



**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

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**STATE OF ILLINOIS
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For the Two Years Ended June 30, 2023**

COUNCIL OFFICIALS

| | |
|---|----------------------|
| Executive Director | Joshua Davis–Ruperto |
| Deputy Director | Encarnacion Teruel |
| Chief Fiscal Officer (11/01/23 – Present) | Sandra Velazquez |
| Chief Fiscal Officer (Acting) (10/16/23 – 10/31/23) | Sandra Velazquez |
| Chief Fiscal Officer (07/01/23 – 10/15/23) | Faisal Akhunji |
| Chief Fiscal Officer (Up to 06/30/23) | Yazoo Hall |

GOVERNING BOARD MEMBERS

| | |
|---|--------------------|
| Chair (09/30/22 – Present) | Nora Daley |
| Chair (<i>Acting</i>) (03/03/22 – 09/30/22) | Rhoda A. Pierce |
| Chair (Up to 03/02/22) | Shirley Madigan |
| Vice Chair | Rhoda Pierce |
| Chair Emeritus (03/03/22 – Present) | Shirley Madigan |
| Member | Les Begay |
| Member | Joan Clifford |
| Member | Michael Conn |
| Member | Richard Daniels |
| Member | Gillian Flynn |
| Member | Henry Godinez |
| Member | Sarah Herda |
| Member (09/23/22 – Present) | Vicki Heyman |
| Member | Anne Kaplan |
| Member | Jodie Kavensky |
| Member | Valerie King |
| Member | Robert Maguire |
| Member | Peggy Montes |
| Member | Pemon Rami |
| Member (08/05/22 – Present) | Hedy Ratner |
| Member (09/02/22 – Present) | Marsha Ryan |
| Member | Christine Steelman |
| Member | Vacant |

COUNCIL OFFICE

The Illinois Arts Council’s primary administrative office is located at:
115 S. LaSalle Street
Suite 2202
Chicago, IL 60603–3804

Illinois ARTS Council

JB Pritzker
Governor

Nora Daley
Board Chair

Joshua Davis-Ruperto
Executive Director

May 1, 2024

Adelfia LLC
Certified Public Accountants
400 E. Randolph Street, Suite 700
Chicago, Illinois 60601

Ladies and Gentlemen:

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

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

Yours truly,

State of Illinois, Illinois Arts Council

SIGNED ORIGINAL ON FILE

Joshua Davis-Ruperto
Executive Director

SIGNED ORIGINAL ON FILE

Sandra Velazquez
Chief Fiscal Officer

SIGNED ORIGINAL ON FILE

Nora Daley
Chair

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

| Number of | <u>Current</u> | <u>Prior</u> |
|---|-----------------------|----------------------|
| | <u>Report</u> | <u>Report</u> |
| Findings | 7 | 7 |
| Repeated Findings | 5 | 2 |
| Prior Recommendations Implemented or Not Repeated | 2 | 2 |

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Last/First</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------|--------------------|--------------------------|--|--|
| Current Findings | | | | |
| 2023-001 | 8 | New | Voucher Processing Internal Controls Not Operating Effectively | Material Weakness and Material Noncompliance |
| 2023-002 | 10 | 2021/2019 | Monthly Reconciliations Not Performed | Material Weakness and Material Noncompliance |
| 2023-003 | 12 | 2021/2007 | Failure to Adopt Formal Rules for Agency and Grant Procedures | Significant Deficiency and Noncompliance |
| 2023-004 | 14 | New | Inadequate Internal Controls Over Census Data | Significant Deficiency and Noncompliance |

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SCHEDULE OF FINDINGS (Continued)

| <u>Item No.</u> | <u>Page</u> | <u>Last/First Reported</u> | <u>Description</u> | <u>Finding Type</u> |
|-------------------------------------|-------------|----------------------------|---|--|
| Current Findings (Continued) | | | | |
| 2023-005 | 16 | 2021/2021 | Weaknesses in Cybersecurity Programs and Practices | Significant Deficiency and Noncompliance |
| 2023-006 | 18 | 2021/2021 | Lack of Adequate Controls over the Review of Internal Controls over Service Providers | Significant Deficiency and Noncompliance |
| 2023-007 | 20 | 2021/2021 | Lack of Disaster Contingency Planning | Significant Deficiency and Noncompliance |
| Prior Findings Not Repeated | | | | |
| A | 21 | 2021/2021 | Inadequate Controls over its State Property and Equipment | |
| B | 21 | 2021/2021 | Inadequate Controls over Accounts Receivables | |

EXIT CONFERENCE

The Illinois Arts Council (Council) waived an exit conference in correspondences from Joshua Davis-Ruperto, Executive Director and Sandra Velazquez, Chief Fiscal Officer, on April 22, 2024. The responses to the recommendations were provided by Sandra Velazquez, Chief Fiscal Officer, in a correspondence dated April 30, 2024.



INDEPENDENT ACCOUNTANT’S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Illinois Arts Council

Report on State Compliance

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

The specified requirements are:

- A. The Council has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Council has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Council are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

- E. Money or negotiable securities or similar assets handled by the Council on behalf of the State or held in trust by the Council have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Council complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Council complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

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

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

Our examination disclosed material noncompliance with the following specified requirements applicable to the Council during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, the Council had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

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

SIGNED ORIGINAL ON FILE

Chicago, Illinois
May 1, 2024

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

The Illinois Arts Council’s (Council) internal controls over its voucher processing function were not operating effectively during the examination period.

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

Our testing noted 17 of 140 (12%) attributes were not properly entered into the ERP System. Therefore, the Council’s internal controls over voucher processing **were not operating effectively.**

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Council to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller’s Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Council maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Controls and Internal Auditing Act (30 ILCS 10/3001) requires the Council to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparations of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.

Due to this condition, we qualified our opinion because we determined the Council had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, we conducted an analysis of the Council’s expenditures data for fiscal years 2022 and 2023 to determine compliance with the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

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- The Council did not timely approve 5 of 1,526 (0.3%) Fiscal Year 2022 vouchers processed, totaling \$19,455. We noted these late vouchers were between 13 and 19 days late.
- The Council did not timely approve 50 of 3,014 (0.2%) Fiscal Year 2023 vouchers processed, totaling \$1,259,793. We noted these late vouchers between 4 and 32 days late.

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

We also noted 2 of 35 (6%) vouchers tested totaling \$7,094, did not have adequate supporting documentation such as invoices and billings.

The State Records Act (5 ILCS 160/8) requires preservation of records to contain adequate and proper documentation of agency transactions to furnish information to protect the legal and financial rights of the State.

Council management indicated the issues noted were mainly due to competing priorities.

Failure to properly enter the key attributes into the State's ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. In addition, failure to timely process proper bills and approve vouchers represents noncompliance with the Code and the Act. Further, inadequate supporting documentation may result in inaccurate vouchers being processed and not being detected and corrected timely. (Finding Code No. 2023-001)

RECOMMENDATION

We recommend the Council design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommend the Council approve proper bills within 30 days of receipt and maintain adequate supporting documentation for vouchers processed.

COUNCIL RESPONSE

The Council agrees with the finding. The Council has established procedures to ensure voucher processing functions are in place.

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For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Monthly Reconciliations Not Performed)

The Illinois Arts Council (Council) did not perform monthly reconciliations.

During our testing, we noted the following:

- Council did not perform monthly reconciliations with the Comptroller's monthly *Cash Report* (SB05), *Monthly Appropriations Status Report* (SB01), *Agency Contract Report* (SC14) and *Obligation Activity Report* (SC15) for Fiscal Year 2023 and 2022.
- Council did not provide explanation for one of two (50%) differences amounting to \$3,000 in the SB01 Report during the lapse period for Fiscal Year 2022.
- Council did not provide explanation for all (100%) the monthly differences totaling \$1,025,618 in the SB05 Report for Fiscal Year 2023.

This finding was first noted during the Council's Fiscal Year 2018 – Fiscal Year 2019 State compliance examination. As such, Council management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Statewide Accounting Management System (SAMS) Manual (Procedure 07.30.20) requires the Council to perform reconciliations of its internal records to the Comptroller's reports on a monthly basis, within 60 days of the month end and report any discrepancies to the Comptroller.

Further, the Fiscal Controls and Internal Auditing Act (30 ILCS 10/3001) requires the Council to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparations of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Finally, the Council's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Council management indicated the issues noted above were due to competing priorities, changes in staffing, and lack of proper turnover of files.

Failure to timely perform reconciliations of the Council's records to the Comptroller's reports hinders the ability of staff to identify and correct errors which could result in incomplete or inaccurate financial information and represents noncompliance with the SAMS Manual. (Finding Code No. 2023-002, 2021-002, 2019-004)

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RECOMMENDATION

We recommend the Council reconcile its records to the Comptroller’s reports in accordance with the SAMS manual.

COUNCIL RESPONSE

The Council agrees with the finding. Due to retirement of previous senior management, some of the records were not located.

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2023-003. **FINDING** (Failure to Adopt Formal Rules for Agency and Grant Procedures)

The Illinois Arts Council (Council) failed to adopt formal rules, including rules relating to grant procedures.

During our testing, we noted the Council did not draft or adopt formal agency rules, including rules relating to grant procedures. The Council's grant expenditures were \$49,080,214 and \$13,787,250 for Fiscal Years 2023 and 2022, respectively.

This finding was first noted during the Council's Fiscal Year 2006 – Fiscal Year 2007 State compliance examination. As such, Council management has been unsuccessful in implementing a corrective action plan to remedy this deficiency.

The Illinois Administrative Procedure Act (Act) (5 ILCS 100/5-10) requires that policy affecting external parties be adopted and implemented through public rules to fully inform affected persons. The Act (5 ILCS 100/15) requires each agency to maintain and file organizational rules, including a current description of the agency's organization, current procedures for information requests, and a current description of the agency's rulemaking procedures.

The Fiscal Controls and Internal Auditing Act (30 ILCS 10/3001) requires the Council to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparations of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Finally, the Council's management team is responsible for implementing timely corrective action on all of the findings identified during a State compliance examination.

Council management indicated they lack the resources to engage consultants with the expertise necessary to draft policies and procedures.

The lack of prescribed policies and procedures leaves the Council exposed to legal challenges from external parties and the lack of legitimacy to their actions and requests. (Finding Code No. 2023-003, 2021-001, 2019-001, 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-1)

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RECOMMENDATION

We recommend the Council draft organizational rules and grant procedures, and work with the Joint Committee on Administrative Rules for assistance with the formal adoption process.

COUNCIL RESPONSE

The Council agrees with the finding. The Council has been in contact with the Office of the Governor on this finding and will continue to seek guidance. The Council lacks the resources to engage consultants with the expertise necessary to draft rules and procedures beyond those currently in place.

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2023-004. **FINDING** (Inadequate Internal Controls over Census Data)

The Illinois Arts Council (Council) did not timely complete a census data reconciliation to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

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

We noted the Council's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted the Council did not provide the reconciliation files and the supporting documents for both Fiscal Years 2021 and 2022. We were not able to perform further procedures. In addition, the Fiscal Year 2021 Census Data Reconciliation submitted to SERS did not indicate the submission date, thus, we were not able to determine the timeliness of submission. Finally, the Council did not submit the Fiscal Year 2022 Census Data Reconciliation to SERS.

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

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by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Council make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Council's activities.

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

Council management indicated that the exceptions were due to competing priorities.

Failure to timely reconcile active members' census data reported to and held by SERS to the Council's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2023-004)

RECOMMENDATION

We recommend the Council timely complete the SERS annual reconciliation process of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary.

COUNCIL RESPONSE

The Council agrees with the finding. The Council has established a process to ensure reports are accessible and maintained.

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2023-005. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Illinois Arts Council (Council) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

The Council adheres to and promotes its core values through advancing grant programs and special initiatives. The Council utilized the Grants Management System to track and manage grants, which contains confidential or personal data such as names, addresses, and Social Security numbers.

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

- Implemented formal policies, procedures, and processes to manage and monitor cybersecurity requirements.
- Performed a formal risk assessment to identify and ensure adequate protection of information (i.e. confidential or personal information) most susceptible to attack.
- Classified data to establish the types of information most susceptible to attack to ensure adequate protection.
- Assessed the overall risks or vulnerabilities of information systems and data.
- Performed and documented periodic user access reviews.
- Established its formal Identity Protection Policy.

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

The Identity Protection Act (5 ILCS 179/35) requires the Council to have an identity-protection policy.

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

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Council management indicated competing priorities contributed to the exceptions noted.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Council's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-005, 2021-005).

RECOMMENDATION

We recommend the Council work with the Department of Innovation and Technology (DoIT) to obtain a detailed understanding of responsibilities related to cybersecurity controls. Additionally, we recommend the Council:

- Establish and document cybersecurity roles and responsibilities.
- Perform a comprehensive risk assessment to identify and ensure adequate protection of confidential or personal information.
- Classify its data to establish the types of information most susceptible to attack to ensure adequate protection.
- Assess the overall risks or vulnerabilities of information systems and data.
- Perform and document periodic user access reviews.
- Establish its formal Identity Protection Policy.

COUNCIL RESPONSE

The Council agrees with the finding. The Council has established a working process to ensure internal controls are met related to cybersecurity programs, practices, and the control of confidential information. We will continue to work closely with DoIT to ensure best practices are in place.

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For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

The Illinois Arts Council (Council) did not have adequate controls over the review of internal control over its service providers.

In order to carry out its mission, the Council utilized service providers for hosting services and software as a service. We requested the Council to provide the population of services providers utilized to determine if they had reviewed the internal controls over their service providers. In response to our request, the Council could not provide a complete and accurate listing for the population of service providers. Due to these conditions, we were unable to conclude the Council's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, we performed testing on the two service providers identified by our review. During our testing, we noted the Council had not:

- Developed a process for identifying all service providers and assessing the effect on internal controls of these services on an annual basis.
- Performed independent reviews of internal controls associated with outsourced systems at least annually from its third-party service providers.
- Reviewed the System and Organization Control (SOC) reports to determine the impact and whether assurance could be obtained that internal controls being relied upon at the service providers were effectively operating.
- Determined if complementary user entity controls (CUECs) that should be at the Council were in place.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

The Council 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.

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

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

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

Council management indicated competing priorities resulted in the exceptions noted.

Without obtaining and reviewing the SOC report or performing another form of independent internal controls review, the Council does not have assurance the service provider or its subservice organization's internal controls are adequate. (Finding Code No. 2023-006, 2021-006)

RECOMMENDATION

We recommend the Council establish adequate controls to identify the service providers and the review of internal control over its service providers.

COUNCIL RESPONSE

The Council agrees with the finding. The Council we will work on reviewing internal controls and will continue looking for best practices to put in place.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-007. **FINDING** (Lack of Disaster Contingency Planning)

The Illinois Arts Council (Council) had not developed a disaster contingency plan and conducted recovery testing to ensure recovery of its applications and data.

The Council adheres to and promotes its core values through advancing grant programs and special initiatives. The Council utilized the Grants Management System to track and manage grants.

As part of our examination, we requested the Council’s disaster contingency plan and documentation demonstrating recovery testing of their applications and data. The Council had not prepared a disaster contingency plan or conducted testing during the examination period.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an updated and regularly tested disaster contingency plan to ensure the timely recovery of applications and data.

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

Council management indicated lack of staffing and competing priorities resulted in the exceptions noted.

Without an adequately developed and tested disaster contingency plan, the Council cannot ensure their applications and data can be recovered within an acceptable time period. (Finding Code No. 2023-007, 2021-007)

RECOMMENDATION

We recommend the Council develop a disaster contingency plan. We also recommend the Council conduct recovery testing at least annually and update the disaster contingency plan accordingly.

COUNCIL RESPONSE

The Council agrees with the finding. The Council is currently working on the Disaster Recovery Plan.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2023

A. **FINDING** (Inadequate Controls over its State Property and Equipment)

During the prior examination period, the Illinois Arts Council (Council) did not maintain adequate controls over its State property and equipment. The Council underreported the value of lease equipment, untimely submitted quarterly reports, and did not adopt a written policy.

During the current examination period, our sample testing indicated the Council maintained adequate controls over its State property and equipment. (Finding Code No. 2021-003)

B. **FINDING** (Inadequate Controls over Accounts Receivable)

During the prior examination period, the Illinois Arts Council (Council) did not maintain adequate controls over Accounts Receivables. The Council did not accurately report or timely submit quarterly Accounts Receivable reports.

During the current examination period, the Council did not meet the threshold requirement for submitting quarterly accounts receivable reports and accordingly, filed an exemption letter with the Illinois Office of Comptroller. (Finding Code No. 2021-004)