



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

**COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY**

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2005**

WILLIAM G. HOLLAND

AUDITOR GENERAL

STATE OF ILLINOIS
COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2005

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AGENCY OFFICIALS

On February 1, 2004, the Commission on Government Forecasting and Accountability replaced the Economic and Fiscal Commission and the Pension Laws Commission pursuant to the Government Forecasting and Accountability Act (25 ILCS 155/1 et seq.) and the Legislative Reorganization Act of 1984 (25 ILCS 130/3et seq.).

Executive Director

Mr. Daniel R. Long

Deputy Director

Mr. Trevor J. Clatfelter

Fiscal Officer

Ms. Nicole Krneta-Rogers

Agency offices are located at:

703 Stratton Building
Springfield, Illinois 62706

SENATE
Jeffrey Schoenberg, Co-Chairman
Don Harmon
Christine Radogno
Steven Rauschenberger
David Syverson
Donne Trotter



HOUSE
Terry Parke, Co-Chairman
Mark H. Beaubien, Jr.
Frank Mautino
Robert Molaro
Richard Myers
Elaine Nekritz

EXECUTIVE DIRECTOR
Dan R. Long

State of Illinois
COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY
(formerly Illinois Economic and Fiscal Commission)

DEPUTY DIRECTOR
Trevor J. Clatfelter

September 16, 2005

Office of the Auditor General
740 East Ash
Springfield, IL 62703

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, receipts or use.
- C. The agency has complied, in all material respect, 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.

Sincerely,

Commission on Government Forecasting and Accountability

A handwritten signature in black ink, appearing to read "Dan R. Long", written over a horizontal line.

Dan R. Long
Executive Director

A handwritten signature in black ink, appearing to read "Nicole Krneta Rogers", written over a horizontal line.

Nicole Krneta Rogers
Fiscal Officer

DRL:dkb
AG Management Assert Lettr

PHONE: 217/782-5320

FAX: 217/782-3513

703 Stratton Ofc. Bldg., Springfield, IL 62706
http://www.ilga.gov/commission/cgfa/cgfa_home.html

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORT

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	2	0
Repeated Findings	0	0
Prior recommendations implemented or not repeated	0	0

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	Description
FINDINGS (STATE COMPLIANCE)		
05-1	8	Property control weaknesses
05-2	10	Reports not timely filed

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

No Prior Year Findings

EXIT CONFERENCE

The Commission on Government Forecasting and Accountability waived an exit conference in a letter dated December 12, 2005.

The responses to the recommendations were provided by Mr. Daniel Long, Executive Director, on December 2, 2005.

SPRINGFIELD OFFICE:

ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046

FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE 9-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL

WILLIAM G. HOLLAND

**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

We have examined the Illinois Commission on Government Forecasting and Accountability's (Commission) 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 Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission 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 Commission 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 Commission 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 Commission 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 Commission 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 Commission'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 the Commission's compliance with specified requirements.

In our opinion, the Commission 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, an immaterial finding related to instances of noncompliance excluded from this report has been reported in a separate letter.

Internal Control

The management of the Commission 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 Commission'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 findings 05-1 and 05-2. As required by the Audit Guide, an immaterial finding relating to internal control deficiencies excluded from this report has been reported in a separate letter.

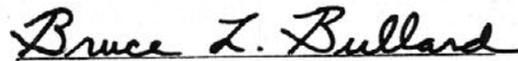
Supplementary Information for State Compliance Purposes

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 2004 and 2005 Supplementary Information for State Compliance Purposes, except for information on the 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.


BRUCE L. BULLARD, CPA
Compliance Audit Director

September 16, 2005

05-1. **FINDING** (Property control weaknesses)

The Commission on Government Forecasting and Accountability (Commission) did not maintain sufficient controls over the recording and reporting of its property. We noted the following:

- The Quarterly Reports of State Property (C-15's) were inaccurate and did not agree to the Commission's supporting documentation. The FY04 additions were overstated by \$11,761 and the FY05 additions were understated by \$4,183. The FY04 deletions were overstated by \$15,924. The FY04 net transfers were understated by \$3,267 and the FY05 net transfers were overstated by \$17,223. In addition, 2 of 8 (25%) reports were not mathematically accurate. The State Property Control Act (30 ILCS 605/4) states that every responsible officer of State government shall be accountable for the supervision, control, and inventory of all property under his jurisdiction. Commission management stated that the spreadsheet formula was set up incorrectly for the C-15's, and it was corrected. In addition, the Commission will make sure that all appropriate paperwork accompanies each C-15.
- Four of 25 (16%) equipment items tested were not recorded on the property listing at their full cost resulting in an understatement of \$94. The Illinois Administrative Code (44 Ill. Adm. Code 5010.240) states that agencies must report the purchase price of equipment inventoried. The purchase price is the price of the equipment delivered and installed, including delivery and installation costs, if any. Commission management stated that this error was an oversight, and they will ensure property totals include freight charges.
- The Commission's equipment did not display a unique six-digit identification number and was not clearly marked to indicate that they were the property of the State of Illinois. The Commission's equipment inventory totaled \$171,031 at June 30, 2005. The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.210) states that agencies are responsible for marking each piece of State owned equipment in their possession with a unique six-digit identification number to be assigned by the agency holding the property. In addition, the Code states that all equipment regardless of value shall be clearly marked to indicate that it is the property of the State of Illinois. Commission management stated they were unaware of those specific Code requirements, and they will implement changes to their current equipment marking procedures.

Failure to properly mark or tag assets increases the potential for fraud and possible loss or theft of State property. Inaccurate property reporting reduces the reliability of Statewide property information. (Finding Code No. 05-1)

RECOMMENDATION

We recommend that Commission strengthen controls over its property. Specifically, the Commission should implement appropriate procedures to ensure all purchases are recorded at full cost and reconcile C-15's to property records and review for reasonableness prior to submission. In addition, the Board should ensure its equipment marking or tagging procedures comply with applicable laws and rules.

COMMISSION RESPONSE

We agree there was a problem with the Quarterly Report of State Property. This was due to a problem with the Microsoft Excel spreadsheet formula which was set up to keep track of additions and deletions to the inventory. The problem has been corrected.

Equipment items were recorded on the property listing but excluded freight charges because the Commission did not realize this should have been included as a part of the cost.

All items do display an identification number but not six digits. This is the first time this has ever appeared as an audit finding. The Commission will add the appropriate number of zero's to the prefix so all of the Commission's equipment has a "six digit" identification number. We will also add the words "Property of the State of Illinois" to any equipment which does not include this information.

05-2. **FINDING** (Reports not timely filed)

The Commission on Government Forecasting and Accountability (Commission) did not timely file reports by the statutorily mandated due dates. We noted the following:

- The FY05 and FY06 “Legislative Capital Plan,” reports on the State’s long-term debt capital needs, were submitted 23 and 33 days late in FY04 and FY05, respectively. The Commission on Government Forecasting and Accountability Act (25 ILCS 155/3(8)) states that the Commission shall submit the “Legislative Capital Plan Analysis” to the General Assembly on the first Wednesday of April. Commission management stated that the reports were filed late due to the review process to ensure the accuracy of the information.
- The Commission had not reported its findings and recommendations to the Governor and the General Assembly on whether the 90% funding ratio adopted continues to represent an appropriate goal for State-funded retirement systems in Illinois as of the end of fieldwork. The Illinois Pension Code (40 ILCS 5/1-103.3) requires the Commission, in consultation with the affected retirement systems and the Governor’s Office of Management and Budget, to consider and determine whether the 90% funding ratio adopted continues to represent an appropriate goal for State-funded retirement systems in Illinois, and to report its findings and recommendations to the General Assembly every five years, beginning in 1999. Commission management stated that the delay was a result of significant changes to the Pension Code included in P.A. 94-0004, which had to be taken into account in the findings and recommendations reported to the General Assembly and the Governor, and they expected the findings and recommendations to be issued by December 31, 2005.
- The “Report on the Costs and Savings of the State Employees Early Retirement Incentive Program” was submitted on February 23, 2005, 54 days late. The Illinois Pension Code (40 ILCS 5/14-108.3(h)) requires the Commission to report to the General Assembly its estimate of the annual amount of payroll savings likely to be realized by the State as a result of the early retirement of persons receiving early retirement incentives, and the net annual savings or cost to the State from the program of early retirement incentives on or before January 1, each year, through 2013. Commission management stated that the report was late due to the review process to ensure the accuracy of the information.

Failure to submit reports to the General Assembly and the Governor’s office timely results in delays in the communication of data that may be useful for Statewide fiscal management and operations. (Finding Code No. 05-2)

RECOMMENDATION

We recommend the Commission comply with the applicable statutes by submitting the required reports and estimates to the General Assembly and/or the Governor by the statutorily required dates or seek legislative remedy to change the reporting dates.

COMMISSION RESPONSE

We agree the FY 2005 Capital Plan Analysis was submitted a few days late. This was due to the review process to assure the accuracy of the information which delayed getting the report to the printing unit by a few days.

We agree the Commission's report on whether the 90% funded ratio for the Retirement System's continues to represent an appropriate goal has not been issued. This report will be completed in December 2005.

The 2005 Report on the Cost and Savings of the State Employees' Early Retirement Incentive Program was presented to Commission members at the February 23, 2005 Commission meeting and released in February 2005. This report did not require the Commission to make specific recommendations but did require the Commission's approval before being released.

Various options for funding the FY 2002 SERS Early Retirement Incentive were discussed at the November 17, 2004 Commission meeting. Based on these discussions, several options were further analyzed by Commission staff and the results were presented at the January 10, 2005 Commission meeting. At the January 10, 2005 meeting, the Commission voted to recommend one option – the bonding of the ERI liability. The Report on the Recommendations for Funding the 2002 SERS Early Retirement Incentive Program was then prepared by staff and reviewed by members of the Commission before being sent to the Legislative Printing Unit on January 27, 2005 and released February 2005.

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Lapse Period Spending

- Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees
- 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 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
 COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2005

P.A. 93-0842 FISCAL YEAR 2005	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Personal Services	\$ 727,450	\$ 639,378	\$ 0	\$ 639,378	\$ 88,072
Employee Retirement					
Contributions Paid by Employer	31,481	24,043	0	24,043	7,438
State Contribution to State					
Employees' Retirement System	110,307	103,024	0	103,024	7,283
State Contributions to Social Security	50,945	46,930	0	46,930	4,015
Contractual Services	71,636	54,456	774	55,230	16,406
Travel	3,100	3,065	0	3,065	35
Commodities	2,363	2,356	5	2,361	2
Printing	4,283	768	2,954	3,722	561
Equipment	900	688	159	847	53
Electronic Data Processing	1,500	1,245	216	1,461	39
Telecommunications	8,550	6,813	602	7,415	1,135
Lump Sums - Costs associated with the assumption of duties of the Pension Laws Commission	158,000	49,841	16,439	66,280	91,720
Lump Sums - Medicaid Managed Care Task Force	300,000	155,373	66,589	221,962	78,038
Total Fiscal Year 2005	\$ 1,470,515	\$ 1,087,980	\$ 87,738	\$ 1,175,718	\$ 294,797

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2004

P.A. 93-0091 FISCAL YEAR 2004	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Personal Services	\$ 615,950	\$ 496,257	\$ 0	\$ 496,257	\$ 119,693
Employee Retirement					
Contributions Paid by Employer	25,038	18,709	0	18,709	6,329
State Contribution to State					
Employees' Retirement System	75,845	47,108	0	47,108	28,737
State Contributions to Social Security	47,885	36,798	0	36,798	11,087
Contractual Services	46,636	37,548	2,036	39,584	7,052
Travel	2,100	1,964	122	2,086	14
Commodities	2,363	1,869	111	1,980	383
Printing	4,283	2,327	209	2,536	1,747
Equipment	900	570	0	570	330
Electronic Data Processing	1,500	1,381	0	1,381	119
Telecommunications	8,300	6,500	599	7,099	1,201
Lump Sums - Costs associated with the assumption of duties of the Pension Laws Commission	235,950	79,922	19,799	99,721	136,229
Total Fiscal Year 2004	\$ 1,066,750	\$ 730,953	\$ 22,876	\$ 753,829	\$ 312,921

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	2005	2004	2003
General Revenue Fund - 001	P.A. 93-0842	P.A. 93-0091	P.A. 92-0538
Appropriations (Net of Transfers)	\$ 1,470,515	\$ 1,066,750	\$ 830,800
<u>Expenditures</u>			
Personal Services	\$ 639,378	\$ 496,257	\$ 594,261
Employee Retirement			
Contributions Paid by Employer	24,043	18,709	20,863
State Contribution to State			
Employees' Retirement System	103,024	47,108	61,378
State Contributions to Social Security	46,930	36,798	44,264
Contractual Services	55,230	39,584	29,969
Travel	3,065	2,086	1,249
Commodities	2,361	1,980	2,429
Printing	3,722	2,536	4,781
Equipment	847	570	122
Electronic Data Processing	1,461	1,381	4,459
Telecommunications	7,415	7,099	8,430
Lump Sums - Costs associated with the assumption of duties of the Pension Laws Commission	66,280	99,721	0
Lump Sums - Medicaid Managed Care Task Force	221,962	0	0
Total Expenditures	\$ 1,175,718	\$ 753,829	\$ 772,205
Lapsed Balances	\$ 294,797	\$ 312,921	\$ 58,595

STATE OF ILLINOIS
 COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2005

Balance at July 1, 2003 *	\$	75,541
Additions		2,069
Deletions		0
Net Transfers		<u>98,932</u>
Balance at June 30, 2004	<u>\$</u>	<u>176,542</u>
Balance at July 1, 2004	\$	176,542
Additions		17,036
Deletions		(5,324)
Net Transfers		<u>(17,223)</u>
Balance at June 30, 2005	<u>\$</u>	<u>171,031</u>

* The beginning balance was restated to agree to Agency records.

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005

Variations in expenditures were considered significant if differences were greater than 20% and \$1,000.

General Revenue Fund - 001

Personal Services, Employee Retirement Contribution Paid by Employer, and State Contribution to Social Security

The increase in personal services, employee retirement contribution paid by employer, and State contribution to social security expenditures was due to the addition of two employees from the Pension Law Commission, effective February 1, 2004.

State Contribution to State Employees' Retirement System

The increase in State contributions to State employees' retirement system expenditures was due to an increase in the SERS employment contribution rate from 13.439% in FY04 to 20.396% in FY05. In addition, State contributions were eliminated from April through June 2004.

Contractual Services

The increase in contractual service expenditures was due to the payment for an FY05 contract for professional services to evaluate State savings with a prescription benefit manager.

Printing

The increase in printing expenditures was due to the printing of three additional reports: *Medicaid Managed Care Task Force: Final Report, FY 2005 Budget Summary*, and *Telecommunications Deregulations (Issues and Impacts)* during FY05.

Lump Sums - Costs Associated with the Assumption of the Duties of the Pension Laws Commission

The decrease in costs associated with the assumption of duties of the Pension Laws Commission expenditures was due to the former Pension Laws Commission employees' salaries being paid out of the personal service line items beginning in FY05.

Lump Sums - Medicaid Managed Care Task Force

The increase in Medicaid care task force expenditures was due to costs associated with the assessment and report on Medicaid managed care options.

STATE OF ILLINOIS
COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2003 AND 2004

Variations in expenditures were considered significant if differences were greater than 20% and \$1,000.

General Revenue Fund - 001

State Contribution to State Employees' Retirement System

The decrease was due to the elimination of State contributions in April through June 2004 due to P.A. 93-0665.

Contractual Services

The increase in contractual service expenditures was due to additional purchases of postage to replenish the postage meter. In addition, FY04 was the first year the Commission began using transcription services for their meeting minutes.

Printing

The decrease in printing expenditures was due to fewer reports being printed during FY04.

Electronic Data Processing

The decrease in electronic data processing expenditures was due to the purchase of antivirus software and a laptop during FY03.

Lump Sums - Costs Associated with the Assumption of Duties of the Pension Laws Commission
Effective February 1, 2004, all powers, duties, rights, responsibilities, personnel, assets, liabilities, and indebtedness of the Pension Laws Commission was transferred to the Commission.

STATE OF ILLINOIS
COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2005

FISCAL YEAR 2005

General Revenue Fund - 001

Printing

Invoices for the printing of reports during the fiscal year were not received and paid until the lapse period.

Costs Associated with the Assumption of the Duties of the Pension Laws Commission

The Commission made payments during the lapse period for electronic data processing supplies and equipment, office furniture, and actuarial services that were incurred or purchased during the fiscal year.

Medicaid Managed Care Task Force

The final invoice for professional services performed during the fiscal year was not received and paid until the lapse period.

FISCAL YEAR 2004

There was not any significant lapse period spending noted during FY04.

STATE OF ILLINOIS
COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY
ANALYSIS OF OPERATIONS

FUNCTIONS AND PLANNING PROGRAM

Commission Functions

The Commission on Government Forecasting and Accountability (Commission), formerly the Economic and Fiscal Commission, was created under the Commission on Government Forecasting and Accountability Act (25 ILCS 155/1 et seq.). Effective February 1, 2004, the Commission on Government Forecasting Act and the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/1 et seq.) merged the activities and responsibilities of the Pension Laws Commission and the Economic and Fiscal Commission under the Commission. The Commission is a bipartisan, joint legislative commission that provides the General Assembly with information relevant to the Illinois economy, taxes, and other sources of revenue and debt obligations of the State.

The Commission's statutory requirements include:

- Preparation of annual revenue estimates with periodic updates
- Analysis of the fiscal impact of revenue bills
- Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization
- Periodic assessment of capital facility plans
- Annual estimates of public pension funding requirements and preparation of pension impact notes
- Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by DCMS
- Administration of the State Facility Closure Act
- Report to the General Assembly on economic trends in relation to long term planning and budgeting

The Commission is co-chaired by Senator Jeffrey M. Schoenberg and Representative Terry R. Parke. The Commission members at June 30, 2005 were:

Senate

Dan Harmon
Christie Radogno
Steven Rauschenberger
David Syverson
Donne Trotter

House

Mark H. Beaubien, Jr.
Frank Mautino
Robert Molaro
Richard Myers
Elaine Nekritz

Commission Planning

The Commission's objectives are defined by statute and their main activity is to study information relevant to the Illinois economy, taxes, and other sources of revenue and debt obligations of the State. The Commission reports its findings to the General Assembly by publishing various reports each year. The Director and Deputy Director meet regularly with the Revenue Unit Chief and the Pension Unit Chief to discuss State revenue projections, pension funding, and other economic issues that they are required to address in their statutory functions. Commission meetings are held to discuss and review issues that the Commission is required to report on along with other issues that have or could have an economic impact on the State.

Auditor's Assessment

The Commission's planning program appears adequate to meet its statutorily mandated responsibilities.

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Commission records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

<u>Function</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Executive Director	1	1	1
Deputy Director	1	1	1
Administrative & Clerical	3	3	3
Chief Economist	-	-	1
Revenue Analysts	3	3	4
Bond Analyst/Network Administrator	1	1	1
Pension Analysts	3	1	-
Total average full-time employees	<u>12</u>	<u>10</u>	<u>11</u>

SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

The Commission on Government Forecasting and Accountability (Commission) has a mandate to report to the General Assembly information necessary for the State’s long-range planning and budgeting. This results in several reports on various economic issues throughout the year. The Commission also publishes special topic reports that have or could have an impact on the economic well being of Illinois. Below is a list of all reports published during the examination period and the corresponding publication date:

<u>Report/Publication Name</u>	<u>Date Published</u>
Monthly Revenue Briefing	Monthly
FY 2005 Capital Plan Analysis	April 2004
FY 2006 Capital Plan Analysis	April 2005
Illinois Bond Watcher	Nov 2003 & Dec 2004
FY 2005 Report of Liabilities of State Employees Group Insurance	March 2004
FY 2006 Report of Liabilities of State Employees Group Insurance	March 2005
UPDATE: FY 2004 Economic & Revenue	November 2003
UPDATE: FY 2005 Economic & Revenue	November 2004
UPDATE: FY 2006 Economic & Revenue	May 2005
FY 2005 Preliminary Revenue Estimate	March 2004
FY 2006 Preliminary Revenue Estimate	March 2005
Wagering in Illinois (Update)	August 2003
Wagering in Illinois (Update)	September 2004
Discussion on Riverboat Gaming in Illinois	April 2005
Medicaid Managed Care Task Force: Final Report	November 2004
FY 2005 Budget Summary	September 2004
Telecommunications Deregulation (Issues and Impacts)	February 2005
FY 2004 Fee & Penalty Increases (P.A. 93-0032 – SB 1903) (Special)	September 2003
2004 ERI Report (Early Retirement Incentive)	May 2004
2005 ERI Report (Early Retirement Incentive)	February 2005
Report on Recommendations for Funding 2002 SERS Retirement Incentive Program	January 2005

The Commission prepares a written State Debt Impact Note in relation to any new legislative bill which proposes to increase or add new long-term debt authorization, or would require, through appropriation, the use of bond financed funds. The Commission prepared 52 and 105 Debt Impact Notes during FY04 and FY05, respectively.

The Commission prepares Pension Impact Notes (PIN’s) on any legislative bill pertaining to pensions and related retirement and disability benefits. The Commission reviews and makes recommendations on proposed changes to those laws and practices and reports the results to the General Assembly. Below is a summary of the number PIN’s prepared for the fiscal years under examination and the number of bills that have become law.

Fiscal Year	Number of PIN's Prepared	Number of Bills that became Law
2004	140*	9
2005	310	20

* This number reflects the PIN's prepared on pieces of legislation from February 1, 2004 until June 30, 2004.

The Commission, with the assistance of the Legislative Information Service (LIS), has developed and maintained a website to provide informational resources to interested parties. These resources include general information about the Commission, notification of facilities closures, monthly revenue briefings, pension impact notes, and published reports.