LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Innovation and Technology
Two Years Ended June 30, 2018

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REVIEW: 4500
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TWO YEARS ENDED JUNE 30, 2018

FINDINGS/RECOMMENDATIONS - 30

ACCEPTED - 2
ACCEPTED AND PARTIALLY IMPLEMENTED - 6
IMPLEMENTED - 22

This review summarizes the first audit report of the Department of Innovation and Technology for the two years ended June 30, 2018 filed with the Legislative Audit Commission on July 9, 2019. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Department of Innovation and Technology was created in 2016 via Executive Order 2016-01, which took effect in March of 2016, with the mission to "deliver best in-class innovation and technology to client agencies to foster collaboration among client agencies, to empower client agencies to provide better service to residents of Illinois, and to maximize the value of taxpayer resources." The Department is responsible for managing and planning, procurement, maintenance and delivery of voice, data, wireless, video, internet and telecommunication services to all applicable State-government entities; operating the central computer facility, as well as other facilities that provide complete IT environment systems and support for most State agencies, boards, and commissions; and maintaining applications and the related infrastructure that State agencies, boards, and commissions may utilize to meet their financial requirements.

The Secretary of the Department is a member of the Governor's Cabinet and is considered (per the Executive Order) the "chief information officer for the State and the steward of State data, with respect to those agencies under the jurisdiction of the Governor." Hardik Bhatt was the first Secretary for the Department and served through September 2017. Kirk Lonbom served as Acting Secretary from September 2017 through December 2018. Jack T. King served as Interim Secretary from January 2019 to February 2019 when Jennifer Ricker took over as Acting Secretary. In March 2019, Ron Guerrier was appointed Acting Secretary and now serves as Secretary and CIO. Secretary Guerrier has 20 years' experience managing technology in the private sector where he held the title of chief information officer at Express Scripts, Farmers Insurance Group, and Toyota North America. A graduate of UIUC and North Park University, Secretary Guerrier was the former Chair of the Board of IS Associates at UCLA and offers his time and experience to other non-profit organizations.

The Department is organized into divisions covering business functions of Administrative Staff, Service, Enterprise Resource Planning, Strategy and Planning, Technology, Information Security, Internal Audits, Affirmative Action, and seven Chief Information Officer

(CIO) positions. The Department's main administrative office is located in Springfield with network and telecommunication remote sites spread geographically throughout the State. Staff are geographically located in multiple locations across the State in order to respond effectively and efficiently to networking and telecommunications issues. The Department's main computer processing facility resides in Springfield. The contracted Alternate Data Center (for resiliency and recover capabilities) is located in the northern part of the State.

The average number of employees by division was:

	FY18	FY17
Enterprise Resource Planning	15	13
Infrastructure	141	370
Network & Telecommunications	97	97
Century Network & Broadband	24	26
Contractual	21	19
Service Management	113	0
Administration	87	0
Information Security	18	0
Enterprise Application	53	0
TOTAL	**569**	**525**

The number of employees listed above does not take into account the employees located at the various agencies. See Finding No. 1 for additional details. Employees from the Infrastructure Division in FY17 were re-assigned to newly created Divisions: Service Management, Administration, Information Security, and Enterprise Application.

Unaudited information regarding the Department's Service Efforts and Accomplishments Report was as follows:

	FY18	FY17
E-Mail Users Supported	52,806	42,012
Help Desk Calls Answered	133,048	93,975
Virtualized Servers Managed	2,800	2,715
Legacy Systems Supported & Maintained	32	32
Lease Phone Lines Managed	29,088	37,150
*Phones Converted to Voice Over Internet Protocol (VOIP)Technology	13,862	21,484

Expenditures From Appropriations

The General Assembly appropriated a total of $747.7 million to the Department in FY18, compared to $900 million in FY17, a decrease of $152.3 million, or 16.9%. Total expenditures for the Department were $319.3 million in FY18 compared to $358.1 million in FY17, a decrease of $38.8 million, or 10.8%. This variation is due to fewer expenditures for administration and program expenses and consolidating the Communications Revolving Fund into the Technology Management Revolving Fund midway through FY18. Appendix A summarizes appropriations and expenditures by fund for FY18 and FY17.

Due to complications of the Budget Impasse, Public Act 100-021 authorized the Department to pay its unpaid FY16 and FY17 costs using either the Department's FY17 or FY18 appropriations for non-payroll expenditures, and Public Act 99-0524 authorized the Department to pay FY16 costs using its FY17 appropriations for non-payroll expenditures. As a result of Executive Order 2016-001, CMS, Bureau of Communications and Computer Services was transferred to DoIT causing CMS to transfer the FY16 invoices related to the activities of the Bureau of Communication and Computer Services to DoIT. The following describes how the Department paid prior year costs using future appropriations:

- The Department paid 180 invoices totaling $2.6 million for FY17 expenditures using FY18 appropriations.
- The Department paid 3,431 invoices totaling $64.6 million for FY16 expenditures using FY17 appropriations.

Other key highlights include:

- During FY18, the Department incurred approximately $11.9 million in Prompt Payment Interest for 290 invoices from 40 vendors.
- During FY17, the Department incurred approximately $28.9 million in Prompt Payment Interest for 660 invoices from 186 vendors.
    - Interest calculated through February 28, 2019 for invoices from both FY18 and FY17 was not yet paid by the Comptroller. See finding No. 3.
- In FY18, two vendors participated in the Vendor Payment Program (VPP) for four invoices totaling $4.3 million; whereas, seven vendors participated in the VPP for 25 invoices totaling approximately $5.1 million in FY17.
- In FY18, nineteen vendors participated in the Vendor Support Initiative Program (VSI) for 1,150 invoices totaling $62.6 million; whereas, 30 vendors participated in the VSI for 356 invoices totaling approximately $137.2 million in FY17.
- The Department and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during FY18 or FY17.

Lapse period spending was approximately $194 million in FY18, or 60.7% of total expenditures, which was mostly the result of delayed appropriations and cash flow problems with the Technology Management Revolving Fund. In FY17, lapse period spending was $182.2 million, or 50.9% of total expenditures, due largely to cash flow issues with the Statistical Services Revolving Fund and the Communications Revolving Fund.

On March 10, 2017, the Office of the Comptroller requested from the Department documentation supporting vouchers presented for payment related to the development of the State's Enterprise Resource Planning (ERP) system. The correspondence stated until such time the Office of the Comptroller received the documentation, the vouchers presented for payment would not be approved for payment. As of June 30, 2018, the Office of the Comptroller was holding vouchers dating back to November 2015, totaling $124,938,490. In addition, due to the delay in payment of these vouchers, prompt payment interest has been accruing. As of December 31, 2018, accrued interest was $20,658,807. See Finding No. 3.

Cash Receipts

Appearing in Appendix B is a summary of cash receipts for FY18 and FY17. Total cash receipts decreased from $317.5 million in FY17 to $152 million in FY18, a difference of $165.5 million, or 52.1%. The Technology Management Revolving Fund accounted for the majority of this decrease as the result of billing of Enterprise Resource Planning expenses to the various State agencies in FY17, which did not occur in FY18 due to receipt of capital funding. The Communication Revolving Fund no longer exists as it was consolidated into the Technology Management Revolving Fund at the end of calendar 2017.

Property and Equipment

Appendix C is a summary of property changes at the Department during the audit period. The balance decreased from $161.5 million as of end of FY17 to $161.3 million as of the end of FY18, a net decrease of $200,000, or 0.1%, for the two years under review. According to Finding No. 2, the Department failed to maintain controls over its property and related records.

Accounts Receivable

The Department's total accounts receivable, owed from the Technology Management Revolving Fund, exceeded $281 million at the end of FY18. Accounts receivable were $198 million in FY17.

Intergovernmental Agreements

Interagency (Intergovernmental) Agreements (IGAs), pursuant to the Intergovernmental Cooperation Act (5 ILCS 220), were established between the Department and CMS to provide various operational functions during the transition period when the Department was stabilizing and assigning new internal roles and responsibilities to often unfilled organizational positions. IGAs in place during FY17 and FY18 covered various Department areas such as internal audits, inventory, and fixed asset management, accounts payable, deposit processes, and GAAP packages. An ongoing continuous IGA also exists with DHS to provide reproduction and mail services as a Statewide, Governor-initiated cost reduction effort.

Accountants' Findings and Recommendations

Condensed below are the 30 findings and recommendations presented in the audit report. The following recommendations are classified on the basis of updated information provided by Doug Tinch, Chief Internal Auditor, via electronic mail received February 14, 2020.

Adverse Opinion

Because of the significance and pervasiveness of the noncompliance described in findings one through sixteen, the auditors expressed an adverse opinion on the Department.

Accepted or Implemented

1. Work with the agencies to complete the transfer of personnel and property as required by the Executive Order.

<u>Finding:</u> The Department of Innovation and Technology (Department) failed to comply with the provisions of Executive Order 2016-01 which ordered the consolidation of multiple information technology functions into a single Department of Innovation and Technology.

The Executive Order, effective March 27, 2016, required the Department and 38 agencies to transfer (1) identified employees, (2) personnel records, books, correspondence, and other property; both real and personal, and (3) unexpended balances of FY16 and FY17 appropriations, to the Department as of July 1, 2016.

Auditor testing noted, as of July 1, 2016, the Department and the agencies had not transferred:

- The identified personnel. The first transfer of personnel occurred on October 1, 2016, with 23 additional agencies transferring personnel during FY18. As of June 30, 2018, the remaining 14 agencies had not transferred personnel or had transferred the personnel to another agency.

- The real and personal property. The first transfer of property from two agencies occurred during the last quarter of FY17, with six agencies transferring property during FY18. The remaining 30 agencies had not transferred property as of June 30, 2018.

The Department had entered into Intergovernmental Agreements (IGAs) with the agencies documenting the rights and duties of each party as they relate to the personnel, assets, contracts, and funding during the transition period. However, auditors noted the Department had not entered into IGAs with 11 and 13 agencies for FY17 and FY18, respectively. In addition, the Department had entered into IGAs with five agencies that were not documented in the Executive Order as a transferring agency.

Department management indicated there was insufficient resources to conduct the transfer of personnel and property within the timeframe outlined in the Executive Order.

Accepted or Implemented - continued

Failure to timely and fully consolidate IT functions, employees, assets, and funds is a violation of the Executive Order. In addition, as a result of failing to complete the transfer of property and personnel, the Department's Schedule of Changes in State Property and the Analysis of Operations, Average Number of Employees schedule are not fairly presented.

<u>Response:</u> Accepted. The Department agrees with the finding that it did not conduct the transfer of personnel and property within the timeframe outlined in the Executive Order and agrees it should work with agencies to complete the transfer of personnel and property as required by the Executive Order and Public Act 20 ILCS 1370. Given the complexity of issues and number of stakeholders involved, it was not possible to complete the transfers within the time period required by the Executive Order.

<u>Updated Response:</u> Accepted. The Department continues to work on moving remaining DoIT staff from legacy agencies. However, the current funding model and lack of cashflow has prevented the agency from moving the remaining staff to DoIT payroll.

2. Implement controls to ensure all property is accounted for in accordance with the Illinois Administrative Code and the Statewide Accounting Management System Manual. In addition, ensure the reporting to DCMS and the Office of the State Comptroller is accurate and reconciled to the Department's records.

<u>Finding:</u> The Department failed to maintain controls over its property and related records.

Agency Report of State Property

During testing of the Agency Report of State Property (Form C-15) filed with the Office of the State Comptroller, auditors noted:

For the FY17 C-15 Reports:

- The Department of Central Management Services (DCMS) compiled the C-15 Reports for the Statistical Service Revolving Fund (Fund 304) and the Communication Revolving Fund (Fund 312) for the Department. Department management indicated this was due to the DCMS, Bureau of Communication and Computer Services' property not being transferred to the Department until June 29, 2017.
- Fund 312 C-15 Reports were understated by $54,790,222 due to not recording the cost of the Fiber Optic Network.
- Building and building improvements, totaling $1,089,591, were incorrectly classified as Capital Lease Assets on the C-15 Report for Fund 312. The Department corrected the asset classification on the second quarter of Fiscal Year 2018's C-15 Report.
- The Department did not maintain supporting documentation for deletions reported on the C-15 Reports for Fund 304 and Fund 312, totaling $946,569 and $82,091, respectively.

For the FY18 C-15 Reports:

- Fund 312 C-15 Report for the fourth quarter was understated by $44,825,981 due to not recording the cost of the Fiber Optic Network.

- The Department did not maintain support for deletions, additions, and transfers reported on the C-15 Reports for Fund 312, totaling $741,267 (net).
- On Fund 304's third quarter C-15 Report, totaling $148,601,618, the Department stated "the above totals do not include a large quantity of tagged assets that have been recently identified with incomplete records in CIS (inventory system). These appear to primarily stem from FY17 and are in the process of being completed. The total value of these suspense items is estimated at $10 million."
- Fund 312 C-15 Reports did not include deletions, totaling $129,938 and transfers, totaling ($240,430).
- For Fund 304 and Fund 312 C-15 Reports, net transfers totaling $14,872,663 were incorrectly reported as deletions and additions.

Property Records

Auditor testing of the Department's Property Records noted:

- Building and building improvements, totaling $1,089,591 and intangible assets, totaling $3,880,858 were not recorded in the Department's inventory system.
- 2,305 equipment items did not contain the purchase price and the purchase dates in the property records. Additionally, the Department was unable to determine the purchase price or the purchase dates.
- 6,928 equipment items purchased in months/years preceding June 30, 2018, totaling $5,703,583 did not contain the purchase prices and the purchase dates.
- 4,965 equipment items transferred to the Department by six transferring agencies, totaling $19,016,554 had not been recorded in the Department's property records.
- The Department recorded incorrect transaction codes in their property records for 150 and 1,652 equipment items in Fiscal Years 2017 and 2018, respectively. The Illinois Administrative Code (44 Ill. Adm. Code 5010.310) requires all transactions be recorded with an appropriate transaction code. Each transaction code identifies the type of transaction applicable to each piece of property.

Annual Inventory

During testing of the Department's FY17 and FY18 annual physical inventory reports submitted to DCMS, auditors noted the following:

- DCMS completed the Annual Property Certification for FY17 due to not transferring property to the Department.
- For 14 of 17 (82%) missing computers, totaling $57,424, the Department was unable to provide information whether the computers contained confidential information.
- The Department did not report the certification of inventory and discrepancy report for four of 203 (2%) location codes for FY18.

Population Completeness

Auditors requested the Department provide the population of its property in order to determine if property had been properly recorded. In response to the request, the Department provided a population; however, given the noted exceptions above, the auditors were unable to conclude the Department's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants.

Accepted or Implemented - continued

Even given the population limitations noted above, auditors performed testing on a sample of the property population.

Detailed Testing
Property Additions:

- Six of seven (86%) property additions, totaling $4,131, were recorded 17 to 293 days late.

Property Deletions:

- For 34 of 60 (57%) property deletions, totaling $955,552, the Department did not maintain the supporting documentation for the deletion.
- 12 of 60 (20%) property deletions, totaling $103,651, were assigned improper transaction codes.
- 20 of 60 (33%) property deletions, totaling $52,146, were recorded 15 to 1,337 days late.
- 35 of 60 (58%) property deletions, totaling $319,040, lacked documentation of the signature by the receiving officer.

Physical observation
During testing, auditors noted:

- For 17 of 120 (14%) items, totaling $84,503, property records were not updated to reflect the current location or transfer to DCMS as surplus.
- Seven of 60 (12%) items were not recorded in the property records.
- Three of 60 (5%) items, totaling $2,510, were not included on the listing reported to DCMS.

Schedule of Changes in State Property
Due to the noted exceptions above and limitations on the property population, the accountants were unable to conclude the Department's Schedule of Changes in State Property was complete and appropriately reported.

Department management indicated the exceptions were due to transitioning to a new agency and the lack of resources.

Response: Accepted. The Department now operates under a new set of procedures and a computer application for intake and reporting. Inaccurate data, which was a source of the findings, have been and continue to be corrected. The Department published an Information Security Incident Management Policy effective October 2018, that includes guidance for handling lost or stolen equipment as well as a procedure that supports the policy.

Updated Response: Implemented.

3. Work with and submit the requested documentation to the Office of the Comptroller.

Finding: The Department failed to comply with request for documentation from the Office of the Comptroller.

On March 10, 2017, the Office of the Comptroller requested from the Department documentation supporting vouchers presented for payment related to the development of the State's Enterprise Resource Planning (ERP) system. The correspondence stated until such time the Office of the Comptroller received the documentation, the vouchers presented for payment would not be approved for payment.

During the examination, auditors requested from the Department documentation of their response to the Office of the Comptroller's correspondence. However, as of November 21, 2018, the Department had not provided the requested documentation to the Office of the Comptroller.

As of June 30, 2018, the Office of the Comptroller was holding vouchers dating back to November 2015, totaling $124,938,490. In addition, due to the delay in payment of these vouchers, prompt payment interest has been accruing. As of December 31, 2018, accrued interest was $20,658,807.

Department management indicated the Department's prior administration had been in communication with the Office of the Comptroller. However, records could not be located that the documentation had been provided.

Response: Accepted. The Department provided answers to the Office of the Comptroller questions in early April 2019 and has subsequently provided a detailed explanation of all work and deliverables performed by vendors associated with the ERP project back to Fiscal Year 2016.

Updated Response: Implemented.

4. Review and approve or deny a bill within 30 days. Additionally, upon approval, immediately submit the voucher to the Office of the Comptroller for payment.

Finding: The Department did not timely submit vouchers for payment.

During the examination, auditors noted the Department did not submit a majority of their vouchers for payment until after June 30:

Fiscal Year	Prior to June 30	After June 30	Total*
2017	$175,938,087 (49%)	$182,217,868 (51%)	$358,155,955
2018	$125,348,536 (39%)	$193,993,717 (61%)	$319,342,253

*The chart does not reflect the vouchers being held by the Office of the Comptroller as noted in Finding No. 3.

Accepted or Implemented - continued

As a result of holding vouchers, the Department has accrued interest totaling approximately $28,872,879 and $11,863,416 at June 30, 2017 and 2018, respectively.

The Department management indicated the vouchers were held due to cash management of the funds.

Response: The Department's cash management process has been revised to now send all invoices to the Illinois Office of the Comptroller and, working together, to release them based upon cash availability. Department actions caused no additional interest expense because there was not sufficient cash available to pay them any sooner.

Updated Response: Implemented.

5. Develop a methodology for determining the rates to be charged for the usage of the ERP. Additionally, review all rates at least annually to ensure appropriateness of the charges.

Finding: The Department did not review the billing rates utilized to bill agencies for Information Technology and telecommunication services.

During testing of the telecommunication rates, auditors noted the Department had not reviewed several of the rates since FY13. In addition, the Department adds an administrative markup to the telecommunication rate; however, the Department did not have a methodology to determine the administrative markup.

Additionally, the Department had not developed a methodology to determine the monthly rate to be charged to agencies who utilize the State's Enterprise Resource Planning System (ERP).

Department management indicated the telecommunication rates review had not been sufficiently documented. The Department also indicated that the Governor's Office of Management and Budget had determined how the agencies would be charged for the ERP usage.

Response: Accepted. The Department does review telecommunication rates on an annual basis and agrees that better supporting evidence should be maintained to provide proof of that review. The annual Statewide Cost Allocation Plan reports excess or deficit balances based on services provided which then initiates collaboration with the Governor's Office of Management & Budget for rate realignment. The ERP rate is in the process of being developed and implemented as the adaptation of the new system is being expanded. In Fiscal Year 2017, ERP billings were allocated based on the voucher volume and headcount size of the agency to fund the development costs of the system. In Fiscal Year 2018, the development costs were shifted to a capital appropriation for the Department and not billed to the agencies. As of the end of the audit period (Fiscal Year 2018), the agencies that were on the system represented approximately 13% of the voucher volume. As such, an operational rate had not been developed and implemented.

Updated Response: Accepted and partially implemented. A complete review is done annually in the Spring in conjunction with the annual Statewide Cost Allocation Plan (SWCAP) submission. Development of a rate methodology for usage of ERP is underway now that more agencies are on the system, representing approximately 86% of the total voucher volume.

6. Comply with the State Finance Act by not allowing other agencies to pay vendors on the Department's behalf. In addition, ensure each agency pays its appropriate share of the costs.

Finding: The Department violated the State Finance Act by allowing other agencies to pay telecommunication and Information Technology vendor invoices.

During testing of a sample of Accounts Receivable Credit Memorandums (ARCMs), auditors noted 12 of 60 (20%) ARCMs were credits to the agencies monthly service billings, due to the agency paying a vendor invoice on behalf of the Department. The vendor invoices were for services that benefited multiple agencies, not just the paying agency. The total of the 12 ARCMs was $2,015,182.

Additionally, auditors requested the Department provide a listing of all vendor invoices paid by agencies on behalf of the Department; however, as of the end of fieldwork, the Department had not provided the information.

Department management indicated the agencies paid vendor invoices on their behalf due to cash flow problems.

Response: Accepted. The Department presents the following as clarification to the numbers of identified exceptions.

Only 3 of the 60 credits sampled (5%) were related to an agency paying an invoice on behalf of the Department. An Intergovernmental Agreement existed with each of the 3 instances that transferred fiscal responsibility and specified the credits that would be given. Nine (9) of the 60 credits sampled (15%) were a result of the funding mechanism passed by the General Assembly in which the Department of Central Management Services was given appropriations for deposit into the State's revolving funds in lieu of appropriating GRF funding to individual, separate agencies for payment of revolving fund services. Credits were granted to GRF funded agencies as a result of these deposits made on their behalf.

Updated Response: Implemented. The Department currently only has a small number of IGAs with agencies for payment of goods and services specific to their needs.

Accepted or Implemented - continued

7. Strengthen internal controls to ensure all credit memorandums are reviewed and approved prior to posting. Additionally, ensure electronic reviews and approvals are documented.

Finding: The Department did not maintain adequate controls over the approval of Accounts Receivable Credit Memorandums (ARCMs).

During testing, auditors noted 30 of 60 (50%) ARCMs sampled, totaling $9,958,754, did not contain documentation of review and approval of the responsible Bureau and Accounting Division management. The purpose of the ARCM is to initiate an offset credit entry against an existing fund receivable from a State agency or local government unit. The Department processed billing credits totaling $135,645,211 and $32,755,811 during FY17 and FY18, respectively.

Department management indicated the forms were submitted electronically and did not contain the documentation of review and approval.

Response: Accepted. As an interim solution, IT credit approval processes have been revised that now require a 'wet' signature on a printed form (replacing the electronic submission).

Updated Response: Implemented.

8. Implement a system to maintain a record of all collection activities.

Finding: The Department did not maintain adequate controls over collection efforts of delinquent accounts.

Auditor testing of 60 delinquent accounts receivable sampled, noted 58 (97%) did not have a record of the Department's collection efforts. The Department generates a Collection Letters Summary Report (Report) which documents the date the Department sent collection letters to its customers. However, the Report was programmed to retain only the last six months of data; therefore, auditors could not determine if collections letters were sent to customers with accounts older than six months.

Department management indicated the collection system utilized had been established by the Department of Central Management Services and the Department did not have resources to replace it.

Updated Response: Implemented. Department is utilizing ERP to maintain a record of all collection reports. All the collection reports are also saved in a central repository.

9. Implement adequate controls over voucher processing to ensure:
- **the timely approval of invoice vouchers,**
- **the expenditures are substantiated with purchasing documents,**
- **proper approval is obtained,**
- **the voucher is paid at the correct amount, and**
- **the correct object code is recorded.**

Finding: The Department did not have adequate controls over voucher processing.

During testing of a sample of 466 vouchers, auditors noted:
- 338 (73%) vouchers, totaling $58,302,782 were approved from two to 421 days late.
- 58 (12%) vouchers, totaling $13,851 were not supported by a purchase requisition or purchase order.
- 3 (1%) vouchers, totaling $2,780 were not approved for payment.
- 1 (.22%) voucher was paid at the incorrect amount. The voucher was paid at $169.56 and should have been paid at $119.56.

Department management indicated the delay in approving vouchers was caused by cash flows difficulties and the remaining exceptions were due to human error.

Response: Accepted. Internal approvals were completed timely with only the final accounting approval delayed until cash was available to warrant the invoice. The Department's cash management process has been revised to now send all invoices to the Illinois Office of the Comptroller and, working together, to release them based upon cash availability. The Department has implemented the BidBuy eProcurement system and modified internal procedures which now requires all purchases, regardless of the dollar amount which are not tracked by other means (e.g. Remedy On Demand), to be entered into BidBuy.

Updated Response: Implemented. Rules have been adopted by

10. Adopt formal rules for the operation, administration, accounting and reporting of the Department.

Finding: The Department had not adopted formal Departmental rules for the operation, administration, accounting and reporting of the Department.

During the examination, auditors noted the Department had not drafted or adopted formal rules related to accounting, property control, personnel, autos, and record retention.

Accepted or Implemented - continued

Department management indicated during the transition to a new agency, they utilized the Department of Central Management Services' policies and procedures due to the limited resources available to establish Departmental rules.

Updated Response: Implemented. Rules have been adopted by JCAR.

11. Ensure risk-based internal audit plans are approved, planned audits are completed, audits of major systems of internal accounting and administrative controls are performed at least once every two years, and FCIAA certifications are timely submitted and properly supported to comply with statute.

Also, ensure internal audit documentation contain sufficient, reliable, relevant, and useful information to support the engagement results and conclusion, and results are appropriately communicated and monitored to comply with the International Standards for the Professional Practice of Internal Auditing.

Finding: The Department failed to comply with the Fiscal Control and Internal Auditing Act (Act). During testing of the Department's internal auditing activities, auditors noted:

- Although Executive Order 2016-01, effective March 27, 2016, established the Department, an Internal Audit Division was not established until June 1, 2017, with the hiring of a Chief Internal Auditor. For FY17, the Department of Central Management Services' Internal Audit Division conducted internal audit activities.
- The Department's FY18 two-year internal audit plan did not have documentation of approval by the chief executive officer of the Department.
- The Department failed to develop a risk-based internal audit plan and was unable to provide information on how the two-year internal audit plan was established.
- Three of the five (60%) audits proposed to be performed in FY18 were not completed. In addition, there were no audits relating to internal accounting and administrative controls of major systems.
- During testing of the audit documentation of internal audits completed by the Department during FY18, auditors noted:
    - the absence of the entrance conference documentation or communication to Department representatives that an audit would be performed,
    - findings were not supported,
    - there was no documentation of submission and approval of the final internal audit reports to the chief executive officer,
    - there was no documentation of responses to findings, and

- o there was no evidence of follow-up to determine if corrective actions were initiated and implemented.

- The Department submitted its FY17 Fiscal Control and Internal Auditing Act certification (FCIAA certification) to the Office of the Auditor General two days late. In addition, the Department submitted its FY18 FCIAA certification and indicated that their systems of internal fiscal and administrative controls comply with the requirements of the Act even though they had not completed their evaluation of the Department's purchasing, contracting, and leasing internal fiscal and administrative controls.

Department management indicated the delay in hiring a Chief Internal Auditor and associated staff contributed to the exceptions.

Response: Accepted. The FY 20-21 audit plan, currently being developed, is risk based. As internal auditing positions are filled, resources will be available capable of conducting required control reviews. For the 11 months from July 1, 2016 through May 31, 2017, the Department's Chief Internal Auditor position remained vacant.

Updated Response: Accepted and partially implemented. The FY 20/21 audit plan is risk based. Planned audits are completed or in the process of being completed. Audits of major systems of internal accounting and administrative controls are being performed. FCIAA certifications will be timely submitted and supported. Adequate supporting audit documentation is maintained and communicated.

12. Establish controls to ensure project management over the State's ERP. Additionally, ensure the ERP does not allow duplicate asset tag numbers.

Also, review the ERP Change Management Policy and Procedures and ensure it depicts the current change environment and actual practices. Specifically, ensure the Policy addresses:

- o **the type of changes and the process they are to follow;**
- o **the information the Project Management Office and/or the Change Request Lead are to review;**
- o **who is to review the change request requirements and resource estimates; and**
- o **who is to approve the movement of the change request to the quality environments.**

Ensure all change requests document the requirements of the ERP Change Management Policy and Procedures.

Finding: The Department did not establish adequate controls to ensure project management over the State's Enterprise Resource Planning System (ERP).

Accepted or Implemented – continued

The Department embarked on the ERP project in order to deliver a modern, integrated IT platform across finance, human capital management and procurement for all State agencies, with the first set of agencies transitioning to the ERP in October 2016.

Costs
As part of the examination, auditors requested the initial approved budgeted cost for the ERP project; however, the Department was unable to provide this documentation. The Department did, however, provide the FY17 Capital Budget Overview, which stated the ERP was estimated to cost $250 million over five to six years. For FY15 through FY21, the Department's actual and projected expenditures totaled $399,069,500. Specifically:

- FY2015 through FY 2018 actual expenditures were $149,328,900, and
- FY2019 through FY2021 projected expenditures were $249,740,600.

Change Management
A review of the ERP Change Management Policy and Procedures (Policy) noted it did not depict the current change environment. Specifically, auditors noted the Policy did not document:

- the type of changes and the process they were to follow,
- the information the Project Management Office and/or the Change Request Lead were to review and approve,
- who was to review and approve the change request requirements and resource estimates, and
- who was to approve the movement of the change request to the various environments.

In addition, auditors noted the approvals were not always maintained in the change tracking system as required by the Policy, but rather in a secondary repository.

Auditors selected a sample of 15 change requests to determine if they complied with the requirements that were documented in the Policy, noting change requests were not always properly completed, tested, approved, or documented.

Processes
Auditors selected a sample of 13 transaction processes to ensure they were functioning properly, and noted the ERP allowed for duplicate asset tag numbers. During testing, auditors were able to enter the same property tag number into the Asset management module.

Department management indicated the exceptions were due to staff turnover, lack of resources and the learning process of a major new application.

Updated Response: Implemented. Change Management Policy and Procedures were revised and updated on 7/1/2018 and Steering Committee was formed on 7/22/2019. The duplicate assets have been addressed and moved to production on 7/1/2018.

13. Ensure overtime pre-approval requests are timely submitted and properly approved in advance.

<u>Finding:</u> The Department failed to timely approve or submit overtime requests.

The Department paid $4,161,746 for approximately 69,560 hours of overtime during FY17 and FY18. Based on testing of a sample of employee overtime pre-approval requests and time report details, auditors noted:

- For 31 of 60 (52%) employees, the overtime pre-approval requests totaling 326 hours were not pre-approved by the supervisors. These requests were approved one to 17 days after the overtime had been worked.
- 27 of 60 (45%) employees did not submit overtime pre-approval requests in advance of the time to be worked. These requests were submitted one to 17 days after the overtime was worked.

Department management indicated the operational requirements and lack of workforce resources caused the exceptions noted.

<u>Updated Response:</u> Implemented. The Department has converted to eTime as the recognized employee timekeeping system, which requires pre-approval of overtime requests.

14. Develop and implement procedures to control, monitor, and track software licenses. Additionally, develop a mechanism to track the software licenses purchased and utilized. Furthermore, at least annually reconcile software license inventory to vendor software inventory to ensure software is deployed in accordance with the terms of procurement.

<u>Finding:</u> The Department did not have controls in place to control, track, and monitor end-user software use.

The Department had not developed procedures for controlling, monitoring, and tracking the use of software licenses. In addition, the Department could not provide an inventory of software licenses purchased and the number of software licenses that was actually deployed. As a result, auditors were unable to determine if the Department was in compliance with contractual licensing agreements.

Department management indicated an inventory of software licenses was not maintained and procedures for monitoring and tracking software licenses were not formalized in writing due to the lack of resources.

<u>Updated Response:</u> Accepted and partially implemented. The Department is in the process of filling positions to address what is currently a very manual process, as well as pursuing new tools to automate discovery and tracking.

Accepted or Implemented – continued

15. Ensure compliance with the requirements of the Procurement Code and maintain an accurate and complete listing of emergency purchases.

Finding: The Department was unable to provide documentation demonstrating the actual cost of emergency purchases.

Population
As part of testing, auditors requested the Department provide a population of emergency purchases in order to determine if the Department complied with the requirements of the Illinois Procurement Code. In response to the request, the Department provided a listing of emergency purchases. However, the reconciliation of the Department's listing with the Illinois Office of the Comptroller's Agency Contract Report (SC14), noted emergency purchases listed on the SC14 and not in the Department's population and vice versa.

Due to these conditions, auditors were unable to conclude the Department's population of emergency purchases were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants. Even given the population limitations noted above, auditors performed testing on a sample of emergency purchases.

Testing
Testing noted two of six (33%) emergency purchase contracts had no documentation of the actual cost statements published in the Illinois Procurement Bulletin.

Department management indicated the failure in publishing the actual cost statements in the Illinois Procurement Bulletin was overlooked due to the transition of procurement responsibilities from the Department of Central Management Services to the Department.

Failure to maintain accurate records and publish the costs incurred for emergency purchases is noncompliance with State law.

Updated Response: Implemented. DoIT Procurement follows administrative rules on emergency purchases, and the job aid published by the CPO-GS' Office to ensure that the requirements of the Procurement Code are met. In addition, procurement staff calendar all emergency purchases and verify on a monthly basis with the business owner whether the emergency purchase is complete and whether all invoices have been received to ensure that actual cost statements are timely published to the Procurement Bulletin.

16. Ensure complete, accurate, and detailed records are available to substantiate its midrange environment. Additionally, update servers to the current vendor recommended patch or service pack levels; and in addition, ensure all servers are running antivirus software, with current definition files.

REVIEW: 4500

Finding: The Department had not implemented adequate security and controls over the midrange environment.

The Department provides information technology services to over 100 agencies and is the primary provider for over 35 agencies. As a result, the Department has the responsibility to implement effective computer security controls to safeguard internal and user agency data.

Population

Auditors requested the Department provide a population of servers utilized in order to determine the controls over the servers. In response, the Department provided a population; however, during testing auditors noted additional servers and servers which were no longer utilized. The auditors were unable to conclude the Department's population records were complete and accurate.

Even given the population limitations noted above, auditors performed testing on the population of servers identified.

Testing

During testing, auditors noted:

- Servers running unsupported operating systems or service pack versions;
- Servers without anti-virus software; and
- Outdated anti-virus software definition files.

Department management indicated the noted weaknesses were due to the lack of resources.

Updated Response: Accepted and partially implemented. The Department has implemented procedures to identify and communicate with agencies to remove unsupported resources. The Department is utilizing tools to monitor the state of systems and detect systems which fail to load updates and are not running the latest supported version. Those servers that are no longer supported have been identified and plans are being developed for upgrade and replacement.

17. Identify all third party service providers and determine and document if a review of controls is required. If required, the Department should:

- **Obtain System Organization Controls (SOC) reports or (perform independent reviews) of internal controls associated with outsourced systems at least annually.**
- **Monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Department's operations.**
- **Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact the internal control environment.**
- **Document review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and**

Accepted or Implemented - continued

when it will be implemented, any impacts to the Department, and any compensating controls.

- **Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.**

Finding: The Department did not obtain or conduct timely independent internal control reviews over all of its external service providers.

The Department utilized external service providers for hosting applications and data, tracking help desk tickets, inventory, and change management.

Auditors requested the Department provide the population of service providers utilized in order to determine if the Department had reviewed the internal controls over the service providers. According to the Department, they do not have a mechanism in place to track service providers. Therefore, the Department was unable to provide a population of service providers utilized.

Even given the population limitations noted above, auditors performed testing on four service providers utilized by the Department.

During testing of the four service providers identified, auditors noted:

- The Department did not obtain System and Organization Controls (SOC) Reports or conduct independent internal control examinations for each of the service providers for the complete examination period.
- The Department did not document its review of each of the SOC reports.
- The Department did not monitor and document the operation of the Complementary User Entity Controls (CUECs) relevant to the Department's operations.
- The Department did not obtain or review SOC reports for subservice organizations or perform alternative procedures to determine the impact on its internal control environment.

Additionally, it was noted the contracts between the Department and the service providers did not contain a requirement for an independent review to be completed.

The Department is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

Department's management indicated the exceptions were due to oversight and lack of resources.

Response: Accepted. The Department will develop a practical, effective, and consistent technique that identifies all third party service providers and will continue to improve the current process. In addition, the Department will ensure that contract boilerplate language continues to contain independent review (audit) language.

Updated Response: Implemented. The Department has implemented a SOC report review process. In addition, the Department will ensure that contract boilerplate language continues to contain independent review (audit) language.

18. Implement adequate controls to ensure reconciliations are completed timely and contain documentation of independent review.

Finding: The Department did not maintain adequate controls over monthly appropriation, cash receipt, and cash balance reconciliations.

During testing of the monthly reconciliations between the Office of the Comptroller's records and the Department's records, some of the items auditors noted included:

- For the Monthly Appropriation Status Reports (SBO1):
  - Ten of 53 (19%) reconciliations were not reviewed in a timely manner. The reviews were completed five to 103 days late.
  - Eight of 53 (15%) reconciliations were not prepared timely. The reconciliations were completed five to 103 days late.

- For the Monthly Revenue Status Reports (SBO4):
  - Five of 43 (12%) reconciliations were not reviewed in a timely manner. The supervisory reviews were completed 20 to 158 days late.

- For the Monthly Cash Report (SB05):
  - For seven of 43 (16%) reconciliations there was no documentation of an independent review.
  - For four of 43 (9%) reconciliations, the timeliness of completion could not be determined as the Department did not document the preparation date. One review was completed 20 days late.

Department management indicated the exceptions were due to transitioning to a new agency and the development of a paperless reconciliation process.

Updated Response: Implemented. The Department has assigned dedicated fiscal staff to perform reconciliations in a timely manner and maintain documentation of independent review.

19. Maintain adequate documentation of the date a receipt is received.

Finding: The Department did not maintain adequate records for cash refunds.

Accepted or Implemented - continued

During testing, auditors noted for two of eight (25%) cash refunds sampled, totaling $134,746, the Department failed to maintain documentation of the date when the refund was received. Therefore, timeliness of the deposits could not be determined.

Department management indicated the exceptions were due to oversight.

Updated Response: Implemented. Employees have been reminded of the requirements, and a dedicated Department employee has been assigned to maintain adequate documentation of the date a receipt is received.

20. Ensure the annual certifications of license and automobile liability coverage forms are completed timely; vehicle maintenance is completed as required by the Illinois Administrative Code; an analysis is conducted to determine the need for vehicles; and accident reports are filed timely.

Finding: The Department did not exercise adequate controls over State vehicles.

Automobile Liability Coverage
During testing of the annual certifications of license and automobile liability coverage form (certification form), auditors noted:

- One of two FY18 annual certification forms had not been filed; and
- Two of four certification forms were submitted from 16 to 362 days late.

Department management indicated the exceptions were due to oversight.

Maintenance
The Department's fleet consisted of 35 vehicles at June 30, 2017 and 32 vehicles at June 30, 2018. During testing of a sample of vehicle maintenance records, auditors noted:

- Nine of nine vehicles received oil changes 950 to 4,500 miles past the allowed oil change interval; and
- One of nine (11%) vehicles did not receive a tire rotation, as required.

Department management indicated the delay in oil changes and tire rotation maintenance was caused by the lack of staff availability and higher priority assignments.

In addition, the Department had not performed an analysis of its automobiles to determine whether maintaining each vehicle could be justified as the most cost effective solution for the specific operational needs of the Department. Auditors analyzed the total activity of the Department's 35 and 32 vehicles used during Fiscal Years 2017 and 2018, respectively and discovered six vehicles were driven between 100 and 1,735 miles in FY17, and five cars were driven between 534 and 1,665 miles in FY18.

Department management indicated, due to transitioning to a new agency, usage had been limited.

Accident Reports
During testing of accidents involving State vehicles, auditors noted one of five (20%) vehicle accident reports reviewed was submitted 13 days late.

Department management indicated the delay in submitting the accident report filing was due to oversight.

Updated Response: Accepted. Partially implemented. Vehicle Use Policy and Procedures are being developed and finalized.

21. Provide employee performance evaluations in a timely manner.

Finding: The Department did not conduct employee performance evaluations in a timely manner.

Auditors sampled 60 employees for testing of performance evaluations conducted during the examination period. A total of 55 evaluations should have been completed, including three-month new hire evaluations, four-month probationary evaluations, six-month probationary evaluations, and annual evaluations. During testing, 24 of 55 (44%) employees' performance evaluations had not been timely completed, ranging from five to 198 days late.

Department management indicated the lack of workforce resources and enforcement deficiencies resulted in the exceptions.

Updated Response: Implemented. The Department's Human Resources Division has provided additional managerial training to address timely submission of employee performance evaluations.

22. Implement controls to ensure required reports are filed timely and accurately. Further, file corrected Agency Workforce Reports per the Illinois State Auditing Act within 30 days of the examination release.

Finding: The Department failed to file reports timely and accurately.

During testing, auditors noted:

- The Department did not file its Travel Headquarter Report (TA-2) for the periods ended December 31, 2016, December 31, 2017, and June 30, 2018 with the Legislative Audit Commission. In addition, the TA-2 Report for the period ended June 30, 2017 was submitted two days late.

- The Department's Fiscal Year 2017 Agency Workforce Report was submitted 122 days late. In addition, the number of employees in one category reported on the Report did not agree to the supporting documentation provided by the Department. Discrepancies

Accepted or Implemented - continued

were noted on the statistical percentages presented for 12 of 16 (75%) employee groups in the Report.

- The Department failed to submit the Fiscal Year 2017 Asian-American Employment Plan Survey.

Department management indicated the failure to file timely and accurate reports was due to the lack of staffing and oversight.

Updated Response: Implemented. The Department has filed accurate Affirmative Action Plans and Travel Headquarter Report (TA2) in accordance with the deadlines required by the Illinois Department of Human Rights and State Finance Act.

23. Develop detailed disaster recovery plans for the mainframe and midrange environments. Additionally, conduct annual testing of the recovery plans.

Finding: The Department did not have adequate disaster recovery plans and had not conducted testing of the midrange environment.

The Department provides information technology services to over 100 agencies and is the primary provider for over 35 agencies. As a result, the Department and agencies have a shared responsibility over disaster contingency planning; however, the Department has the fundamental duty to ensure recovery resources are available and tested.

Department management indicated that transformation complexities and ownership confusion contributed to the lack of testing.

Updated Response: Implemented. Department has developed detailed disaster recovery plans for the mainframe and midrange environments and tests have been performed.

24. Strengthen controls to ensure all exit forms are completed, reviewed, and timely submitted.

Finding: The Department did not have adequate controls over timely submission of employee exit forms.

During testing of a sample of 51 separated employees during FY17 and FY18, auditors noted:

- For 15 of 51 (29%) separated employees, their exit forms did not document the date the forms were completed, reviewed, and submitted by the supervisor. Thus, auditors could not determine the proper and timely completion of the exit forms.

- For eight of 51 (16%) separated employees, the Department did not ensure exit forms were timely completed. The exit forms were submitted from one to 103 days after the employees' separation date.

Department management indicated oversight caused the exceptions.

Response: Accepted. The Department will implement policies regarding employee off-boarding and update the current offboarding forms and processes to ensure that all State property is collected and all access rights are deactivated in a timely manner.

Updated Response: Accepted and partially implemented. The Department has hired additional staff and is following current procedures, and updates for increased controls are in progress.

25. Strengthen controls to ensure employees' time reports are completed, submitted in a timely manner, and approved by their supervisor.

Finding: The Department did not implement adequate controls over employee time reporting.

Auditors tested a sample of 60 employees Daily Time Reports, noting 12 (20%) were not completed timely. Completion of the Daily Time Report was one to 33 days late. The Department had expended $86,991,442 and $87,833,176 for payroll during FY17 and FY18, respectively.

Department management indicated the lack of workforce resources caused the exceptions.

Updated Response: Accepted and partially implemented. The Department has drafted and is finalizing its own Policy Manual, in which the timeframes for submission of employee time reports and supervisory approvals are addressed.

26. Strengthen controls to ensure the proper review of the required information on contract obligation documents before filing with the Office of the Comptroller.

Finding: The Department did not have adequate controls over Contract Obligation Documents (COD).

During testing of a sample of 60 contractual agreements, auditors noted the CODs were not properly completed for nine (15%) contracts. Specifically:

- One COD did not state the correct maximum and annual amounts. The maximum and annual amounts entered on the COD was $357,360; however, the contract award was $178,680.

Accepted or Implemented - continued

- Four CODs totaling $1,957,244 included incorrect Illinois Procurement Bulletin publication dates.
- Three CODs totaling $622,217 contained inaccurate Illinois Procurement Bulletin reference numbers.
- One COD totaling $49,954 reported an incorrect beginning date of the contract.
- One COD totaling $44,340 contained an incorrect description. The Procurement Business Case number included in the description was for a different vendor.

Department management indicated that lack of resources contributed to the exceptions.

Updated Response: Implemented. Department is utilizing ERP, which minimizes the amount of manual entry, and strengthens controls to ensure the proper review of the required information on contract obligation documents before filing with the Office of the Comptroller.

27. Implement internal controls to ensure the timely return and cancellation of telecommunication services upon an employee's termination.

Finding: The Department failed to disable the services of wireless communication devices in a timely manner.

During testing of a sample of nine terminated employees, auditors noted:

- The terminated employee's cell services was not timely cancelled or reassigned for six (67%) terminated employees. The Department disabled or reassigned the devices from 46 to 291 days after the termination of the employee. The Department incurred additional costs totaling $1,576.
- Cellular service was not cancelled for one (11%) terminated employee. The Department has incurred a monthly telecommunication service charge of $52 since the termination date of the employee on June 15, 2018 until the date the accountants notified the Department of the exception.

Department management indicated poor communication between Department functional business units caused a delay in termination of services.

Updated Response: Implemented. The Department has assigned a dedicated employee who actively monitors and ensures timely return of telecommunication devices and cancellation of telecommunication services upon an employee's termination.

28. Develop a comprehensive and accurate document that outlines internal controls for IT environment.

REVIEW: 4500

Finding: The Department's Description of the IT General Controls and Application Controls (Description) was not comprehensive or accurate.

The Description is a comprehensive internal controls document which provides a framework and guidance to protect the security, processing integrity, availability, and confidentiality of internal and user agencies systems and data. In addition, a comprehensive internal controls document is the foundation for the annual System and Organization Control (SOC) examination to determine if the Department's internal control framework is comprehensive, accurate, suitably designed, and operating effectively. In the 2018 SOC examination, the deficiencies outlined above contributed to an adverse opinion.

The Description was not comprehensive as it contained the following omissions:

- Information regarding the configuration standards and installation requirements for midrange devices to promote consistency and security;
- Information and associated controls on the secondary mainframe operating system;
- Interfaces and protocols available to user agencies to securely transmit data; and
- The process for termination of physical access rights when they were no longer required.

The Description included references to controls that were not currently implemented. Specifically,

- The IT Risk Assessment Policy was no longer utilized by the Department;
- Ethics training was not provided to newly hired contractors;
- Data file transmissions did not always utilize a standard process; and
- Preventive maintenance agreements for the water detection system had not been established.

The Department provides information technology services to over 100 agencies and is the primary provider for over 35 agencies. As such, the Department, as a service provider, delivers services which are likely relevant to user agencies' internal controls. Specifically, the Department's information technology general controls and application controls environment impact the user agencies and should provide for security, processing integrity, availability, and confidentiality.

Department management indicated the errors were due to oversight.

Updated Response: Implemented. The Department has developed a more comprehensive and accurate document that outlines its IT internal controls.

29. Ensure controls are suitably designed and implemented to protect computer systems and data. Specifically,

- **Update policies and procedures governing logical security to address the requirements for requesting, obtaining and modifying access rights, periodic review of access rights, and revocation of access rights;**

Accepted or Implemented - continued

- **Ensure security awareness training or cybersecurity training and annual acknowledgement of compliance with security policies is completed;**
- **Ensure access rights are properly authorized;**
- **Ensure access rights are timely removed;**
- **Maintain documentation to support the completion of activities required by policies and procedures;**
- **Ensure the required security banner warning of prosecution for unauthorized access is always displayed at initial sign-on; and**
- **Ensure laptops and desktops have current anti-virus products and definitions.**

Finding: The Department's Information Technology (IT) had weaknesses in the implementation and documentation of IT internal controls.

During the review, auditors noted the policies and procedures governing logical security did not address the requirements for requesting, obtaining and modifying access rights, periodic review of access rights, and revocation of access rights.

In addition, employees or contractors had not:

- Completed security awareness training or cybersecurity training;
- Completed the annual acknowledgement of compliance with security policies;
- Obtained proper authorization for access rights, or request forms were submitted late, or not properly approved; and
- Removed access rights in a timely manner.

Auditors also noted the Department did not maintain documentation to support the following activities required by internal policies and procedures:

- Annual review of security software IDs with powerful privileges;
- Reviews of Incident Reports by the Chief Information Security Officer;
- Weekly reviews of security records; and
- Assessments of newly discovered vulnerabilities.

The Auditors also found:

- The required security banner warning of prosecution for unauthorized access was not always displayed at initial sign-on; and
- 551 laptops and desktops were not up-to-date with the latest anti-virus product and 3,692 were not up-to-date with the latest anti-virus definitions.

Department management indicated the errors were due to oversight.

Updated Response: Implemented. The Department has published enterprise logical security policies which address access control and has implemented procedures to address security awareness training and administrative tech accounts access control. Enterprise Access Control policy requires display of appropriate security warning banner. Antivirus software updates and definitions are being managed and virus definition files are being pushed to all systems after receipt from antivirus vendors. The Department is also utilizing a tool to monitor the state of systems and detect systems which fail to load updates and are not running the latest supported version.

30. Enter into detailed agreements with the user agencies to ensure prescribed requirements and available security mechanisms are documented in order to protect the security, processing integrity, availability, and confidentiality of user agencies systems and data.

Finding: The Department had not entered into detailed agreements with user agencies to ensure prescribed requirements and available security mechanisms were in place in order to protect the security, processing integrity, availability, and confidentiality of user agencies systems and data.

On January 25, 2016, the Governor signed Executive Order 2016-01, which created the Department of Innovation and Technology. Under the Executive Order, the Department assumed responsibilities for the State's IT decisions and spending, including the Information Technology infrastructure and functions. Commencing on July 1, 2016, the Department and user agencies were to work together in order to "transfer all relevant functions, employees, property, and funds" to the Department.

The Department and user agencies entered into Intergovernmental Agreements that outlined the transfer of assets and staff; however, they did not address the security, processing integrity, availability and confidentiality of the user agencies systems and data. As a service provider, the Department has the responsibility to ensure critical and confidential systems and data are adequately secured.

Department management indicated detailed Agreements had not been entered into due to lack of resources.

Updated Response: Implemented. The Department has executed Intergovernmental Agreements with the majority of Client Agencies and has provided Agreements to the remaining agencies to finalize. Specific language was added to the FY20-22 Client IGAs to reference DoIT's IT Security requirement and the roles and responsibilities of DoIT and those of the Client Agencies (Section 5.03 CA IGA).

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 3 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 affidavits or statements with the Procurement Policy Board and the Auditor General setting forth the amount expended (or an estimate of the total cost), the name of the contractor involved, and the conditions and circumstances requiring the emergency purchase. The Code also allows for quick purchases. 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.

During FY17 the Department filed three affidavits or statements for emergency purchases totaling $536,199.84 as follows:

- $34,960.00 for the IT Security Program to address a security breach;
- $32,038.14 for the continuation of the Environmental Systems Research Institute, Inc. agreement in order to purchase necessary sole source products;
- $469,201.70 for continuation of the Micro Focus Software agreement in order to purchase Novel products, maintenance, and support;

During FY18 the Department filed one affidavit or statement for an emergency purchase totaling $300,702.74 for maintenance and repair of high speed production printers.

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 of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The Department filed one of four required Travel Headquarters Report (TA-2) during the audit period. The Department indicated as of July 2017 that two employees were assigned to locations other than official headquarters.

REVIEW: 4500
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TWO YEARS ENDED JUNE 30, 2018

APPENDIX A

Summary of Appropriations and Expenditures

	FY18	FY17
APPROPRIATIONS	**$ 747,680,000**	**$ 900,000,000**
Expenditures		
Capital Development Fund		
Information Technology including ERP	52,012,867	-
Technology Management Revolving Fund		
Administration and Program Expenses	267,329,386	252,315,784
Communications Revolving Fund		
Administration and Program Expenses	-	105,840,171
Total Expenditures	**$ 319,342,253**	**$ 358,155,955**

REVIEW: 4500
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TWO YEARS ENDED JUNE 30, 2018

APPENDIX B

Cash Receipts

	FY18	FY17
Technology Management Revolving Fund		
Local Illinois governmental units	$ 4,880,318	$ 2,676
Miscellaneous	658	-
Other Illinois State agencies	114,692,530	233,618,841
Private organization of individual	2,054,066	34
Federal government	295,875	-
Prior year refund	89,077	27,795
Total cash receipts per Department	**$ 122,012,524**	**$ 233,649,346**
Communications Revolving Fund		
Local Illinois governmental units	1,760,719	6,069,752
Other Illinois State agencies	27,158,599	74,027,982
Private organization individual	1,026,122	3,381,848
Federal government	104,240	280,953
Prior year refund	-	134,872
Total cash receipts per Department	**$ 30,049,680**	**$ 83,895,407**
TOTAL RECIEPTS	**$ 152,062,204**	**$ 317,544,753**

REVIEW: 4500
DEPARTMENT OF INNOVATION AND TECHNOLOGY
TWO YEARS ENDED JUNE 30, 2018

APPENDIX C

Summary of Property and Equipment

	FY18	FY17
Beginning Balance, July 1	**$ 161,535,000**	**$ -**
Additions	16,678,000	-
Deletions	(15,546,000)	-
Net transfers in (out)	(1,303,000)	161,535,000
Ending Balance, June 30	**$ 161,364,000**	**$ 161,535,000**
*Comprised of:		
Equipment	156,393,000	156,564,000
Intangibles	3,881,000	3,881,000
Leases: Buildings & Building Improvements	1,090,000	1,090,000
	$ 161,364,000	**$ 161,535,000**