

# LEGISLATIVE AUDIT COMMISSION



Review of  
Office of the State Comptroller  
Nonfiscal Officer Responsibilities  
Two Years Ended June 30, 2000

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**REVIEW: 4146**  
**OFFICE OF THE STATE COMPTROLLER**  
**NONFISCAL OFFICER RESPONSIBILITIES**  
**TWO YEARS ENDED JUNE 30, 2000**

**FINDINGS/RECOMMENDATIONS - 7**

**ACCEPTED - 3**  
**IMPLEMENTED - 4**

**REPEATED RECOMMENDATIONS - 2**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 8**

This review summarizes the financial and compliance audit of the Office of the State Comptroller Nonfiscal Officer Responsibilities for the two years ended June 30, 2000. The audit was filed with the Legislative Audit Commission May 8, 2001. The auditors stated that the financial statements of the Office were fairly presented.

The nonfiscal officer responsibilities of the State Comptroller's office relate primarily to accountability for funds made available for the operation of the office. Also included in this category are monies appropriated for State officers' salaries, various administered appropriations and administered funds, such as those withheld from State employees' payrolls and warrants escheated. Additionally, the Office's functions include administration of the Illinois Cemetery Care Act and the Kaskaskia Commons Permanent Fund. The Office is to establish advisory guidelines for systems of accountancy for units of local government, and obtain, review and compile Annual Financial Reports for local government units in Illinois, excluding school districts. During the first six months of the audit period, the Comptroller of the State was the Honorable Loleta Didrickson. On January 11, 1999, the Honorable Daniel Hynes was inaugurated as the new Comptroller.

The average number of filled positions on a full-time permanent basis, as of June 30, was as follows:

	2000	1999	1998
Administration	78	84	78
Merit Commission	1	1	1
Statewide Fiscal Operation	127	107	120
Electronic Data Processing	85	96	88
Special Audits	32	26	28
<b>Total</b>	<b>323</b>	<b>314</b>	<b>315</b>

### **Expenditures From Appropriations**

The General Assembly appropriated \$52,613,000 (\$50.2 million General Revenue Fund) for the nonfiscal officer responsibilities, ordinary and contingent expenditures of the Comptroller's office for FY2000. Appendix A summarizes these appropriations and expenditures for the period under review and FY98. Ordinary and contingent fund expenditures increased from \$48,704,000 in FY98 to \$59,486,000 in FY99, and then decreased to \$48,248,000 in FY2000. Operations expenditures were \$24.6 million for FY2000 and \$33.1 million for FY99. The primary reason for the increase in FY99 was a supplemental appropriation to allow for the payoff of the accounting system. Expenditures were made in FY2000 for remodeling the Chicago office, website enhancements and auditing services in the matter of Springdale Cemetery.

Included in the Comptroller's total appropriation are funds for the salaries, per diem expenses, and mileage reimbursements for legislators, and the salaries of elected and appointed State officers. Those expenditures were \$22,764,000 in FY2000 and \$25,579,000 in FY99. The FY99 expenditures included a \$4.2 million grant to Public Radio and TV stations.

### **Cash Receipts**

Appendix B contains a summary of cash receipts of the Office during the period under review. Total cash receipts increased from \$33.6 million in FY98 to \$44.4 million in FY99, to \$46.8 million in FY2000. The reason for the fluctuations in FY99 and FY2000 over FY98 is the result of increased use of the direct deposit option by State employees, escheated State income tax refunds totaling over \$7 million, increased late payment penalty collections from cemeteries and funeral homes, and increased use of the Comptroller's Offset system. The garnishments are no longer processed through the Office of the Comptroller.

### **Property and Equipment**

Appendix C contains a summary of equipment for which the Office was accountable during the period under review. The beginning balance as of July 1, 1998 was \$5,586,000 compared to \$6,814,000 at June 30, 2000.

### **Accountants' Findings and Recommendations**

Condensed below are the seven findings and recommendations presented in the audit report. Two recommendations were repeated from a prior audit. The following recommendations are classified on the basis of information provided by Carol Kraus, Director of Internal Auditor, Office of the State Comptroller, via electronic mail on August 9, 2001.

Accepted

1. **Continue updating disaster contingency plan and have plan approved by upper management. Perform a comprehensive test of the plan to ensure that operations including interfaces and critical applications can be recovered. (Repeated-1998)**

**Findings:** The Office has not performed adequate disaster contingency testing. The Office relies on its computer systems to process accounting transactions and generate payments for State agencies, as well as processing several critical applications including SAMS, contractual payroll, bonds, direct deposits, payroll retirement, and tax accounting applications.

The Office has established a disaster contingency plan for recovering its computer operations that has been approved by the IT Director, but not formally approved by upper management. The Office has made improvements in their plan. If a disaster were to render the computer operations inoperable, the potential impact on State government operations could be devastating.

**Response:** The Office concurs and has partially implemented the recommendation. The Office has shown due diligence and has proceeded with planning and testing to the best of its ability. There remain deficiencies in the plan, but the plan has been tested for the mainframe and midrange platforms a total of five times. The most recent test successfully accomplished all major objectives including initialization of major applications, the crosswalk of data between platforms, and the desktop interface. The test scheduled for March 2001 will include testing of major applications, processing information control transactions through the batch application system, full recovery and synchronization of storage management system, restoration of catalogs, testing of tape management system and volume/catalog synchronization, and application testing of the real-time interface and file transfer processes. The Office will continue to broaden and expand the scope of testing until all aspects of the processing environment have been included.

2. **Review implementation of security over the building and computer system. In particular:**
  - **Institute security parameters for all user accounts to ensure that sensitive information is adequately protected from unintended disclosure;**
  - **Review and update authorized access list to computer room;**
  - **Institute procedures to enhance segregation of duties problems by limiting programmer access to production programs and computer room**
  - **Ensure that sensitive and critical computer hardware is secured; and**
  - **Install a card key system on the dock door, keep door locked at all times, and ensure that security procedures are followed.**

**Accepted - concluded**

**Findings:** The Office did not have adequate security established to provide adequate safeguards of its computing resources. The Office utilizes various computer systems to meet its information processing needs. All of these systems have various critical, confidential, and/or financially sensitive applications. A review of existing security identified several weaknesses:

- Sensitive information was unsecured and available to all LAN users;
- Security parameters for some user accounts were not instituted;
- Programmers were not always restricted from accessing production programs;
- Inappropriate access to the computer room;
- One network server used for web development was not located in the computer room, but in another room not restricted during business hours; and
- One primary entrance used by staff was not locked or protected by a guard during business hours and security procedures designed to restrict access through the front entrance were not always followed.

The Comptroller's Office is relied upon by State agencies for processing voucher information used to generate warrants to State vendors. Appropriate security must be instituted to ensure the State's information assets are protected.

**Response:** Accepted and partially implemented. The Office will continue to enhance existing security parameters and procedures to ensure that sensitive information is adequately protected from unauthorized access. During the past year the Office has reviewed access rights to sensitive areas, restricted access to production applications, assigned unique IDs for all users, and is in the process of assigning IP addresses for all PCs and LAN hardware to further enhance firewall protection.

The Office is currently negotiating with the building owner to install security key pad and surveillance camera for the dock door entrance.

**5. Contract for audits on all delinquent governmental units as specified in statute, or seek a change in the law.**

**Findings:** The Local Government Division has not caused an audit to be made of all governmental units which did not file their required reports with the Comptroller. As of June 30, 2000, 123 units of local government were chronically delinquent in filing their annual financial reports with the Comptroller as required by statute. Chronically delinquent units are three or more years delinquent in filing. The Comptroller commissioned audits on only seven delinquent units.

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Office officials stated that the Office did not have sufficient funds to contract audits on all the delinquent units of local government, and that the public is better served by working with the units to bring them into voluntary compliance rather than cause them the additional expense of an involuntary audit.

**Response:** Accepted and partially implemented. HB 1883 was signed into law (P.A. 92-091) allowing the Comptroller to exempt all special purpose governments from an audit, if the audit would impose an unreasonable financial burden on them. In addition, the number of chronic delinquents has decreased from 127 to 53 units (58%). At this time all counties, municipalities and townships that are chronic delinquents are being audited.

### Implemented

3. **Maintain records of escheated warrants for which the payment period has not yet expired and reconcile additions, repayments, expired warrant claims, and transfers to the General Fund to the fund balances of the Warrant Escheat Fund. Annually re-compute the estimated fund liability and report that amount in year-end GAAP packages.**

**Findings:** The Office does not maintain or reconcile current lists of escheated warrants which have been recorded as revenue but for which the five-year period for payment has not yet expired.

**Response:** Implemented.

4. **Request future appropriations under the appropriate line items and detail object codes and charge the expenditures to these line items and detail object codes to ensure correct charging and recording of expenditures. (Repeated- 1998)**

**Findings:** The Office did not comply with State law and SAMS Procedure for expenditures related to the Statewide Accounting Management System (SAMS) Project. In October 1996 the Office entered into a lease agreement effective until 2002 with a vendor for the purchase of computer hardware, software and consulting and training services in connection with SAMS. In the previous audit period, the Office incorrectly charged administrative services related to SAMS, totaling \$402,680, to EDP, line item #1600. During the current audit period, all remaining items, totaling more than \$8.6 million, were paid off and charged to the EDP line item and detail object #1687. Failure to charge expenditures to the correct appropriation line items and detail object codes does not adequately reflect the breakout of expenditures by type, such as equipment, software, consulting services, etc. for the project.

Office management considered the above charges to all be related to the SAMS Project and appropriately chargeable to the electronic data processing detail object #1687.

**Response:** The Office concurs with the recommendation. The payments were made in accordance with procedures established by the prior administration, which had structured the contract.

**Implemented - concluded**

**6. Notify the crematories of the actual requirements for dates of preparation of annual reports and accept the reports on that basis.**

**Findings:** The Cemetery Care and Burial Trust Division of the Office has erroneously required all entities operating a crematory to file an annual report on the basis of calendar years rather than their fiscal years.

**Response:** Implemented.

**7. Require all Forms 888 (paperless voucher) contain all required approvals and dates prior to submission of documents for payment as stated in the Form's instructions.**

**Findings:** Invoice input documents were submitted for payment without completion of all required information. When the auditors tested 150 vouchers, 18 did not have a signature or date of receiving officer, one was signed by the receiving officer but not dated, and two did not have the approval signature or date of the head of unit and one was missing the date only.

Under the "paperless" voucher system, internal procedures require completion of a Form 888 prior to submitting documents for payment. That form requires "Receiving Officer" signature and date of receipt of materials or services and "Head of Unit" signature and date of signature.

**Response:** Implemented. All payment requests that do not contain all required signatures on Form 888 are returned.

### **Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states that "the principle 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 for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may

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promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases,' including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The 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 FY99 the Office of the State Comptroller filed one affidavit for \$57,775 for an emergency purchase of a server and firewall software for the server. There were no emergency purchases filed in FY2000.

### **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 Office of the State Comptroller indicated on July 14, 2000, the Office had 10 employees assigned to locations other than official headquarters.



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**TWO YEARS ENDED JUNE 30, 2000**

**APPENDIX A**

**Summary of Appropriations and Expenditures**

<b>APPROPRIATIONS</b>	<b><u>FY2000</u></b>	<b><u>FY1999</u></b>	<b><u>FY1998</u></b>
General Revenue Fund	\$ 50,215,000	\$ 60,596,000	\$ 49,945,000
All Other Funds	<u>2,398,000</u>	<u>1,897,000</u>	<u>951,000</u>
<b>TOTAL APPROPRIATIONS</b>	<b><u>\$ 52,613,000</u></b>	<b><u>\$ 62,493,000</u></b>	<b><u>\$ 50,896,000</u></b>
<b><u>EXPENDITURES</u></b>			
<b><u>General Revenue Fund</u></b>			
Personal Services	\$ 34,167,000	\$ 32,081,000	\$ 31,071,000
Retirement - Employee	494,000	464,000	463,000
Retirement - Employer	2,114,000	1,944,000	1,299,000
Social Security	1,695,000	1,569,000	1,503,000
Contractual Services	5,111,000	4,709,000	4,668,000
Audit Local Government	12,000	4,000	8,000
Travel	450,000	472,000	413,000
Commodities	312,000	258,000	305,000
Printing	485,000	354,000	337,000
Equipment	8,000	78,000	33,000
Electronic Data Processing	2,035,000	12,196,000	3,320,000
Telecommunications	202,000	233,000	261,000
Operation of Automobiles	9,000	8,000	10,000
Merit Commission	73,000	74,000	72,000
Grants, Public Radio & TV Stations	-	4,259,000	4,259,000
Grant, Anna-Jonesboro CCSD#81	-	-	10,000
Local Government Officials Training	<u>13,000</u>	<u>12,000</u>	<u>11,000</u>
<b>Total General Revenue Fund</b>	<b><u>\$ 47,180,000</u></b>	<b><u>\$ 58,715,000</u></b>	<b><u>\$ 48,043,000</u></b>
<b><u>Other Funds</u></b>			
Personal Services	664,000	564,000	498,000
Retirement- employer	65,000	54,000	34,000
Social Security	45,000	38,000	33,000
Group Insurance	66,000	59,000	48,000
State Lottery Expenses	50,000	48,000	48,000
Comptroller's Administrative Expenses	<u>178,000</u>	<u>8,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,068,000</u></b>	<b><u>\$ 771,000</u></b>	<b><u>\$ 661,000</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 48,248,000</u></b>	<b><u>\$ 59,486,000</u></b>	<b><u>\$ 48,704,000</u></b>

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**APPENDIX B**

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**Cash Receipts**

	<u><b>FY2000</b></u>	<u><b>FY1999</b></u>	<u><b>FY1998</b></u>
General Revenue Fund	\$ 184,000	\$ 36,000	\$ 36,000
Cemetery Consumer Protection Fund	129,000	154,000	86,000
General Obligation Bond Retirement & Interest Fund	204,000	181,000	185,000
Audit Expense Revolving Fund	-	3,000	4,000
Direct Deposit Administration Fund	4,284,000	3,237,000	1,858,000
Social Security Administration Fund	845,000	454,000	1,081,000
Kaskaskia Commons Permanent Fund	19,000	19,000	20,000
Warrants Escheat Fund	12,073,000	16,471,000	9,643,000
Comptroller's Administrative Fund	322,000	344,000	370,000
State Offset Claims Fund	22,418,000	15,288,000	9,848,000
Garnishment Fund	3,000	868,000	1,678,000
State Parking Facility Maintenance Fund	51,000	45,000	46,000
U.S. Savings Bond Series EE Fund	<u>6,338,000</u>	<u>7,320,000</u>	<u>8,757,000</u>
<b>Total</b>	<u><b>\$ 46,870,000</b></u>	<u><b>\$ 44,420,000</b></u>	<u><b>\$ 33,612,000</b></u>

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**APPENDIX C**

Summary of Property and Equipment		
	<u>FY2000</u>	<u>FY1999</u>
<b>Beginning Balance, July 1</b>	<b><u>\$ 5,333,000</u></b>	<b><u>\$ 5,586,000</u></b>
Additions -		
Purchases from appropriations	191,000	372,000
Reclassifications from leased equipment	<u>55,000</u>	<u>-</u>
<b>Total additions</b>	<b><u>246,000</u></b>	<b><u>372,000</u></b>
Deductions -		
Dispositions	133,000	(548,000)
Transfers-out	20,000	(77,000)
<b>Total deductions</b>	<b><u>153,000</u></b>	<b><u>(625,000)</u></b>
<b>Add (deduct) reconciling item to GAAP statements</b>	<b><u>7,000</u></b>	<b><u>-</u></b>
<b>Ending balance, purchased equipment</b>	<b><u>\$ 5,433,000</u></b>	<b><u>\$ 5,333,000</u></b>
<b>Add leased equipment</b>	<b><u>1,381,000</u></b>	<b><u>1,523,000</u></b>
<b>Total Equipment</b>	<b><u>\$ 6,814,000</u></b>	<b><u>\$ 6,856,000</u></b>