

**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025**

**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, 2025**

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**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
STATE COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2025**

**COUNCIL OFFICIALS**

Executive Director	Mr. Joshua Davis-Ruperto
Deputy Director	Mr. Encarnacion Teruel
Chief Financial Officer (10/16/23 – Present)	Ms. Sandra Velazquez
Chief Financial Officer (07/01/23 – 10/15/23)	Ms. Yazoo Hall

**COUNCIL OFFICER**

Chair of the Board	Ms. Nora Daley
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**GOVERNING BOARD MEMBERS**

Vice-Chair	Ms. Rhoda Pierce
Member	Mr. Les Begay
Member	Ms. Joan Clifford
Member	Mr. Michael Conn
Member	Mr. Richard Daniels
Member	Mr. Henry Godinez
Member	Ms. Sarah Herda
Member	Ms. Vicki Heyman
Member	Ms. Jodie Kavensky
Member	Ms. Valarie King
Member	Ms. Shirley Madigan
Member	Mr. Robert Maguire
Member	Ms. Peggy Montes
Member	Mr. Pemon Rami
Member	Ms. Hedy Ratner
Member	Ms. Marsha Ryan
Member	Ms. Christina Steelman

**STATE OF ILLINOIS  
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Member (08/16/24 – Present)	Ms. Maria Childress
Member (08/16/24 – Present)	Ms. Amy Eshleman
Member (09/13/24 – Present)	Mr. John Groh

**COUNCIL OFFICE**

The Illinois Arts Council’s primary administrative office is located at:

115 S. LaSalle Street  
Suite 2202  
Chicago, IL 60603-3804



JB Pritzker  
*Governor*

Nora Daley  
*Board Chair*

Joshua Davis-Ruperto  
*Executive Director*

## MANAGEMENT ASSERTION LETTER

03/06/2026

West & Company, LLC  
Certified Public Accountants  
919 E. Harris Avenue  
Greenville, IL 62246

Ladies & 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, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, 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**

Mr. Joshua Davis-Ruperto, Executive Director

**SIGNED ORIGINAL ON FILE**

Ms. Sandra Velazquez, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

Ms. Nora Daley, Board Chair

**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
STATE COMPLIANCE EXAMINATION  
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**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 a material weakness over internal control over compliance.

**SUMMARY OF FINDINGS**

<b>Number of</b>	<b><u>Current Report</u></b>	<b><u>Prior Report</u></b>
Findings	10	7
Repeated Findings	6	5
Prior Recommendations Implemented or Not Repeated	1	2

**SCHEDULE OF FINDINGS**

<b><u>Item No.</u></b>	<b><u>Page</u></b>	<b><u>Last/First Report</u></b>	<b><u>Description</u></b>	<b><u>Finding Type</u></b>
<b>Current Findings</b>				
2025-001	11	2023/2023	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2025-002	13	2023/2019	Monthly Reconciliations Not Performed	Material Weakness and Material Noncompliance
2025-003	15	New	Inadequate Controls Over Receipt Processing	Material Weakness and Material Noncompliance
2025-004	17	New	Inadequate Controls Over Monitoring Grant Agreement Requirements	Material Weakness and Material Noncompliance
2025-005	19	2023/2007	Failure to Adopt Formal Rules for Agency and Grant Procedures	Significant Deficiency and Noncompliance
2025-006	20	2023/2023	Inadequate Internal Controls Over Census Data	Significant Deficiency and Noncompliance

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For the Two Years Ended June 30, 2025**

**SCHEDULE OF FINDINGS (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Last/First Report</u>	<u>Description</u>	<u>Finding Type</u>
<b>Current Findings (Continued)</b>				
2025-007	22	2023/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-008	24	2023/2021	Lack of Adequate Controls Over the Review of Internal Controls Over Service Providers	Significant Deficiency and Noncompliance
2025-009	26	New	Weaknesses in System Access Controls	Significant Deficiency and Noncompliance
2025-010	27	New	Inadequate Controls Over Electronic Storage Media	Significant Deficiency and Noncompliance
<b>Prior Finding Not Repeated</b>				
A	28	2023/2021	Lack of Disaster Contingency Planning	

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**EXIT CONFERENCE**

The Council waived an exit conference in a correspondence from Sandra Velazquez, Chief Fiscal Officer, on February 25, 2026. The responses to the recommendations were provided by Sandra Velazquez, Chief Fiscal Officer, in correspondence dated March 5, 2026.



919 East Harris Avenue  
Greenville, Illinois 62246

(618) 664-4848  
www.westcpa.com

**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, 2025. 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 specified requirements during the two years ended June 30, 2025. As described in the accompanying Schedule of Findings as items 2025-001 through 2025-004, 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, 2025, 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 2025-005 through 2025-010.

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 2025-001 through 2025-004 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 2025-005 through 2024-010 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**

Greenville, Illinois  
March 6, 2026

**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS  
For the Two Years Ended June 30, 2025**

2025-001      **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 21 of 140 (15%) 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 Control and Internal Auditing Act (FCIAA) (30 ILCS 10/3001) requires the Council establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for 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 given the limitations noted above, we conducted an analysis of the Council’s expenditures data for fiscal years 2024 and 2025 and noted the following:

- The Council did not timely approve 463 of 3,339 (14%) vouchers processed during the examination period, totaling \$12,333,228. We noted these vouchers were approved between 31 and 150 days after receipt of a proper bill or other obligating document.

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. The Code (74 Ill. Admin. Code 1000.50) also requires the Council to process payments within 30 days after physical receipt of Internal Service Fund bills.



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2025-002      **FINDING**      (Monthly Reconciliations Not Performed)

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

During our testing of Fiscal Year 2024 and 2025 reconciliations, we noted the Council did not perform:

- Twenty-three of 28 (82%) monthly reconciliations with the Comptroller’s Monthly Appropriations Status Report (SB01).
- Monthly reconciliations with the Comptroller’s Monthly Revenue Status Report (SB04).
- Monthly reconciliations with the Comptroller’s Monthly Cash Report (SB05). The Illinois Arts Council Federal Grant Fund (Fund 657) had balances reported by the Comptroller of \$28,227 and \$37,361 as of June 30, 2024, and June 30, 2025, respectively.
- Twenty-five of 28 (89%) monthly reconciliations with the Comptroller’s Monthly Agency Contract Report (SC14) or Obligation Activity Report (SC15).

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

The Statewide Accounting Management System (SAMS) (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 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 transfer 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.

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 staffing constraints and competing operational priorities that came about with transition of key personnel.

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 SAMS. (Finding Code No. 2025-002, 2023-002, 2021-002, 2019-004)

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**ILLINOIS ARTS COUNCIL**  
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2025-002      **FINDING**      (Monthly Reconciliations Not Performed) (Continued)

**RECOMMENDATION**

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

**COUNCIL RESPONSE**

The Council accepts the finding and will work on reviewing internal processes and will look for best practices to put in place to ensure reconciliations are completed within the required timeframe.

**STATE OF ILLINOIS  
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2025-003      **FINDING**      (Inadequate Controls Over Receipts Processing)

The Illinois Arts Council (Council) did not maintain adequate controls over processing of receipts and refund receipts.

During testing of the Council’s receipts and refunds, we noted the Council did not maintain a detailed itemized account for all moneys received during fiscal years 2024 and 2025.

Due to this condition, we were unable to conclude whether the Council’s population records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36). Even given the population limitation noted above, which hindered the ability of the accountants to conclude whether selected samples were representative of the population as a whole, we performed testing:

During our testing, we noted:

- Four of five (80%) receipts tested, totaling \$2,287,400, did not have documentation to determine the receipt was timely deposited.
- Five of five (100%) refund receipts tested, totaling \$12,760, did not have documentation provided to determine the refund receipt was timely deposited.

The State Officers and Employee Money Disposition Act (Act) (30 ILCS 230/2) requires every agency maintain in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement. All monies shall be paid into the State Treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding \$10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts of \$10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500, but less than \$10,000, disregarding holidays, Saturdays and Sundays, after the receipt of same, without any deduction on account of salaries, fees, costs, charges, expenses or claims of any description whatever. The State Records Act (5 ILCS 160/8) requires the head of each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency’s activities.

Council management indicated the deficiencies noted above resulted from transitions in key personnel, which, combined with competing priorities, limited management’s ability to maintain effective oversight and retain proper documentation.

Failure to maintain adequate controls over receipts and refunds increases the risk of revenue loss or theft and represents noncompliance with State laws, rules, and regulations. (Finding Code No. 2025-003)

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ILLINOIS ARTS COUNCIL  
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2025-003      **FINDING**      (Inadequate Controls Over Receipts Processing) (Continued)

**RECOMMENDATION**

We recommend the Council maintain a detailed itemized account of all moneys received and deposit receipts within the timelines set by the Act.

**COUNCIL RESPONSE**

The Council accepts the finding. The Council has implemented procedures to ensure record retention is enforced.

**STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
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2025-004      **FINDING**      (Inadequate Controls Over Monitoring Grant Agreement Requirements)

The Illinois Arts Council (Council) did not exercise adequate controls over the monitoring of grant agreements.

During our testing of 40 grants, we noted the following:

- Five of 40 (13%) grants did not have a final report filed with the Council.

The grant agreements required grantees to submit final reports within 30 days after the end of the grant period.

- Four of 40 (10%) grants had missing quarterly reports submitted by the grantee and had no record of Council follow-up with the grantee.

The grant agreements required grantees to submit quarterly reports by the end of the following month after quarter end.

- Five of 40 (13%) grants were extended past their original end date and any potentially unspent grant funds are yet to be collected from the grantee as of the end of field work.
- The Council reported to the Office of Comptroller (Comptroller) it had less than \$500 in accounts receivable during Fiscal Year 2025. However, documentation of five of 40 (13%) grants shows the Council could have significant amounts of accounts receivable as of June 30, 2025.

Documentation of the five grants reflects \$7,452,595 of possible unspent grant funds potentially due back to the Council.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) requires the Council to aggressively pursue the collection of accounts receivable through all reasonable means. The Statewide Accounting Management System (SAMS) (Procedure 26.40.10) requires the Council to pursue “all reasonable and appropriate procedures available to the agency to effectuate collection. In addition, SAMS (Procedure 26.30.10) requires the Council to submit quarterly accounts receivable reports by the last day of the month following the end of the quarter.

Council management indicated deficiencies noted were due to staffing constraints and competing priorities.

Failure to monitor grantees’ adherence to the conditions contained within the grant agreement represents noncompliance with the terms of the grant and could result in grantees’ reporting inaccuracies and State resources being used in an inefficient and ineffective manner. Failure to pursue collection of accounts receivable is noncompliance with the Act and SAMS. Failure to report quarterly accounts receivable to the Comptroller hinders the Comptroller’s ability to report accounts receivable on a statewide basis and represents noncompliance with SAMS. (Finding Code No. 2025-004)



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2025-005      **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 has begun drafting but has not adopted formal agency rules, including rules relating to grant procedures. The Council’s grant expenditures were \$27,681,913 and \$23,504,110 for Fiscal Years 2024 and 2025, respectively.

This finding was first noted during the Council’s Fiscal Year 2006 - 2007 State compliance examination. The Council’s previous State compliance examination for Fiscal Year 2022 - 2023 stated the Council had not drafted or adopted formal agency rules, including rules related to grant procedures.

The Illinois Administrative 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 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 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.

Council management noted the drafting and adoption of formal agency rules was a low priority subject to prioritization of resources.

The lack of the advised policies and procedures exposes the Council to legal challenges from external parties and the lack of legitimacy to their actions and requests. (Finding Code No. 2025-005, 2023-003, 2021-001, 2019-001, 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-1)

**RECOMMENDATION**

We recommend the Council complete drafting 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 accepts the finding, has been in contact with the Office of the Governor, and is working with JCAR to assist with the finding.

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For the Two Years Ended June 30, 2025**

2025-006      **FINDING**      (Inadequate Controls Over Census Data)

The Illinois Arts Council (Council) did not 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 no documentation was provided to demonstrate the Council performed its Fiscal Year 2023 reconciliation of its census data recorded by SERS to its internal records.

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, 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 to 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.

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2025-006      **FINDING**      (Inadequate Controls Over Census Data) (Continued)

Finally, 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 funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Council management indicated that due to personnel changes, the supporting documents were not retained and accessible for record keeping purposes.

Failure to 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. 2025-006, 2023-004)

**RECOMMENDATION**

We recommend the Council complete and maintain its SERS annual reconciliation 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 accepts the finding and has established a process to ensure reports are accessible and maintained.

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2025-007      **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:

- Developed a formal comprehensive cybersecurity plan and security program to manage and monitor the regulatory, legal, environmental and operational requirements.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk-reducing controls.
- Developed a data classification methodology or classified its data to identify and ensure adequate protection of information based on classification.
- Assessed the overall risks or vulnerabilities of information systems and data.
- Defined cybersecurity roles and responsibilities.

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 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 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. 2025-007, 2023-005, 2021-005)

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2025-007      **FINDING**      (Weaknesses in Cybersecurity Programs and Practices) (Continued)

**RECOMMENDATION**

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

- Develop a formal comprehensive cybersecurity plan and security program to manage and monitor the regulatory, legal, environmental and operational requirements.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk-reducing controls.
- Develop a data classification methodology and classify its data to identify and ensure adequate protection of information based on classification.
- Conduct and obtain the results of vulnerability scans to ensure timely corrective actions were taken to remediate identified vulnerabilities.
- Establish and document cybersecurity roles and responsibilities.

**COUNCIL RESPONSE**

The Council accepts the finding. The Council has established a working process to ensure internal controls are met related to cybersecurity programs and practices. The Council is currently working with DoIT to guide and assist for best practices.

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2025-008      **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 two service providers. 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 Controls (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 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 SOC reports or independent reviews.

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2025-008      **FINDING**      (Lack of Adequate Controls Over the Review of Internal Controls Over Service Providers) (Continued)

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 the Council did not have the resources to identify, assess and monitor service providers during the examination period.

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. 2025-008, 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 accepts the finding and will continue to work with DoIT to assist and guide to ensure best practices are in place.

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2025-009      **FINDING**      (Weaknesses in System Access Controls)

The Illinois Arts Council (Council) had not implemented adequate internal controls related to its system application access and controls.

To carry out its mission to support the arts sector throughout the State, the Council utilizes several Information Technology applications. During testing of controls over system access for three of the Council’s applications, we noted the Council:

- Had not developed formal written policies for user access provisioning.
- Lacked documentation access was properly authorized for three of three (100%) users that were hired during the examination period.
- Did not conduct annual reviews of access rights to the Department of Innovation and Technology’s Central Payroll System (CPS) during the examination period. As a result, we noted two former employees still had access to CPS.

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

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, Access Control section, requires entities to develop access provisioning policies and procedures and ensure access is provided on a needed basis.

Council management stated the deficiencies noted above were due to transition in key personnel and corresponding oversight of the controls for user access.

The lack of adequate controls over access could result in unauthorized access and disclosure of confidential information. (Finding Code No. 2025-009)

**RECOMMENDATION**

We recommend the Council develop formal written policies for user access provisioning and proper retention of annual reviews of user access rights to ensure individual levels of access are appropriate. In addition, we recommend the Council retain adequate documentation to determine if the user’s access rights are appropriate.

**COUNCIL RESPONSE**

The Council accepts the finding and has reviewed the current list and updated accordingly with future processes in place.

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2025-010      **FINDING**      (Inadequate Controls Over Electronic Storage Media)

The Illinois Arts Council (Council) did not maintain adequate internal controls over electronic storage media.

During our testing, we noted the Council did not have adequate policies and procedures in place for tracking items with confidential, sensitive, or personally identifiable information, including protecting data from initial acquisition until disposal. Specifically, we found ten equipment items which store data were noted as lost, missing, or stolen during the examination period. The Council was unable to identify the use or the type of data stored or placed on all ten items. Furthermore, the Council was unable to determine if the items had encryption deployed and in use.

The State Property Control Act (30 ILCS 605/4) requires the Council to be accountable for the supervision, control, and inventory of all items under its jurisdiction and control. In addition, the Personal Information Protection Act (815 ILCS 530/45) requires the Council to implement and maintain reasonable security measures to protect records that contain personal information from unauthorized access, acquisition, destruction, use, modification, or disclosure.

Council management indicated the exceptions noted were due to lack of resources to maintain documentation regarding missing items and competing priorities.

Failure to maintain adequate control over electronic storage media increases risk of confidential or sensitive information being subjected to unauthorized disclosure. (Finding Code No. 2025-010)

**RECOMMENDATION**

We recommend the Council implement internal controls to ensure items with confidential, sensitive, or personally identifiable information are tracked and protected from initial acquisition until disposal. Additionally, we recommend the Council ensure electronic storage media is erased, wiped, sanitized, or destroyed in accordance with the State Laws and documentation is maintained of such.

**COUNCIL RESPONSE**

The Council accepts the finding. The Council has a process in place for all IT equipment. Unfortunately due to the quick move from the JRTC, no documentation was in place to prove best practices were followed. The Council does not anticipate this being an issue in the future.

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A. **FINDING** (Lack of Disaster Contingency Planning)

During the prior examination, the Illinois Arts Council (Council) had not developed a disaster contingency plan and conducted recovery testing to ensure recovery of its applications and data.

During the current examination, our testing noted the Council improved documentation of its disaster contingency plan and determined recovery testing is a function of its service providers. However, our testing indicated the Council was unable to provide a complete and accurate listing for the population of service providers, which is reported as Finding 2025-008 in the Council's *State Compliance Examination Report*. (Finding Code No. 2023-007, 2021-007)