Change.

13. Auditors recommend DCEO improve its employee policies and procedures over processing internship separations.

FINDING: *(Exceptions Identified in Employment Separation with Interns) – First reported 2020, last reported 2022.*

DCEO did not have adequate controls to ensure administrative procedures were timely completed in relation to interns' separation.

During testing of controls over separated interns' access to DCEO's equipment and information systems, auditors noted one of four (25%) sampled interns' security badge access was not timely deactivated. The badge was deactivated 136 days after the intern's separation from DCEO. Additionally, DCEO was unable to provide support for the system access revocation for two of four (50%) interns.

DCEO management indicated it lacks centralized security access measures which makes it very difficult to track when security access is granted and removed.

Failure to ensure adequate controls over the separation of interns increases the risk of unauthorized access and misuse of the Department's resources.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Partially Implemented. DCEO agrees with the finding and recommendation. DCEO is developing standard operating procedures and tracking system to ensure proper offboarding of interns.

14. The auditors recommend DCEO implement controls to ensure access to its applications and data is appropriate. Specifically, they recommend DCEO:

- **Conduct annual review of users' access rights.**
- **Maintain documentation of approvals of users' access.**
- **Ensure access rights are timely removed.**
- **Ensure users only have access to needed applications.**
- **Ensure users respond to the auditor's requests.**

FINDING: *(Computer System Access Weaknesses) – First reported 2020, last reported 2022.*

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DCEO failed to implement adequate controls over user access to its applications and data.

As a result of DCEO's mission to support and maintain a climate that enables a strong economy for the Department's customers, which include taxpayers, businesses, workers, and communities, by keeping, attracting, and growing businesses, maintaining a skilled workforce, and enhancing communities so the climate in Illinois is one in which businesses, small and large, and workers, can succeed to the greatest extent possible, DCEO maintains a myriad of applications and data.

During their examination of DCEO's user access controls, auditors selected a sample of 236 users with access to the following applications to test whether their user access rights aligned with their job duties:

- Low Income Home Energy Assistance Program (LIHEAP)
- WeatherWorks
- Percentage of Income Payment Plan (PIPP)
- Community Service Block Grant (CSBG)
- Illinois Workforce Development System (IWDS)
- Automated Compliance Monitoring System (ACMS)
- DCEO Financial Management System
- Property Control System
- eGrants System
- Business Development CRM System

Auditor's testing noted:

- DCEO did not provide evidence of the annual review of the user access rights during the engagement period, including its Active Directory Accounts. Department management indicated each office that utilizes the application was responsible for conducting such reviews. However, DCEO did not provide evidence showing the annual reviews were performed.
- DCEO did not provide evidence 36 (15%) new users had been approved to access the respective application.
- DCEO did not remove 41 (17%) user accounts of former employees during the engagement period.
- 4 (2%) users indicated they did not require access to the applicable application.
- 14 (6%) users did not respond to multiple inquiries as to how the user utilized the application with the access provided.
- DCEO did not respond to multiple inquiries as to why the 20 users (8%) were provided access to the application.

DCEO management indicated it works with DoIT to provide support for system resources to DCEO. DCEO management also indicated noncompliance resulted from the complexity in roles between the different responsibilities, DoIT's oversight of the DCEO's

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Information Technology, and the DoIT staff assigned to DCEO. DCEO management further indicated internal weaknesses exist in controls to request user access and removal to system. Lastly, DCEO management indicated it does not have the ability to maintain access lists independently of DoIT or complete the processes to grant or remove the access as requested due to the constraints DCEO has through the Executive Order restricting DCEO from hiring IT positions to perform these tasks.

Failure to maintain adequate internal controls over users' access to the applications and data may result in unauthorized access to the Department's information.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

UPDATED RESPONSE:

Under Study. No Change.

15. The auditors recommend DCEO strengthen its controls to maintain a listing of service providers.

FINDING: *(Failure to Review External Service Providers' Internal Controls) – First reported 2020, last reported 2022.*

Auditors requested DCEO provide the population of service providers utilized to determine if they had reviewed the internal controls over their service providers. However, DCEO was unable to provide such a listing. As a result, they were unable to conduct testing over DCEO's control of their service providers, and auditors were unable to conclude DCEO's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

According to DCEO, they utilized service providers for hosting services and software as a service.

DCEO management indicated it did not have adequate controls in place to track all applications and service providers procured by DCEO. DCEO management also indicated it works with DoIT to maintain many of its systems, website and applications, and does not have independent access to a full list of service providers used on its systems that were not procured independently by DCEO. In addition, DCEO management indicated it does not have the authority to control changes to those service providers.

Without having obtained and reviewed a SOC report or another form of independent internal controls review, DCEO does not have assurance the service providers' internal controls are adequate.

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DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

UPDATED RESPONSE:

Under Study. No Change.

- 16. The auditors recommend DCEO develop policies and procedures documenting internal controls over changes. Further, auditors recommend DCEO improve its segregation of duties over change controls.**

FINDING: *(Controls over Change Management Procedures Need Improvement) – First reported 2020, last reported 2022.*

DCEO utilized a myriad of applications to carry out its duties of supporting and maintaining a climate of a strong state economy. During their examination, auditors noted DCEO had not established change management policies and procedures to control changes to their applications and data. Additionally, DCEO had not established a system development standard to ensure new application developments met DCEO's requirements.

In addition, for the 37 changes tested, auditors were not provided with documentation supporting the approval of the changes for 37 (100%) and the same individuals who tested 24 (65%) of the changes moved the changes into the production environment.

DCEO management indicated DoIT was responsible for controls over changes and DCEO did not have sufficient resources.

Failure to implement controls over changes to applications and data could result in developments not meeting DCEO's requirements and unauthorized changes being made.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise to comply.

UPDATED RESPONSE:

Under Study. No Change.

- 17. The auditors recommend DCEO work with the DoIT to obtain a detailed understanding of each agency's roles and responsibilities. They further recommend DCEO develop a detailed disaster recovery plan in order to recover all its applications and data. Lastly, auditors recommend DCEO conduct detailed recovery testing at least annually.**

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FINDING: *(Recovery Plan Weaknesses) - New*

DCEO utilizes various applications in order to carry out its mission. During their review of DCEO's disaster recovery policy, auditors noted DCEO did not document detailed recovery scripts for each of its applications.

In addition, DCEO had not conducted disaster recovery testing during the examination period.

DCEO management indicated, per their intergovernmental agreement with DoIT, DoIT was responsible for conducting and maintaining disaster recovery testing.

Failure to adequately plan for the recovery of applications and data could result in the loss of data and the inability to recover within an acceptable time period.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation and is looking at ways to obtain the expertise necessary to comply.

UPDATED RESPONSE:

Under Study. No Change.

18. The auditors recommend DCEO strengthen its controls related to the wiping of data from electronic systems.

FINDING: *(Data Wiping Internal Control Weaknesses) - New*

DCEO had weak internal controls over its wiping of data on electronic systems.

During their testing of the Department's data wiping from electronic systems, auditors noted:

- The Department was unable to provide support of the data wiping in 8 of 40 (20%) instances.
- No signature was included on the form from the individual who performed the overwriting or destruction process in 16 of 40 (40%) instances.

DCEO management indicated the exceptions were caused by inadequate policies and procedures, oversight, and the complex relationship between DCEO and DoIT which performs the wiping of data from DCEO's devices.

Failure to ensure adequate controls over the wiping of data from electronic systems could jeopardize the Department's records and enable fraudulent activity.

DEPARTMENT RESPONSE:

The Department agrees with the finding and recommendation.

UPDATED RESPONSE:

Under Study. No Change.

Headquarters Designations

The State Finance Act requires all state agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each state agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

As of July 2022, DCEO had 42 employees assigned to locations others than official headquarters.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the state that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial state revenues, or to ensure the integrity of state records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the Chief Procurement Officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic bulletin no later than five business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A Chief Procurement Officer making such emergency purchases is required to file a statement with the Procurement Policy Board and the Auditor General to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

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- \$400,000 and \$400,000 to FH Cann & Associates starting Dec 9, 2022 and June 8, 2023 for Community Assistance; and
- \$58,000 to Delta Regional Authority starting Feb 9, 2023 for Economic Development.