

State of Illinois  
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2005

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

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2005

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STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2005

AGENCY OFFICIALS

ILLINOIS ARTS COUNCIL

Executive Director (3/1/05 to Current)

Mr. Terry Scrogum

Acting Interim Executive Director (7/1/03 to 2/28/05)

Mr. Richard Carlson

Chief Fiscal Officer

Ms. Yazoo Hall

Agency Offices are located at:

James R. Thompson Center  
100 West Randolph  
Suite 10-500  
Chicago, IL 60601-3298



De Raimo Hillger & Ripp  
Certified Public Accountants  
655 N. LaGrange Rd. – Suite 102  
Frankfort, IL 60423

October 14, 2005

Rod Blagojevich  
*Governor*

Shirley R. Madigan  
*Chairman*

Terry A. Scrogum  
*Executive Director*

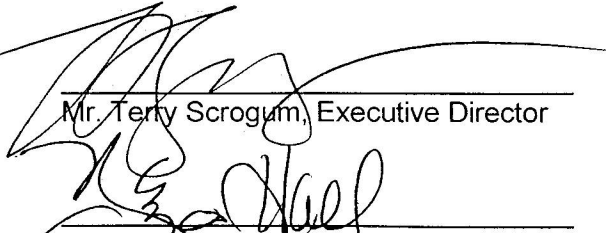
Ladies and Gentlemen:

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 Agency. 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 Agency's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2004 and June 30, 2005, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the agency 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. The money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Arts Council

  
Mr. Terry Scrogum, Executive Director

  
Ms. Yazbo Hall, Chief Fiscal Officer

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
COMPLIANCE EXAMINATION  
FOR THE TWOYEARS ENDED JUNE 30, 2005

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	3	3
Repeat findings	0	2
Prior recommendations implemented or not repeated	3	2

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
		FINDINGS (STATE COMPLIANCE)
05-1	9	Employee Performance Evaluations Not Completed Timely
05-2	10	Improper Timekeeping Practices

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2005

COMPLIANCE REPORT

SUMMARY

SUMMARY OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
05-3	11	Contracts Not Approved in a Timely Manner
<u>PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)</u>		
05-4	12	Lack of Reconciliation of Agency Records to the Comptroller
05-5	12	Lack of Grant Compliance Audits
05-6	12	Deposits Not Made Timely and Cash Receipts Not Date Stamped

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on December 12, 2005. Attending were:

For the Illinois Arts Council –

Terry Scrogum	Executive Director
Yazoo Hall	Chief Fiscal Officer
Eliud Hernandez	Deputy Director

For De Raimo Hillger & Ripp –

Robert J. Ripp	Partner
Elias Valaveris	Auditor

For the Office of the Auditor General –

Kevin Carhill	Audit Manager
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Responses to the recommendations were provided by Yazoo Hall, Chief Fiscal Officer in a letter dated December 20, 2005.

# **DE RAIMO HILLGER & RIPP**

Certified Public Accountants & Business Consultants

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655 N. La Grange Road • Suite 102 • Frankfort, IL 60423-1347 • Telephone: (815) 469-7500 • Facsimile: (815) 469-6970

JOHN J. DE RAIMO  
FERNE M. HILLGER  
ROBERT J. RIPP

## **INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland  
Auditor General  
State of Illinois

### **Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Arts Council's compliance with the 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, 2005. The management of the State of Illinois, Illinois Arts Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Arts Council's compliance based on our examination.

- A. The State of Illinois, Illinois Arts 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 State of Illinois, Illinois Arts 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 State of Illinois, Illinois Arts 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. The State revenues and receipts collected by the State of Illinois, Illinois Arts 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 State of Illinois, Illinois Arts Council on behalf of the State or held in trust by the State of Illinois, Illinois Arts 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Illinois Arts Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on State of Illinois, Illinois Arts Council's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Arts Council complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 05-1 and 05-2.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of the State of Illinois, Illinois Arts Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Illinois Arts Council's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as finding 05-3.



As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

**Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and the 2004 Supplementary Information for State Compliance Purposes, except for information on the Illinois First Projects and Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2003 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

*De Raimo Hillger & Ripp*

October 14, 2005

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

CURRENT FINDINGS – STATE

05-1 Employee Performance Evaluations Not Completed Timely

The Illinois Arts Council did not perform employee evaluations in a timely manner.

Fourteen of 20 employee files tested (70%) either did not contain employee evaluations or the evaluations were not performed timely. Five of 20 files (25%) did not contain evaluations. Nine of 20 files (45%) did not contain timely evaluations. The tardiness of these evaluations ranged from 11 to 90 months late.

Section 302.270 of the Merit and Fitness Code (80 Ill. Adm. Code 302) states each agency shall prepare an evaluation for employees not less often than annually.

Agency officials stated staff reductions in the fiscal, program, and senior administrative functions was the cause for not timely completing employee evaluations. Agency officials further stated that since employees were not receiving salary adjustments, employee evaluations were not a high priority.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations serve as a foundation for salary adjustments, promotions, demotions, discharge, layoff, recall, and reinstatement decisions in a timely manner. (Finding Code No. 05-1)

Recommendation:

We recommend the Agency comply with the Illinois Administrative Code by implementing policies and procedures to ensure performance evaluations are performed not less often than annually.

Agency Response:

Agree. New procedures are being implemented to ensure that evaluations are completed in a timely manner.

## 05-2 Improper Timekeeping Practices

The Illinois Arts Council did not have adequate controls over employee timekeeping requirements.

The Agency did not require employee timesheets documenting the employee's time spent each day on official business. Employees' time is tracked using a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5) requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour. The timesheet requirement applied to State employees beginning no later than March 1, 2004.

Agency officials stated significant transition and realignment of the Agency's management structure as a result of the successive retirements of two executive directors caused the oversight of this requirement.

Failure to maintain the required timekeeping records is not in compliance with State law. (Finding Code No. 05-2)

### Recommendation:

We recommend the Agency establishes policies and procedures which will ensure timesheets are being prepared and submitted periodically and maintained by the Agency for all employees as required by statute.

### Agency Response:

Agree. We have asked the Department of Central Management Services for direction about how to best implement this requirement. We will implement the procedure they recommend.

### 05-3 Contracts Not Approved in a Timely Manner

The Illinois Arts Council did not timely approve contractual agreements.

Testing of contractual services disclosed that two of six (33%) contractual agreements totaling \$22,931 were not approved prior to the beginning date of the contract. The Agency signature approvals were eight and 136 days subsequent to the start date of service. Both of these contracts were for printing and publication of Agency newsletters, Annual Reports, directories and various brochures. The contracts were submitted to the Comptroller's Office within 30 days of the last signature. However, the contract that was approved 136 days late was approved 50 days after the vendor shipped the printed materials to the Agency. This contract was for \$10,931.

Good business practices would require contracts to be reduced to writing and signed by all parties prior to the beginning of the contract term.

Agency officials stated that staff reductions in the fiscal office led to this deficiency in timely approving contractual agreements.

Failure to approve contractual agreements prior to the performance of services may result in loss of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 05-3)

#### Recommendation:

We recommend the Agency review its contracting policies and procedures to ensure compliance with the Illinois Procurement Code and SAMS procedures.

#### Agency Response:

Agree. New contract processing procedures are being implemented to ensure timely compliance with these requirements.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FINDINGS AND RECOMMENDATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

PRIOR FINDINGS NOT REPEATED – STATE

PRIOR FINDINGS NOT REPEATED

05-4 Lack of Reconciliation of Agency Records to the Comptroller

The Agency did not reconcile cash receipts to the Illinois State Comptroller's records. (Finding Code No. 03-1, 01-1, 99-2)

Disposition: During the current examination period, the Agency reconciled cash receipts to the Comptroller's records.

05-5 Lack of Grant Compliance Audits

The Agency did not perform grant compliance audits. (Finding Code No. 03-2, 01-2, 99-3, 97-1)

Disposition: During the current examination period, the Agency performed grant compliance audits.

05-6 Deposits Not Made Timely and Cash Receipts Not Date Stamped

The Agency did not make timely deposits and did not consistently date stamp cash receipts. (Finding Code No. 03-3)

Disposition: During our testing, we did not note any late deposits or cash receipts not date stamped.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SUPPLEMENTAL INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplemental Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards
- Notes to the Schedule of Expenditures of Federal Awards
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Efficiency Initiative Payments
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending

- Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees
- Emergency Purchases
- Illinois First Projects (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Illinois First Projects and Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWO YEARS ENDED JUNE 30, 2005 and 2004

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>YEAR ENDED JUNE 30, 2005</u>		
National Endowment for the Arts:		
Promotion of the Arts Partnership Agreements	45.025	<u>\$ 741,000</u>
<u>YEAR ENDED JUNE 30, 2004</u>		
National Endowment for the Arts:		
Promotion of the Arts Partnership Agreements	45.025	<u>\$ 640,060</u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Illinois Arts Council and is presented on the modified accrual basis of accounting.

Source of Funds

The Agency receives federal funds through the National Endowment for the Arts in the form of Partnership Grants.

Subrecipients

Of the federal expenditures presented in the schedule, the Illinois Arts Council provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Amounts Provided to Subrecipients</u>	
	<u>2005</u>	<u>2004</u>
Program Grants	\$ 545,930	\$ 493,060
Special Assistance Grants	141,330	97,000
<u>Arts Education</u>	<u>53,740</u>	<u>50,000</u>
	<u>\$ 741,000</u>	<u>\$ 640,060</u>

Non-Cash Assistance Expended

The Agency did not expend any non-cash assistance.

Insurance, Loans and Loan Guarantees

The Agency did not have insurance in effect, loans or loan guarantees.



STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2005

Fourteen Months Ended August 31, 2005

Public Act 93-0842

APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/05	Lapsed Period Expenditures 7/01-8/31/05	Total Expenditures	Balances Lapsed
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,098,300	\$ 1,090,097	\$ 900	\$ 1,090,997	\$ 7,303
Retirement-employer contribution	1,917	1,917	-	1,917	-
Retirement-employee contribution	176,900	171,391	145	171,536	5,364
Social Security	84,300	83,565	154	83,719	581
Contractual services	189,835	144,610	44,911	189,521	314
Travel	13,573	10,334	3,238	13,572	1
Commodities	8,500	8,418	69	8,487	13
Printing	52,267	20,117	32,043	52,160	107
Equipment	862	819	42	861	1
Electronic data processing	19,180	17,930	1,250	19,180	-
Telecommunications	18,783	16,984	1,799	18,783	-
Travel & meeting expenses (Council & Panel members)	28,800	24,898	3,901	28,799	1
Grant (Arts Organization)	5,855,400	5,797,420	57,860	5,855,280	120
Grant (Special Constituencies)	2,146,200	2,086,892	59,305	2,146,197	3
Grant (Arts Education)	1,387,500	1,344,040	43,460	1,387,500	-
Grant (Public Radio & Television)	364,800	364,800	-	364,800	-
Humanities Programs	960,000	960,000	-	960,000	-
Grant (Public Radio & TV-Administration)	4,708,000	4,708,000	-	4,708,000	-
Grant (Operating Expenses)	750,000	698,142	51,064	749,206	794
Grant (Operational Expenses)	1,000,000	1,000,000	-	1,000,000	-
<b>TOTAL GENERAL REVENUE FUND</b>	<b>\$ 18,865,117</b>	<b>\$ 18,550,374</b>	<b>\$ 300,141</b>	<b>18,850,515</b>	<b>\$ 14,602</b>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2005

Fourteen Months Ended August 31, 2005

Public Act 93-0842

APPROPRIATED FUNDS

FEDERAL GRANT FUND - 65Z

	Appropriations (Net After Transfers)	Expenditures Through 6/30/05	Lapsed Period Expenditures 7/01-8/31/05	Total Expenditures	Balances Lapsed
Grant (Enhance Cultural Environment)	\$ 741,000	\$ 689,170	\$ 51,830	\$ 741,000	\$ -
<b>TOTAL FEDERAL GRANT FUND</b>	<b>\$ 741,000</b>	<b>\$ 689,170</b>	<b>\$ 51,830</b>	<b>\$ 741,000</b>	<b>\$ -</b>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2005

Fourteen Months Ended August 31, 2005

Public Act 93-0842

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/05</u>	<u>Lapsed Period Expenditures 7/01-8/31/05</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
GENERAL REVENUE FUND (001)	\$ 18,865,117	\$ 18,550,374	\$ 300,141	\$ 18,850,515	\$ 14,602
FEDERAL GRANT FUND (657)	741,000	689,170	51,830	741,000	-
<b>TOTALS, ALL APPROPRIATED FUNDS</b>	<b>\$ 19,606,117</b>	<b>\$ 19,239,544</b>	<b>\$ 351,971</b>	<b>\$ 19,591,515</b>	<b>\$ 14,602</b>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2004

Fourteen Months Ended August 31, 2004

Public Act 93-0072

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/04</u>	<u>Lapsed Period Expenditures 7/01-8/31/04</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,161,000	\$ 1,082,073	\$ 163	\$ 1,082,236	\$ 78,764
Retirement-employer contribution	46,400	18,643	7	18,650	27,750
Retirement-employee contribution	156,100	93,251	-	93,251	62,849
Social Security	88,900	85,225	326	85,551	3,349
Contractual services	214,800	170,393	18,824	189,217	25,583
Travel	20,000	11,144	1,007	12,151	7,849
Commodities	9,000	6,645	1,497	8,142	858
Printing	55,500	42,932	9,049	51,981	3,519
Equipment	900	-	400	400	500
Electronic data processing	20,200	14,804	4,994	19,798	402
Telecommunications	21,200	16,191	3,250	19,441	1,759
Travel & meeting expenses (Council & Panel members)	35,000	20,321	13,930	34,251	749
Grant (Arts Organization)	6,099,400	5,925,845	3,960	5,929,805	169,595
Grant (Special Constituencies)	2,235,600	2,131,803	83,677	2,215,480	20,120
Grant (Arts Education)	1,445,300	1,360,050	67,970	1,428,020	17,280
Grant (Public Radio & Television)	380,000	-	370,000	370,000	10,000
Humanities Programs	1,000,000	980,000	-	980,000	20,000
Grant (Public Radio & TV-Administration)	4,904,200	4,808,400	-	4,808,400	95,800
Grant (Operational Expenses)	1,000,000	-	-	-	1,000,000
<b>TOTAL GENERAL REVENUE FUND</b>	<b>\$ 18,893,500</b>	<b>\$ 16,767,720</b>	<b>\$ 579,054</b>	<b>\$ 17,346,774</b>	<b>\$ 1,546,726</b>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2004

Fourteen Months Ended August 31, 2004

Public Act 93-0072

<u>APPROPRIATED FUNDS</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/04</u>	<u>Lapsed Period Expenditures 7/01-8/31/04</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>FEDERAL GRANT FUND - 657</u>					
Grant (Enhance Cultural Environment)	\$ 675,000	\$ 640,060	-	\$ 640,060	\$ 34,940
<b>TOTAL FEDERAL GRANT FUND</b>	<u>\$ 675,000</u>	<u>\$ 640,060</u>	<u>-</u>	<u>\$ 640,060</u>	<u>\$ 34,940</u>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES  
Appropriations for Fiscal Year 2004

Fourteen Months Ended August 31, 2004

Public Act 93-0072

<u>APPROPRIATED FUNDS</u>	Appropriations (Net After Transfers)	Expenditures Through 6/30/04	Lapsed Period Expenditures 7/01-8/31/04	Total Expenditures	Balances Lapsed
GENERAL REVENUE FUND (001)	\$ 18,893,500	\$ 16,767,720	\$ 579,054	\$ 17,346,774	\$ 1,546,726
FEDERAL GRANT FUND (657)	675,000	640,060	-	640,060	34,940
<b>TOTALS, ALL APPROPRIATED FUNDS</b>	<b>\$ 19,568,500</b>	<b>\$ 17,407,780</b>	<b>\$ 579,054</b>	<b>\$ 17,986,834</b>	<b>\$ 1,581,666</b>

Note: There were no reappropriations made of unexpended balances of operating appropriations. Appropriation transfers were approved by the Governor. Information was obtained from the Agency's records, which have been reconciled to those of the State Comptroller.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES

	Fiscal Year		
	2005	2004	2003
	PA 093-0842	PA 093-0072	PA 092-0538
<u>GENERAL REVENUE FUND - 001</u>			
Appropriations (Net after transfers)	\$ 18,865,117	\$ 18,893,500	\$ 18,957,300
Expenditures:			
Personal Services	1,090,997	1,082,236	1,200,698
Retirement-employer contribution	1,917	18,650	46,132
Retirement-employee contribution	171,536	93,251	123,932
Social Security	83,719	85,551	93,656
Contractual Services	189,521	189,217	181,433
Travel	13,572	12,151	14,302
Commodities	8,487	8,142	8,093
Printing	52,160	51,981	47,937
Equipment	861	400	518
Electronic data processing	19,180	19,798	17,160
Telecommunications	18,783	19,441	20,269
Travel & meeting expense (Council & Panel members)	28,799	34,251	32,891
Grant (Arts Organizations)	5,855,280	5,929,805	6,195,215
Grant (Special Constituencies)	2,146,197	2,215,480	2,247,910
Grant (Special Constituencies)	1,387,500	1,428,020	1,448,595
Grant (Public Radio & Television)	364,800	370,000	340,000
Grant (Humanities Programs & Activities)	960,000	980,000	1,050,000
Grant (Public Radio & TV Administration)	4,708,000	4,808,400	4,881,600
Grant (Operating Expenses)	749,206	-	-
Grant (Operational Expenses)	1,000,000	-	-
Total Expenditures	<u>18,850,515</u>	<u>17,346,774</u>	<u>17,950,341</u>
Lapsed Balances	<u>\$ 14,602</u>	<u>\$ 1,546,726</u>	<u>\$ 1,006,959</u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES

	Fiscal Year		
	2005	2004	2003
	<u>PA 093-0842</u>	<u>PA 093-0072</u>	<u>PA 092-0538</u>
<u>FEDERAL GRANT FUND - 657</u>			
Appropriations (Net after transfers)	\$ 741,000	\$ 675,000	\$ 675,000
Expenditures:			
Grant (Enhance Cultural Environment)	741,000	640,060	638,400
Total Expenditures	<u>741,000</u>	<u>640,060</u>	<u>638,400</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ 34,940</u>	<u>\$ 36,600</u>
 <u>GRAND TOTAL, ALL FUNDS</u>			
Appropriations (Net after transfers)	\$ 19,606,117	\$ 19,568,500	\$ 19,632,300
Total Expenditures	<u>19,591,515</u>	<u>17,986,834</u>	<u>18,588,741</u>
Lapsed Balances	<u>\$ 14,602</u>	<u>\$ 1,581,666</u>	<u>\$ 1,043,559</u>



STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

The Illinois Arts Council did not process any Efficiency Initiative Payments during the examination period.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

SCHEDULE OF CHANGES IN STATE PROPERTY  
FOR THE TWO YEARS ENDED JUNE 30, 2005

	July 1, 2004 Through June 30, 2005	July 1, 2003 Through June 30, 2004
PROPERTY BALANCE - July 1	\$ 178,042	\$ 184,916
Additions:		
Capital Lease Assets	30,160	-
Equipment expenditures	<u>818</u>	<u>10,383</u>
Total Additions	<u>30,978</u>	<u>10,383</u>
Subtotal	<u>209,020</u>	<u>195,299</u>
Deductions:		
Deletions	<u>26,165</u>	<u>17,257</u>
Total Deductions	<u>26,165</u>	<u>17,257</u>
PROPERTY BALANCE - June 30	<u><u>\$ 182,855</u></u>	<u><u>\$ 178,042</u></u>

Note: The above numbers were reconciled to the Agency's property listing and Quarterly Report of Fixed Assets (Form C-15).

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF  
CASH RECEIPTS TO DEPOSITS REMITTED TO STATE COMPTROLLER

	FISCAL YEAR		
	2005	2004	2003
<u>General Revenue Fund #001</u>			
Miscellaneous receipts	\$ 318	\$ 56	\$ -
Prior year refunds	5,383	2,510	6,429
	<u>5,701</u>	<u>2,566</u>	<u>6,429</u>
<u>Federal Grant Fund #657</u>			
Federal grants from the National Endowment for the Arts	<u>679,800</u>	<u>608,000</u>	<u>678,400</u>
Total Cash Receipts per Agency Records	685,501	610,566	684,829
Less Deposits in Transit at End of Year	<u>-</u>	<u>-</u>	<u>-</u>
Total Deposits Remitted to Comptroller	<u>\$ 685,501</u>	<u>\$ 610,566</u>	<u>\$ 684,829</u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FISCAL SCHEDULES AND ANALYSIS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

- A. Retirement-employer contributions decreased \$16,733 (90%) and \$27,482 (60%) during fiscal years 2005 and 2004, respectively. The significant variations were caused by the State decreasing their contributions to employee retirement.
- B. Retirement-employee contributions increased \$78,285 (84%) in fiscal year 2005. Employees paying their contributions caused this increase. Retirement-employee contributions decreased \$30,681 (25%) during fiscal year 2004. In fiscal year 2004 the Council had a minor employee turnover. Newly hired employees cannot begin contributing until six months after they start at the Agency.
- C. Grant operating expenses increased \$1,749,206 (100%) collectively during fiscal year 2005. The variation was caused by the Council requesting and receiving funds to assist their Programs and Grants. Administrative expenses and various grants consumed approximately \$750,000 and International grants, special assistance grants and a project grant were responsible for the remaining amount. These line items were not funded in prior fiscal years (2004 and 2003).

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FINANCIAL RELATED DATA  
FOR THE TWO YEARS ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS

There were no significant variations, greater than 20% and \$10,000, in cash receipts during the examination period.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FOR THE TWO YEARS ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES

All lapse period expenditures were obligated prior to June 30. Lapse period expenditures, which exceeded 20% of the total expenditures, were as follows:

GENERAL REVENUE FUND (001)

Fiscal Year 2005

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>% of Lapse Period Expenditures</u>
Contractual Services	\$ 44,911	\$ 189,521	24%
Travel	3,238	13,572	24%
Printing	32,043	52,160	61%

Contractual Services – Significant lapse period expenditures were due to postage expenses at fiscal year end. In addition, increased travel vouchers submitted by panelists from panel meetings at fiscal year end were obligated to be paid from the contractual line item.

Travel – More frequent traveling, at fiscal year end, by the Council's newly hired (March 2005) Director to various locations throughout the state caused significant spending during the lapse period. Additionally, travel restrictions from previous years were lifted at the end of the fiscal year.

Printing – Expenditures for printing items procured prior to June 30<sup>th</sup> were not received until after the fiscal year ended. Invoices relating to these items were paid during the lapse period.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FOR THE TWO YEARS ENDED JUNE 30, 2005

ANALYSIS OF SIGNIFICANT LAPSE PERIOD EXPENDITURES (Continued)

Fiscal Year 2004

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>% of Lapse Period Expenditures</u>
Travel & meeting expenses (Council & Panel Members)	\$ 13,930	\$ 34,251	41%
Grant (Public Radio & Television)	370,000	370,000	100%

Travel & meeting expenses (Council & Panel Members) – Most Council panel review meetings are held in the month of June. Council and Panel members are asked to submit travel vouchers within 30 days of traveling.

Grant (Public Radio & Television) – The Council has a line item that supports a WTTW sponsored program, “Arts Across Illinois.” The program aired June 24, 2004. The Council paid the voucher after the services had been rendered.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
ANALYSIS OF OPERATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

## AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Arts Council was created by the Arts Council Act (20 ILCS 3915) enacted in 1965. The Council is composed of not less than 13 or more than 35 members appointed by the Governor. Each member is appointed for a four-year term and the Governor designates the Chairman. Council members do not receive compensation; however, they are entitled to reimbursement of expenses incurred in the performance of their duties.

### FUNCTIONS

The functions of the Council are mirrored in the Council's mission statement "to stimulate and support public appreciation, accessibility and recognition of the importance of Illinois artists and arts organizations."

The Council also receives funds through the State of Illinois General Revenue Fund appropriations. The Council receives federal grants from the National Endowment for the Arts.

Through its numerous grant programs, the Council attempts to serve all populations of the State, raise the visibility of the arts, benefit artists and arts organizations, support art organizations' education programs which provide art experiences for schools and communities, provide operating support to established art institutions and support for seminars and workshops.

### PLANNING PROGRAM

The Council developed a Strategic Plan for 2001-2006, which resulted from eleven public hearings and fourteen focus groups. The new plan restates the Illinois Arts Council's mission as serving the people and communities of Illinois with arts programming through the support of Illinois artists, arts organizations, educational institutions and communities.

The Council set forth the following implementation strategies in its plan:

- To increase awareness of Illinois Arts Council programs and services.
- To enhance the concept and practice of arts as an educational experience.
- To strengthen Illinois' Arts programming organizations.
- To expand opportunities for Illinois artists in the pursuit of their artistic goals.
- To build Illinois Arts Council's capacity for innovation, efficiency and inclusion.



STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
ANALYSIS OF OPERATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

PLANNING PROGRAM - Continued

Each of the strategies has been broken down into specific goals and objectives to implement the Council's belief statements. These goals and objectives are comprehensive and consistent with the Council's enabling legislation and mission.

AUDITOR'S ASSESSMENT OF THE AGENCY

Based on our review, the Council has established adequate operating programs to meet its defined goals and objectives.

COUNCIL HEAD AND LOCATION

Mr. Terry Scrogum, Executive Director  
Illinois Arts Council  
James R. Thompson Center  
100 West Randolph  
Suite 10-500  
Chicago, IL 60601-3298

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
FOR THE TWO YEARS ENDED JUNE 30, 2005

AVERAGE NUMBER OF EMPLOYEES

A comparative statement of the average number of persons employed by the Illinois Arts Council at full-time equivalents is presented below:

	<u>Fiscal Year</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Administration			
Executive Director	1.00	0.00	1.00
Deputy Director	1.00	1.00	2.00
Fiscal Office	2.00	2.00	3.00
Grants Office	4.00	4.00	4.00
Support Staff	4.00	4.00	4.00
Public Information Officer	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
	<u>13.00</u>	<u>12.00</u>	<u>15.00</u>
Programs			
Program Coordinators	4.00	4.00	4.00
Program Assistants	2.00	2.00	3.00
Clerical Staff	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
	<u>7.00</u>	<u>7.00</u>	<u>8.00</u>
Total Employees	<u>20.00</u>	<u>19.00</u>	<u>23.00</u>

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
ANALYSIS OF OPERATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

EMERGENCY PURCHASES

No emergency purchases were reported by the Illinois Arts Council to the Office of the Auditor General during fiscal years 2005 and 2004.

ILLINOIS FIRST PROJECTS (NOT EXAMINED)

The Illinois Arts Council did not have any Illinois First Projects during fiscal years 2005 and 2004.

STATE OF ILLINOIS  
ILLINOIS ARTS COUNCIL  
ANALYSIS OF OPERATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2005

SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

The Illinois Arts Council promotes the arts in Illinois through both financial and professional assistance to individual artists and arts organizations. The Agency works with local arts and educational groups to encourage greater arts appreciation and provides matching grants to arts organizations for the support of film, music, visual arts, theater, literature, and dance activities.

To encourage private sector support of the arts, the Agency publishes a brochure that profiles various performing groups and an Art Fair Directory, which lists numerous opportunities for Illinois artists to display their work commercially.

The Arts Council works with local arts agencies to stimulate the use of local resources for the development and support of the arts.

The Arts Council funds grants for performing and communication arts, visual arts, ethnic and folk arts, office of local partnership and special projects and services.

The following activity and performance statistics were furnished by Agency personnel and are not examined:

	<u>FY 05</u>	<u>FY 04</u>	<u>FY 03</u>
Grant applications received	2,533	2,164	2,480
Grants (in thousands)	\$17,912	\$16,372	\$16,802