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**STATE OF ILLINOIS**

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**OFFICE OF THE AUDITOR GENERAL**

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**1997 ANNUAL REPORT**

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**WILLIAM G. HOLLAND**

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# AUDITOR GENERAL

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## OFFICE OF THE AUDITOR GENERAL **WILLIAM G. HOLLAND**

March 1, 1998

Honorable Members of the General Assembly  
The Legislative Audit Commission  
The Honorable Jim Edgar, Governor  
Citizens of Illinois

Ladies and Gentlemen:

In compliance with Section 3-15 of the Illinois State Auditing Act, I submit the Annual Report of the office of the Auditor General for the year ended December 31, 1997.

I have always believed the audit process cannot have value unless it is fair. With this in mind, my goal has been to present objective, balanced and unbiased audits. I believe this annual report reflects the success of my office in meeting that goal during 1997. It will continue to be my goal during the coming year.

I thank all those who made possible the results reported including, in particular, members of the General Assembly, members and staff of the Legislative Audit Commission, and the staff of this office.

Yours Truly,



WILLIAM G. HOLLAND  
Auditor General

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<b>TABLE OF CONTENTS</b>
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<a href="#">OVERVIEW</a>	1
<a href="#">PUBLIC INFORMATION</a>	2
<a href="#">INTERNET HOME PAGE</a>	2
<a href="#">COMPLIANCE AUDIT PROGRAM</a>	3
<a href="#">Accountability</a>	4
<a href="#">Federal Auditing &amp; Other Audit Responsibilities</a>	8
<a href="#">Revisions to 1982 University Guidelines</a>	8
<a href="#">PERFORMANCE AUDIT PROGRAM</a>	9
<a href="#">Audits Completed in 1997</a>	10
<a href="#">Audits in Progress</a>	11
<a href="#">INFORMATION SYSTEMS AUDIT PROGRAM</a>	13
	15
	16

<a href="#"><u>ORGANIZATIONAL CHART</u></a>	16
<a href="#"><u>CLAIMS DUE THE STATE AND METHODS OF COLLECTION</u></a>	17
<a href="#"><u>SUMMARY OF APPROPRIATIONS AND EXPENDITURES</u></a>	22
<a href="#"><u>COMPLIANCE AUDITS COMPLETED IN 1997</u></a>	
<a href="#"><u>PERFORMANCE AUDITS 1980-1997</u></a>	

## **OVERVIEW**

Since August 1992, William G. Holland has served as Auditor General of the State of Illinois. He was appointed by the General Assembly to a ten-year term on July 2, 1992.

As a constitutional officer, the Auditor General audits public funds of the State and reports findings and recommendations to the General Assembly and to the Governor. The establishment of the Auditor General under

procedures exist to manage and protect the State's financial and confidential information.

Copies of all audits are made available to members of the Legislature, the Governor, the media, and the public. Findings include areas such as accounts receivable, contracts, expenditure control, leases, misappropriation of funds, personnel and payroll, property control, purchasing, reimbursements, computer security, telecommunications, and travel.

the Legislature is important. It ensures that the Legislature, which grants funds and sets program goals, will ultimately review program expenditures and results. Thus, agencies are accountable to the people through their elected representatives.

The Auditor General's office performs several types of audits to review State agencies. Financial and Compliance audits are mandated by law. They disclose the obligation, expenditure, receipt, and use of public funds. They also provide agencies with specific recommendations to ensure full compliance with State and federal statutes, rules, and regulations.

Performance audits are conducted at the request of legislators to assist them in overseeing government. Programs, functions, and activities are reviewed according to the direction of the audit resolution or law directing the audit. The General Assembly may then use the audit recommendations to develop legislation for the improvement of government.

Information Systems audits are performed on the State's computer networks. They determine whether appropriate controls and recovery

Audit reports are reviewed by the Legislative Audit Commission in a public hearing which includes the agency's officials. Testimony is taken from the agency regarding the audit findings and the plans the agency has for corrective action. In some cases, the Commission may decide to sponsor legislation to correct troublesome fiscal problems brought to light by the audit. All outstanding recommendations are reviewed during the next regularly scheduled audit of the agency; or, if the Commission requests, a special interim audit may be conducted.

## PUBLIC INFORMATION

An audit and its supporting workpapers, unless confidential by, or pursuant to, law or regulation, are public documents once the report has been officially released to the Legislature, the public, and the press. These documents are available for review in our Springfield and Chicago offices.

The following information is also available by request:

- Late Filing Affidavits
- Late Emergency Purchase Affidavits
- Professional or Artistic Services Affidavits
- Contractual Services Certifications
- Extended Contract Purchase Exceptions

### Public Information is available by writing:

**Records Manager/FOIA Officer  
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## AUDITOR GENERAL'S HOME PAGE

Information about the Auditor General is now available on a Home Page on the Internet.

This information includes a listing of financial/compliance audits and the year each Illinois state agency is audited. Also available is information on our performance and information systems audits.

We believe a presence on the "Information Super Highway" enhances the public's access to our audits.

In order to reach our Home Page, please use the following Internet address: <http://www.state.il.us/auditor/audhome.html>

## THE COMPLIANCE AUDIT PROGRAM

The Auditor General is required by the Illinois State Auditing Act to conduct a financial and compliance audit of every State agency at least once every two years. These audits inform the public, the Legislature, and State officers about the obligation, expenditure, receipt, and use of public funds and provide State agencies with specific recommendations to ensure full compliance with State and federal statutes, rules, and regulations.

The Compliance Audit Division conducted 145 compliance, financial, federal, and special audits in 1997. Staff auditors conducted 11 of these audits. The remainder were performed by public accounting firms under the general direction and management of the Auditor General's audit managers.

The Illinois Constitution of 1970 revised and expanded the traditional financial audits conducted of State agencies to focus on compliance with legislative intent and proper performance of governmental operations, as well as financial accountability.

The Office continues to use a competitive procurement process for audit services exceeding \$50,000. Under this process, audit firms are evaluated on their experience, the quality of their technical proposals, and price. A selection committee chooses the proposal which serves the best interests of the State.

To ensure the expertise gained in an initial audit is used, a maximum of six fiscal years' audits for any given agency are negotiated with the same firm before the assignment is once again solicited. This competitive process helps contain audit costs, contributes to maintaining high quality, and allows new accounting firms the opportunity to participate in Auditor General audits.

The compliance audit program has a positive impact on the operations of State government because agencies implement many of the recommendations made in these audits. Compliance audits are also reviewed by the Legislative Audit Commission where legislators question agency directors about audit findings and the corrective action they plan to take. Legislators and their staffs also use compliance audits during appropriation hearings in the spring legislative session. To maximize the usefulness of audit information, the Office attempts to deliver audits as early as possible in the legislative session.

## ACCOUNTABILITY

A number of audits issued in 1997 had findings which were important from an accountability standpoint:

### RETIREMENT SYSTEM INVESTMENTS

On September 1, 1994, the **Teachers Retirement System** entered into a contract with Zimmerman Investment Management Company (ZIMCO). The president of ZIMCO was the former Chief Investment Officer of the System who resigned his position effective August 31, 1994. While employed by the System, the former Chief Investment Officer was responsible for overseeing the

The assets underlying ZIMCO's risk management and overlay programs, with the exception of the Enhanced Equity Index Program, were managed and controlled by other TRS investment managers. System officials believed that changes in the assets underlying ZIMCO's risk management and overlay programs should be included in the analysis of ZIMCO's gains and losses, regardless of whether ZIMCO exercised any control over those underlying assets. Using the System's analysis, the overall loss related to ZIMCO risk management and overlay programs through June 30, 1996, would be approximately \$46 million, of which \$53.4 million in losses occurred in FY95 and \$7.4 million in gains occurred in FY96.

entire System investment program, including development of currency hedging and risk management overlay programs which were managed "in-house."

The System paid ZIMCO approximately \$2.9 million in FY96 and \$2.5 million in FY95. During this time, ZIMCO was responsible for hedging domestic equity, domestic fixed income and international equity investments. In addition, ZIMCO ran a currency overlay program and an enhanced equity index program.

Total losses in ZIMCO-managed accounts through June 30, 1996 were approximately \$266 million, of which some \$234.3 million in losses occurred in FY95 and another \$31.7 million in FY96. Comparing ZIMCO's performance to the benchmarks established by TRS showed these losses exceeded the benchmarks by approximately \$178.9 million.

## LACK OF APPROPRIATION AND VOUCHER CONTROLS

The **Lottery** made electronic funds transfers to pay various operating expenses without statutory authority. The operating expenses consisted of contractual payments to the Department's ticket distribution contractor, to its on-line computer service contractor, and fixed monthly rental payments to the lessor of its instant ticket vending machines. In 1995 and 1996, a total of \$26,775,453 was paid to these three contractors. These payments were not subject to appropriation control nor made through the vouchering process.

Department personnel believed the Illinois Lottery Law at 20 ILCS 1605/20 authorized these payments. This paragraph provides for the creation in the State Treasury of a State Lottery Fund and states in part: "Such fund shall consist of all revenues received from the sale of lottery tickets or shares, net of commissions, fees and prizes of less than \$600 *which have been validly paid at the agent level...* (emphasis added)."

The Department is in compliance with the law in allowing agents to retain from lottery sales revenue any amounts due to the agents for commissions and lottery prizes under \$600 paid directly by the agents. However, the questioned payments totaling \$26,775,453 were paid to Department contractors not to lottery agents.

Absent specific statutory authority to the contrary, the Department should comply with the provisions of the law requiring the deposit of State funds in the State Treasury and expenditure of those funds through the appropriation process.

Department officials strongly disagreed with this finding and requested an opinion from the Attorney General.

On November 12, 1997 the Attorney General ruled: "the Department does not possess the authority to make payment for the specified operating expenses from lottery ticket sales revenues prior to their deposit into the State Lottery Fund."

## LACK OF FORMAL STRATEGIC PLAN

The **Department of Corrections** had no formal policies or procedures regarding strategic planning for Correctional Industries. According to officials, the planning process was conducted informally by management and division heads each year.

Many industries operated by Correctional Industries consistently experienced financial losses. Out of 58 industries, 39 had cumulative net losses between fiscal years 1992 and 1996. We also identified 14 industries that lost money during each of

### Industries with Recurring Losses FY 92 - FY 96

<u>Industry</u>	<u>Total Lost</u>
Vienna Livestock/Crops	\$1,412,723
Vienna Ethanol	1,260,144
Vandalia Crops/Dairy	1,074,297
Shawnee Metal Furniture	1,028,228
Pontiac Sign	620,067
Menard Beef	578,252
Menard Swine	530,266
Centralia Microfilming	443,822
Jacksonville Telemarketing	367,333
Menard Crops	335,252
Centralia Tire Recapping	314,115
Menard Waste Removal	218,253
Joliet Dry Cleaning	215,449
Centralia Dry Cleaning	<u>193,808</u>
Total	<u>\$8,592,009</u>

Correctional Industries' lack of strategic direction contributed to the Department's continued funding of unprofitable industries.

In FY 1996, Correctional Industries closed five unprofitable industries: Vienna Ethanol, Vienna Livestock, Menard Swine, Menard Beef, and Menard Crops. These five industries had lost over \$4.1 million since fiscal year 1992.

Department officials accepted our recommendation to implement a formal strategic plan to monitor the performance of all Correctional Industries operations.

On May 28, 1997, the National State Auditors Association issued a joint report which contained the results of audits of Correctional Industries in 13 states. The

these five years. These 14 industries lost a total of nearly \$8.6 million during the five-year period.

Office of the Auditor General provided information for the report, along with the states of California, Delaware, Florida, Louisiana, Maryland, Montana, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, and Virginia.

## POTENTIAL CONFLICT OF INTEREST WITH GRANT RECIPIENT

The **State Board of Education** contracted with an organization for the services of its executive director from November 1, 1994 to June 30, 1996. The contracts, totaling \$96,770, reimbursed the organization for 50% of the executive director's time to serve as special advisor to the State Superintendent to help build school/business liaisons with the corporate community. The terms of the contracts were vague and did not provide for a final end product or documentation of time spent on the contract.

While the executive director served in the capacity as special advisor, the organization received State and federal funding from the State Board of over \$3.7 million in fiscal year 1995 and \$4.3 million in fiscal year 1996.

The contractual arrangement placed the executive director in a potential position to influence the award of grants to his organization. The State Board had no written policies or procedures addressing this type of situation.

We recommended the State Board

## CONTRACTS AND ACCOUNTS RECEIVABLE

The **Department of Children and Family Services** did not properly monitor child care provider contracts which resulted in overpayments. Also, the Department advanced money to certain providers. At June 30, 1996 and June 30, 1995, those who provided care for children in Department custody had accounts receivable owed to the Department of approximately \$26.8 million and \$22.2 million, respectively.

According to Department personnel, it was necessary to advance monies to child care providers to serve as an incentive to participate in the program by limiting their risk. Department personnel also indicated it took 60 to 75 days to process the providers' first payment at the beginning of each fiscal year. Department personnel indicated that virtually all institutional providers were receiving advances.

During our review we noted the following problems with the providers' account balances.

thoroughly document all future arrangements of this type through very specific contract terms and deliverables to avoid any appearance of impropriety. We also recommended the State Board adopt specific policies and procedures to address the documentation, review and approval of all such future arrangements.

The Board agreed and said a Code of Conduct would be developed to guide decisions of this nature.

- The Department did not offset actual charges against advances to identify excess payments.
- One provider voluntarily returned excess revenues to the Department.
- Some contracts had overpayments due to the Department that were written off.
- The Department was unable to provide an audit trail for reductions in some balances.

- 
- The Department improperly coded some contracts which made it difficult to track payments.

As a result of our testing, we determined the Department's receivables to be overstated, and we recommended contract advances and receivables be adjusted downward by \$12.0 million and \$11.6 million at June 30, 1996 and 1995, respectively. The Department accepted our recommendation and the financial statements now reflect these adjustments.

We recommended the Department review all receivable and advance amounts to determine their correctness. Once proper balances are established, the Department

homes in order to receive federal financial assistance. Illinois law requires community nursing homes to be licensed by the Illinois Department of Public Health, but the law specifically excludes State Veterans' Homes from this requirement. Because of this conflict between federal regulations and State law, not all of the Veterans' Homes meet the federal requirements necessary to receive federal financial assistance.

The three Homes noted in our finding were LaSalle, Manteno, and Quincy.

Noncompliance with the licensure standard could result in an estimated loss of federal per diem payments of \$12.5 million per year, and a loss of eligibility of the 65%

should continuously monitor transactions within the accounts. The Department should also perform a detailed review of the amounts at the end of the year, making any necessary adjustments prior to preparing its financial statements. We also recommended the Department annually evaluate the need to enter into contracts requiring prepayments to providers.

Department officials agreed with the finding and stated they will implement the recommendations.

## **NONCOMPLIANCE WITH FEDERAL LICENSING REQUIREMENTS**

Three of the four **State Veterans' Homes** were not in compliance with federal licensing requirements. Federal regulations and standards require the Homes to meet the same standards established for community nursing

reimbursement rate provided by the U.S. Department of Veterans' Affairs for construction and renovation projects.

We recommended the Department resolve the noncompliance issue in an expeditious manner. The Department responded it has repeatedly sought legislation that would permit licensure as a nursing home and it is unable to obtain licensing without legislation.

## FEDERAL AUDITING

In 1997, our Office distributed 33 audits which were designed to meet both federal and State compliance audit requirements. Such combined purpose audits are mandated by the federal Single Audit Act. Reimbursements to the State's General Revenue Fund for the federal share of these audits released by our Office in 1997 should exceed \$750,000.

Audits for federal compliance purposes disclosed a number of questioned costs in federal programs which could result in the need for repayment to the federal government.

## OTHER AUDIT RESPONSIBILITIES

The Auditor General is required by law to annually review the Comptroller's Statewide accounting system. This review is accomplished through the Office's audit of the State Comptroller, and by ensuring that all agency audits are performed in accordance with the Auditor General's Audit Guide.

In addition, the Auditor General annually reviews the State Comptroller's pre-audit function which is required by law. Pre-audit is the primary control over expenditure voucher processing. The State Comptroller pre-audits financial transactions to determine if they are proper and legal.

While our 1997 audit showed no major problems with the Statewide accounting system or with the pre-audit function, it did continue to recommend that the Statewide

## REVISIONS TO 1982 UNIVERSITY GUIDELINES

At its September 9, 1996, meeting, the Legislative Audit Commission passed a motion directing staff of the Commission and the Auditor General's office to work with representatives of the State's public universities to update the Legislative Audit Commission's University Guidelines. These guidelines were first adopted by the Commission in 1977 and last updated in 1982. One of the primary purposes of the guidelines is to control and account for the universities' use of locally-held funds. The guidelines also establish standards for interactions between universities and their related organizations, such as foundations and alumni associations.

A meeting was held in November, 1996, at which staff of the Commission and the Auditor General's Office received comments on the current guidelines from sixteen representatives from universities and related organizations. A draft of proposed revisions was provided to the Commission members for their review on June 26, 1997. The Commission subsequently approved the proposed amendments at its September 10, 1997 meeting. Universities are required to achieve compliance with the amended guidelines no later than June 30, 1998.

accounting system be upgraded to take advantage of recent technological advancements.

## THE PERFORMANCE AUDIT PROGRAM

Performance audits are conducted at the request of legislators to assist them in their oversight function. Based on the scope specified in the resolution or the law requesting the audit, State agencies' programs, functions, and activities are reviewed. The audits determine if resources are used efficiently, economically, and effectively to provide services which the General Assembly intended. These audits are important to furthering public accountability.

The General Assembly uses performance audit information to develop legislation, to deal with budgetary issues, and to direct agencies to change and improve programs.

Some audits produce immediate changes. In other instances, significant changes may not be seen for several years.

The length of time it takes to see change is due to the process of transforming the audit findings and recommendations into legislative bills, converting bills into law, and the passing of time to see the effect of

In the spring 1997 legislative session, Senate Bill 682 was introduced which contained many of the recommendations in the Committee's report. In August of 1997, the Bill was signed into law (Public Act 90-350). The new law requires each county board to have an annual audit of the office of the circuit clerk by a licensed public accountant beginning in fiscal year 1999.

Performance audits also directly impact and improve agency operations. In 1997, the Auditor General released one major performance audit.

change.

For example, Public Act 89-70 established the Circuit Clerk Audit Guidelines Committee, following the Auditor General's 1994 "Management Audit of the State's Collection of Money from Circuit Clerks." The Committee's final report, which proposed guidelines for audits of the circuit clerks' receipt and disbursement of funds, was released in June 1996.

## **AUDITS COMPLETED IN 1997**

### **DEPARTMENT OF PROFESSIONAL REGULATION PHYSICIAN REGULATION**

Legislative Audit Commission Resolution Number 107 adopted February 5, 1996, directed the Auditor General to conduct a program audit of the Department of Professional Regulation's effectiveness in investigating complaints against physicians licensed under the Medical Practice Act of 1987.

The audit, issued in May of 1997, found instances in which the Department lacked adequate management controls in its investigatory, disciplinary, and probationary

Department did not have a basic training program for its medical investigators.

We reviewed cases closed in Fiscal Years 1995 and 1996 to evaluate procedures for recommending disciplinary actions. We questioned the adequacy of 35% of closed cases in our sample, including:

- 17% closed without investigation;
- 13% in which investigations appeared inadequate;
- 4% in which disciplinary action taken appeared questionable; and
- two cases for which case files were missing.

We also found that almost 36% of probation cases included in our review were inadequately monitored. In addition, the

processes. In our review of cases from Fiscal Years 1995 and 1996 with regard to timeliness we found:

- Investigations were completed within the Department's 90-day time limit in only 14% of cases;
- 23% of cases in Investigations and 28% of cases in Prosecutions experienced delays of 3 months with no substantive activity; and
- Cases which resulted in some type of discipline against the physician took an average of two years to complete.

In the area of investigatory adequacy, we found that the Medical Investigation Unit did not have guidelines on how an investigation should be conducted or what evidence should be included in case files. Additionally, the

Department did not monitor physicians whose licenses are placed on long-term suspension or revoked.

The audit report contained 16 recommendations to the Department of Professional Regulation. In its response to the audit report, the Department did not concur with 8 of the recommendations and concurred or concurred in part with the remaining 8 recommendations. However, at subsequent Legislative Audit Commission hearings, the Department generally concurred with the recommendations contained in the audit report.

## PERFORMANCE AUDITS IN PROGRESS

### CHICAGO AIRPORTS

Public Act 89-386, effective August 18, 1995, directs the Auditor General to "conduct a compliance and management audit of the City of Chicago and any other entity with regard to the operation of Chicago O'Hare International Airport, Chicago Midway Airport and Merrill C. Meigs Field." The law specifies that the audit shall include "an examination of revenues, expenses, and transfers of funds; purchasing and contracting policies and practices; staffing levels; and hiring practices and procedures."

On September 9, 1996, the City of Chicago filed a lawsuit against the Auditor General seeking to enjoin our efforts to carry out the audit required by Public Act 89-386.

The Auditor General's Office is represented in this lawsuit by the Illinois Attorney General's Office.

### TUITION AND FEE WAIVERS

Legislative Audit Commission Resolution Number 108, adopted July 25, 1996, directs the Auditor General to conduct a management audit of tuition and fee waivers granted to students attending the State's public universities. The resolution asks the audit to determine:

1. The number and dollar of tuition and fee waivers.
2. Tuition and fee revenue collected.
3. Limitations established by law.

5. Other types of financial aid or scholarships.
6. Contractual provisions governing waivers granted in lieu of compensation.
7. Policies regarding waivers and limitations.
8. Impact of waivers on tuition costs.
9. OAG recommendations for policy revisions.

### COMPTROLLER'S OFFSET SYSTEM

Legislative Audit Commission Resolution Number 110, adopted April 28, 1997, directs the Auditor General to conduct a special audit of the 10 agencies with the largest amount of net receivables, as identified in the Comptroller's Receivables Report for 1996, to determine whether all eligible debts have been placed in the Comptroller's Offset System, as required by law.

The Comptroller's Offset System intercepts payments to State employees, tax refund recipients, and State vendors who owe debts to the State of Illinois.

The ten agencies identified in the Comptroller's Receivable Report for 1996 with the largest amount of net receivables are:

- Department of Public Aid
- Teachers' Retirement System
- Department of Revenue
- Illinois Student Assistance Commission
- University of Illinois
- Department of Employment Security
- Department of Children and Family Services
- Department of Transportation

4. Consistency and correctness of accounting for waivers.

- Department of Central Management Services
- Southern Illinois University

## DEPARTMENT OF TRANSPORTATION

Legislative Audit Commission Resolution Number 111, adopted on May 5, 1997, directs the Auditor General to conduct a management audit of the Illinois Department of Transportation's Road Construction Program. The resolution asks the Auditor General to answer the following determinations:

- Whether the costs paid by the Illinois Department of Transportation for roadbuilding materials are comparable with costs paid by other Midwestern states;
- If Illinois' costs are significantly different than other Midwestern states, determine the cause for such differences; and
- Whether changes in the Department of Transportation's procurement methods are warranted.

that these regulations may delay necessary care and treatment of nursing facility residents. The resolution directs the Auditor General to conduct an audit to determine the cost effectiveness of the universal screening mandate including but not limited to:

- Administrative costs;
- Cost to the State;
- Operating efficiency of the program; and
- Delays incurred in providing services to individuals.

The resolution directs that the Auditor General begin the audit on July 1, 1997 and report findings and recommendations to the General Assembly no later than June 30, 1998.

## NURSING HOME PRESCREENING

Senate Resolution Number 207 adopted May 23, 1996, directs the Auditor General to conduct an audit of the Universal Screening Program. The resolution notes that as a result of Public Act 89-21, all persons seeking admission to a nursing facility must be screened to determine the need for nursing facility services prior to being admitted regardless of income, assets, or funding source. It also raises concern

12

### THE INFORMATION SYSTEMS AUDIT PROGRAM

Computers are an integral part of State government, processing billions of dollars in financial transactions each year and helping control the operations of State agencies. Since financial transactions and confidential information are processed using computers, audits of information system activities are necessary to ensure that computer processing is secure and accurate.

### TESTING CONTROLS AND SYSTEMS

The Auditor General's office plans to review

As end-user computing has proliferated in State government, the Auditor General has increased audit efforts in these areas. To enhance the control environment early in the implementation of statewide end-user computing, the Auditor General has emphasized the review of local and wide area networks. These reviews have focused on the necessity of establishing consistent and effective security policies and programs on all computer systems.

The information systems audit staff also reviewed and tested the systems and procedures at the State's central computer facility operated by the **Department of Central Management Services**. Auditors tested the facility's controls and the

the information system controls of all the State agencies. In 1997, we reviewed the following agencies: **State Universities Retirement System, General Assembly Retirement System, Judges' Retirement System, Teachers' Retirement System, State Employees' Retirement System, Attorney General, Department of Commerce and Community Affairs, Transportation, Corrections, Aging, Central Management Services, Natural Resources, Financial Institutions, Veterans' Affairs, Quincy Veterans Home, Environmental Protection Agency, Joint Committee on Administrative Review, State Toll Highway Authority, State Board of Education, State Board of Investment, Property Tax Appeal Board, Police Training Board, Racing Board, Capital Development Board, Community College Board, University of Illinois, Northern Illinois University, Illinois State University, Illinois State University Foundation, and Southern Illinois University.**

application systems used by many State agencies, such as accounting, payroll, inventory, and timekeeping.

Additional emphasis was placed on the use of Computer Assisted Audit Techniques (CAATs) in the application reviews. Approximately forty programs were developed and executed to verify the integrity and validity of data. No major problems were identified with the data.

Although controls at the central computer facility were generally adequate, one area was identified where improvement is needed: disaster contingency resources and procedures may not be adequate for resumption of data processing following a disaster.

## 1997 ISA FINDINGS

Several agencies, including the **State Board of Education, Environmental Protection Agency, State Universities Retirement System, and the Illinois State Toll Highway Authority** did not have effective computer security controls for local area networks. Some of the available security features to safeguard information assets and to protect the integrity of information were not employed by the agencies.

Some of the significant control deficiencies were: available security features and monitoring tools were not used, unique passwords were not always required, and passwords were not always required to be changed.

The agencies generally concurred with our recommendations and stated they would take action to protect their computerized information.

We noted weaknesses in the computer security administration and security awareness at the **Department of Corrections, State Universities Retirement System, State Board of Education, and the Environmental Protection Agency**. The agencies did not have an effective computer security administration function and/or a well developed or communicated security awareness program. These deficiencies could lead to unauthorized use and misuse of sensitive computer resources.

Agency officials generally concurred with our recommendations.

Information systems audit staff also reviewed the Generally Accepted Accounting Principles (GAAP) System at the **Office of the Comptroller**. This system is used to accumulate fiscal information from all State agencies into the State's comprehensive financial report. No significant problems were identified in the computational portion of the automated GAAP System.

The Information Systems Audit Division also provides audit staff and management with data processing and reference support, and with professional training to supplement job skills and to comply with Government Auditing Standards.

The year 2000 can cause problems with computer-based systems due to the manner in which computers process calendar dates. Until recently, computers have stored the calendar year as two digits rather than four. For example, the year 1998 is stored as "98". In the year 2000, the computer would store "00" as the calendar year. Therefore, the computer would not know if the year is 1900 or 2000.

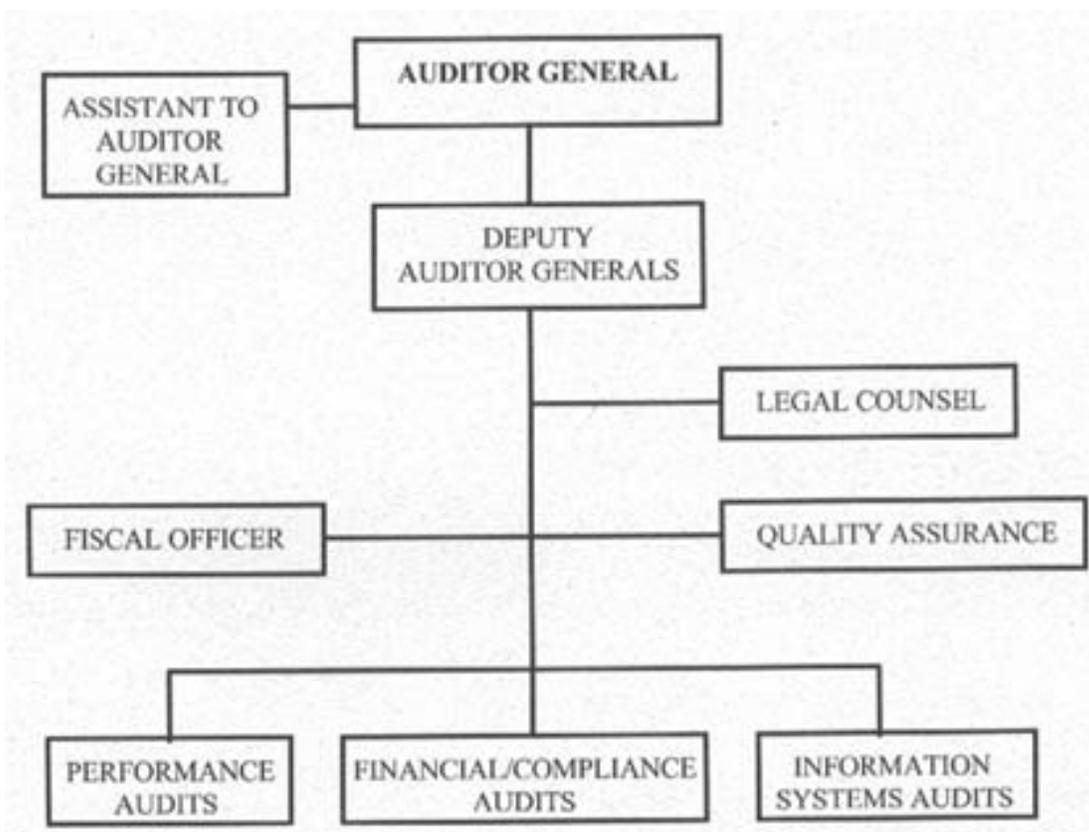
If State agencies do not give high priority to this issue, systems relied upon to meet mandates and objectives could have serious problems. Corrective work often requires considerable programming effort to examine numerous lines of source code in order to locate the date fields and correct them. At this point State agencies should have a plan in place where the scope of the impact has been inventoried and the corrective process defined and scheduled, or implemented.

Information Systems has and will continue to increase awareness of the "Y2K" problem

Other 1997 findings identified problems with information systems development and disaster contingency planning.

and monitor State agency efforts to ensure computer systems will function properly in the year 2000 and beyond.

**OFFICE OF THE AUDITOR GENERAL  
ORGANIZATIONAL CHART**



As of December 1997, there were 73 employees. Sixty-one were located in the Springfield office and twelve in the Chicago office.

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**CLAIMS DUE THE STATE AND METHODS OF COLLECTION**

As required by law (30 ILCS 205/2 (k)), the Office of the Auditor General is reporting that the total amount of claims administered by the Office that were due and payable to the State as of December 31, 1997, was \$176,750.00. This represents one account receivable. The accounts receivables generated by our Office primarily represent billings to other State agencies for reimbursement of audit costs. Reimbursements for federal single audits are deposited into the General Revenue Fund. If normal collection methods fail, we request assistance from the Office of the Attorney General. To date we have never used the services of a private collection agency.

**SUMMARY OF APPROPRIATIONS AND EXPENDITURES**

The Office of the Auditor General was funded by appropriations from the General Revenue Fund and Audit Expense Fund for fiscal year 1997 (July 1, 1996 to June 30, 1997).

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***FISCAL YEAR 1997***

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	<i>Appropriation</i>	<i>Expended</i>	<i>Lapse</i>
Personal Services	\$ 2,947,800	\$ 2,865,889	\$ 81,911
Employee Retire. (Employer)	117,900	111,870	6,030
Retirement	147,400	142,359	5,041
Social Security	219,750	212,389	7,361
Contractual Services	539,000	455,611	83,389
Travel	80,000	65,697	14,303
Commodities	18,000	14,342	3,658
Printing	16,000	7,968	8,032
Equipment	40,600	39,942	658
EDP	100,000	97,644	2,356
Telecommunications	70,750	70,732	18
Oper. Of Auto. Equip.	5,000	2,190	2,810
Audits/Studies/Invest.*	<u>10,904,302</u>	<u>9,188,150</u>	<u>1,716,152</u>
<b>TOTAL</b>	<b>\$15,206,502</b>	<b>\$13,274,783</b>	<b>\$1,931,719</b>

\*Audit Expense Fund

**COMPLIANCE, FINANCIAL, & FEDERAL AUDITS  
COMPLETED IN 1997 (for FY 6/30/96)**

<b>AGENCY</b>	<b>F</b>	<b>C</b>	<b>DATE RELEASED</b>
Abandoned Mined Lands Reclamation Council	x	x	04-30-97
Aging	x	x	05-08-97
Anna Veterans' Home		x	05-08-97

Attorney General	x	x	05-30-97
Banks and Real Estate Companies, Commissioner of	x	x	07-16-97
Big Muddy River Correctional Center		x	03-26-97
Capital Development Board	x	x	05-21-97
Central Management Services	x	x	04-10-97
Central Management Services - Deferred Compensation	x		07-16-97
Centralia Correctional Center		x	03-26-97
Chicago State University	x	x	05-15-97
Chicago State University Foundation	x		05-15-97
Children and Family Services	x	x	05-08-97
Commerce and Community Affairs	x	x	05-21-97
Comptroller - Fiscal Officer	x	x	05-30-97
Comptroller - Non-fiscal Officer	x	x	05-30-97
Conservation Foundation	x	x	04-30-97
Correctional Industries	x	x	03-26-97
Corrections - General Office	x	x	03-26-97
Corrections School District	x	x	03-26-97
Danville Correctional Center		x	03-26-97
Development Finance Authority	x	x	04-15-97
Dixon Correctional Center		x	03-26-97
DuQuoin State Fair		x	04-10-97
Dwight Correctional Center		x	03-26-97
East Moline Correctional Center		x	03-26-97
East St. Louis Financial Advisory Authority	x	x	05-21-97
Eastern Illinois University	x	x	05-15-97

<b>AGENCY</b>	<b>F</b>	<b>C</b>	<b>DATE RELEASED</b>
Eastern Illinois University Alumni Association	x		05-15-97
Eastern Illinois University Foundation	x		05-15-97
Educational Facilities Authority	x	x	04-15-97
Employment Security	x		05-08-97
Environmental Protection Agency	x	x	04-30-97
Environmental Protection Trust Fund	x	x	04-30-97
Farm Development Authority	x	x	04-15-97
Financial Institutions	x	x	05-21-97
Fire Marshal	x	x	04-30-97
General Assembly Retirement System	x		02-06-97
Governors State University	x	x	05-15-97
Governors State University Alumni Association	x		05-15-97
Governors State University Foundation	x		05-15-97
Graham Correctional Center		x	03-26-97
Grain Insurance Corporation	x	x	04-10-97
Health Care Cost Containment Council	x	x	05-08-97
Health Facilities Authority	x	x	04-15-97
Hill Correctional Center		x	03-26-97
Historic Preservation Agency	x	x	04-30-97
Housing Development Authority	x	x	04-15-97
Illinois Community College Board	x	x	05-21-97
Illinois Community College System Foundation	x	x	05-21-97
Illinois Rehabilitation and Education Center	x	x	05-08-97
Illinois River Correctional Center		x	03-26-97
Illinois State Fair		x	04-10-97
Illinois State University	x	x	05-15-97
Illinois State University Foundation	x	x	05-15-97
Illinois Youth Center - Harrisburg		x	03-26-97
Illinois Youth Center - Joliet		x	03-26-97

Illinois Youth Center - Pere Marquette		x	03-26-97
Illinois Youth Center - St. Charles		x	03-26-97
Illinois Youth Center - Valley View		x	03-26-97

18

<b>AGENCY</b>	<b>F</b>	<b>C</b>	<b>DATE RELEASED</b>
Illinois Youth Center - Warrenville		x	03-26-97
Industrial Commission - Self Insurers Fund	x		05-08-97
Jacksonville Correctional Center		x	03-26-97
Joint Committee on Administrative Rules		x	05-30-97
Joliet Correctional Center		x	03-26-97
Judges Retirement System	x		02-06-97
Judicial Inquiry Board	x	x	03-26-97
Kankakee Correctional Center		x	03-26-97
Kankakee River Valley Area Airport Authority	x	x	07-16-97
LaSalle Veterans Home		x	05-08-97
Law Enforcement Officers Training and Standards Board	x	x	04-03-97
Legislative Information System		x	05-30-97
Lincoln Correctional Center		x	03-26-97
Liquor Control Commission	x	x	06-11-97
Logan Correctional Center	x	x	03-26-97
Lottery	x	x	06-11-97
Manteno Veterans Home	x	x	05-08-97
Mathematics and Science Academy	x	x	05-21-97
Mathematics and Science Academy Fund	x		05-21-97
Medical District Commission	x	x	12-04-97

Menard Correctional Center		x	03-26-97
Menard Psychiatric Center		x	03-26-97
Metropolitan Water Reclamation District (12-31-96)	x	x	12-04-97
Meyer Mental Health Center (Close-out)		x	07-16-97
Military Affairs	x	x	04-03-97
Mines and Minerals	x	x	04-30-97
Natural Resources	x	x	04-30-97
Northeastern Illinois University	x	x	05-15-97
Northeastern Illinois University Foundation	x		05-15-97
Northern Illinois University	x	x	05-15-97
Northern Illinois University Foundation	x	x	05-15-97
Pollution Control Board	x	x	04-30-97

<b>AGENCY</b>	<b>F</b>	<b>C</b>	<b>DATE RELEASED</b>
Pontiac Correctional Center		x	03-26-97
Prairie State 2000 Authority	x	x	12-04-97
Prisoner Review Board		x	04-03-97
Property Tax Appeal Board		x	05-21-97
Public Aid	x		05-08-97
Quincy Veterans Home	x	x	05-08-97
Racing Board	x	x	06-11-97
Rehabilitation Services	x	x	05-08-97
Revenue	x		04-10-97
Robinson Correctional Center		x	03-26-97
Rural Bond Bank	x	x	04-15-97

Savings and Residential Finance, Commissioner of	x	x	07-16-97
School for the Deaf	x	x	05-08-97
School for the Visually Impaired	x	x	05-08-97
Secretary of State	x		05-30-97
Shawnee Correctional Center		x	03-26-97
Sheridan Correctional Center		x	03-26-97
Southern Illinois University	x	x	05-15-97
Southern Illinois University Carbondale Alumni Association	x		05-15-97
Southern Illinois University Carbondale Foundation	x		05-15-97
Southern Illinois University Edwardsville Alumni Association	x		05-15-97
Southern Illinois University Edwardsville Foundation	x		05-15-97
Southern Illinois University Park - Edwardsville	x	x	05-15-97
Southwestern Illinois Correctional Center		x	03-26-97
State Appellate Defender	x	x	02-26-97
State Board of Education	x	x	03-12-97
State Board of Investment	x		02-06-97
State Community College of East St. Louis	x	x	12-04-97
State Employees Retirement System	x		02-06-97
State Police	x	x	04-03-97
State Police Merit Board		x	04-03-97
State's Attorneys Appellate Prosecutor	x	x	02-26-97

<b>AGENCY</b>	<b>F</b>	<b>C</b>	<b>DATE RELEASED</b>
Stateville Correctional Center		x	03-26-97
Student Assistance Commission	x		05-21-97

Student Assistance Commission - IDAPP	x	x	05-21-97
Tamms Correctional Center		x	03-26-97
Taylorville Correctional Center		x	03-26-97
Teachers Retirement System	x		02-06-97
Toll Highway Authority (12-31-96)	x		11-26-96
Transportation	x	x	07-16-97
Treasurer - Fiscal Officer	x		05-30-97
Treasurer - Investment Pool	x		02-13-97
Universities Retirement System	x		02-06-97
University of Illinois	x	x	05-15-97
University of Illinois - Chicago HMO	x		05-15-97
University of Illinois Alumni Association	x	x	05-15-97
University of Illinois Foundation	x	x	05-15-97
Vandalia Correctional Center		x	03-26-97
Veterans Affairs - General Office	x	x	05-08-97
Vienna Correctional Center		x	03-26-97
Western Illinois Correctional Center		x	03-26-97
Western Illinois University	x	x	05-15-97
Western Illinois University Foundation	x		05-15-97

**PERFORMANCE AUDITS,  
INQUIRIES, & SPECIAL  
REPORTS 1980-1997**

**AUDITS IN PROGRESS**

- CHICAGO AIRPORTS
- TUITION & FEE WAIVERS
- COMPTROLLER'S OFFSET
- SYSTEM
- D.O.T. ROAD CONSTRUCTION
- NURSING HOME PRESCREENING

5/97 Professional Regulation -  
Physicians Regulated Under the  
Medical Practices Act

12/96 DMHDD - Office of the Inspector  
General

6/96 IHSA - Site Selection for Boys  
Basketball Finals

4/96 DMHDD - Reporting of Resident  
Abuse & Neglect

5/95 Summer Unemployment at State  
Universities

2/95 Laws Considered Obsolete

1/95 Public Aid's Child Support Program

12/94 Office of the Inspector General

6/94 Toll Highway: Helicopters

6/94 DMHDD: Abuse & Neglect

5/94 Correctional Industries

5/94 Central Management Services:  
Telecommunications

3/94 Collection of Money from Circuit  
Clerks

1/94 State Housing Benefits

7/92 St. Anne's Lease

6/92 State Police I-SEARCH Program

5/92 Privatizing Weigh Stations

4/92 Henry Horner's Children's Care

3/92 Governor's Council on Health &  
Physical Fitness

3/92 Case Management Practices

1/92 State Legal Services

11/91 State Regulation of Insurer Solvency

8/91 High Education "Systems of  
Systems"

7/91 Eastern Illinois University Coal  
Conversion Project

6/91 Special Analysis: Build Illinois

5/91 Availability of Obstetric Care

5/91 Collection of Sales & Taxes  
Receivable

5/91 Property Forfeited Under the Illinois  
Controlled Substances Act

3/91 Illinois Competitive Access &  
Reimbursement Equity Program

3/91 Nutritional Services Paid by the  
Department of Children & Family  
Services

2/91 Illinois Multi-Year Fixed Contractual  
Obligations

2/91 Administrative Citations:  
Environmental Protection Agency

10/90 Project Chance Evaluation Contract

10/90 Frequent Flyer Programs

8/90 Parents Too Soon Program

7/90 State University Tuition & Fee  
Policies & Practices

5/93	Public Aid: Property Transfers	7/90	Debt Collection Practices of Illinois & Other States
4/93	Office of the Inspector General	5/90	DMHDD: Abuse & Neglect
4/93	Early Intervention Services System	4/90	Veterans' Affairs Field Office Closures
4/93	User Fees	3/90	Illinois Competitive Access & Reimbursement Equity Program
11/92	DMHDD: Abuse & Neglect	1/90	Public Aid's-Delta Dental
		12/89	Regional Transportation Auth.

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11/89	Illinois Sports Facilities Authority & the Chicago White Sox	2/86	Advisory Boards & Commissions
11/89	Five State Retirement Systems' Financial Status	11/85	Data Security Practices
10/89	Feasibility of Consolidating State Revenue Bond Agencies	11/85	Hazardous Waste Management
7/89	Commerce & Community Affairs' Economic Development Programs	9/85	Management & Collection of Claims Receivable
5/89	EPA's Hazardous Waste Management Program	3/85	Perinatal Medical Care
4/89	Selected Auditor Comparability: Jobs & Pay	10/84	State Employee Travel
2/89	AIDS Testing: Statutory Requirements & Costs	10/84	Feasibility Study: Rock Island Co. Facility
1/89	Public Univ. Instructional Costs	9/84	Employment Security Unemployment Insurance
1/89	Vehicle Emissions Testing Program	8/84	Salaried Non-working Time Benefits
10/88	U of I Athletic Association	8/84	Responsible Relative Requirements
8/88	JTPA	5/84	Bd. of Investment: 5 State Retirement Systems
7/88	Audit Status of Circuit Courts	10/83	Commerce Comm.: Management Audits of Public Utilities
6/88	Dept. of Revenue - Corporate Income Tax	5/83	Contractual Legal Services
5/88	State Program of Internal Auditing	4/83	Industrial Commission
7/87	Computer Acquisition & Use in Higher Education	12/82	Procurement Policies & Procedures
		7/82	Criminal History Components
		4/82	Financing of Improvements of Rock Island State Park

6/87 Chicago Housing Authority	1981 Chicago Road Fund
6/87 Cash Management Practices	12/81 DMHDD: Region 2
4/87 State Laboratory Services	11/81 Procurement of Real Property
4/87 U of I Hospital & Affiliated Clinics	10/81 Registration & Education: Investigation & Enforcement Functions
4/87 Chicago's Use of State Appropriated Funds	1/81 Licensing & Regulation of Bingo
10/86 State Pensions Assets Investment Performance	1/81 Chicago Bd. of Education
10/86 CMS - Lottery Building Lease	12/80 Nursing Home Reimbursement System
10/86 Property Management Problems - Mental Health Centers	12/80 DCFS Day Care Activities
5/86 Illinois Preferential Procurement Programs	11/80 Dept. of Personnel Management
4/86 State Toxicology Lab	10/80 Public Aid's Local Office Management
4/86 Engineering Programs in Illinois - NIU	9/80 Licensing of Grain Dealers
3/86 Claims & Accounts Receivable	7/80 Illinois Fair Employment Practices Commission
3/86 Capitol Development Board: Construction of the State of Illinois Center	6/80 Sect of State Vending Services
2/86 Illinois Commerce Commission	5/80 Coastal Zone Management
	1/80 Court of Claims
	1/80 Cook Co. Health & Hospitals