

2005

ANNUAL REPORT

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL



William G. Holland, Auditor General



SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888-261-2887



CHICAGO OFFICE:
STATE OF ILLINOIS BUILDING • SUITE 5-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

March 1, 2006

Honorable Members of the General Assembly
The Legislative Audit Commission
The Honorable Rod R. Blagojevich, Governor
Citizens of Illinois

Ladies and Gentlemen:

Enclosed is the Annual Report of the Auditor General's Office for the year ended December 31, 2005, submitted in compliance with Section 3-15 of the Illinois State Auditing Act.

Since assuming this position in 1992, my consistent commitment has been to present objective, balanced and independent audits. I believe this annual report reflects the success of my office in meeting that goal during 2005. It will continue to be my goal during the coming year.

I thank all those who made possible the reported accomplishments, including members of the General Assembly, members and staff of the Legislative Audit Commission, and the staff of the Auditor General's Office.

Yours truly,

A handwritten signature in blue ink, appearing to read "William G. Holland".

WILLIAM G. HOLLAND
Auditor General



TABLE OF CONTENTS



- Overview 1
- Public Information 2
- Continuing Education and Training Requirements 3
- Compliance Examination Program 4
 - Accountability 5
 - Federal Auditing/Statewide Single Audit Update 11
 - Peer Review/Annual Audit Advisory/Other Audit Responsibilities . . . 12
- Performance Audit Program 13
 - Performance Audits Completed in 2005 14
 - Performance Audits in Progress 16
- Information Systems Audit Program 20
 - ISA Findings 21
- Organizational Chart 22
- Claims Due the State and Methods of Collection 23
- Summary of Appropriations and Expenditures 23
- Financial Audits and Compliance Examinations Completed in 2005 25
- Performance Audits 1980-2005 29

CONTENTS



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 effective August 1, 1992, and unanimously appointed to a second ten-year term, effective August 1, 2002.

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 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 audits and Compliance examinations are mandated by law. They disclose the obligation, expenditure, receipt, and use of public funds. They also provide agencies with specific recommendations to help ensure 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 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, computer security, contracts, expenditure control, leases, misappropriation of funds, personnel and payroll, property control, purchasing, reimbursements, telecommunications, and travel.

Audit reports are reviewed by the Legislative Audit Commission in a public hearing attended by agency 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 an audit. All outstanding recommendations are reviewed during the next regularly scheduled audit of an 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
- Emergency Purchase Affidavits
- Professional or Artistic Services Affidavits
- Contractual Services Certifications

Information about the Auditor General is available on the Internet. This information includes current digests of Financial and Compliance audits and the year that each Illinois State agency is audited. Also available is information on our Performance and Information Systems audits.

OUR INTERNET WEB SITE ADDRESS IS:
<http://www.state.il.us/auditor>

OUR E-MAIL ADDRESS IS:
auditor@mail.state.il.us

PUBLIC INFORMATION IS AVAILABLE BY WRITING:

**FOIA Officer
Office of the Auditor General
Iles Park Plaza
740 E. Ash St.
Springfield, IL 62703-3154**

**SpringfieldTelephone: (217) 782-6046
Fax: (217) 785-8222**

**ChicagoTelephone: (312) 814-4000
Fax: (312) 814-4006**

TTY: (888) 261-2887

PUBLIC INFO.

CONTINUING EDUCATION AND TRAINING REQUIREMENTS

The U.S. Government Accountability Office (GAO) has established the Government Auditing Standards to ensure government auditors maintain competence, integrity, objectivity, and independence in conducting audits.



The general standard related to competence specifies that auditors assigned to the audit should collectively possess adequate professional competence for the tasks required. This standard establishes Continuing Professional Education (CPE) requirements for auditors who are responsible for planning, directing, performing, or reporting on audits conducted in accordance with the Government Auditing Standards.

This training requirement first became effective January 1, 1989, and states that every 2 years auditors should complete at least 80 hours of CPE that directly enhance the auditor's professional proficiency to perform audits. A minimum of 24 hours of CPE should be in subjects directly related to government auditing, the government environment, or the environment in which the audited entity operates. At least 20 of the 80 hours should be completed in any one year of the 2-year period.

The most recently completed 2-year period for training requirements as measured by the Office of the Auditor General was January 1, 2003, through December 31, 2004. All Auditors, Audit Directors, and Information Specialists required to meet the training standard were in compliance for this 2-year period.

Additionally, the Office of the Auditor General is a registered sponsor with the Department of Financial and Professional Regulation, and complies with the rules of the Illinois Public Accounting Act. ❖

TRAINING

THE COMPLIANCE EXAMINATION PROGRAM

The Auditor General is required by the Illinois State Auditing Act to conduct, as is appropriate to the agency's operations, a financial audit and/or compliance examination of every State agency at least once every two years. These audits and examinations 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 help ensure compliance with State and federal statutes, rules, and regulations.



The Compliance Examination Division conducted 146 compliance examinations, financial audits, federal audits, and special audits in 2005. Staff auditors conducted 17 of these engagements. 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 compliance attestation program has a positive impact on the operations of State government because agencies implement many of the recommendations made in these reports. Compliance reports 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 reports during appropriation hearings in the spring legislative session. To maximize the usefulness of the information, the Office attempts to deliver reports as early as possible in the legislative session.

COMPLIANCE

ACCOUNTABILITY

A number of reports issued in 2005 had findings that were important from an accountability standpoint. A brief summary follows.

DES PAID UNEMPLOYMENT BENEFITS TO INELIGIBLE INDIVIDUALS

The Department of Employment Security (DES) made payments to ineligible individuals under the Unemployment Insurance (UI) program.

The UI program administered by DES provides unemployment benefits to eligible individuals that are able and available for work. During our Statewide Single Audit of Federal Programs, DES disclosed payments were made to individuals who were not eligible to receive benefits under the UI program. DES officials stated this matter was currently under investigative review. They could not quantify the amount of ineligible payments at the time of our audit. The auditors were not able to apply other audit procedures to satisfy themselves as to whether payments were made to eligible individuals of the UI program or to enable them to express an opinion on compliance for this program.

As a result of the auditors' inability to evaluate DES's compliance with the provisions of laws and regulations related to the processing of UI claims, the auditors issued a disclaimer of an opinion.

We recommended DES continue to review its procedures for payment of UI benefits and implement changes necessary to ensure benefits are only paid to eligible individuals.

DES officials concurred with the finding, due to the timing of the audit and the confidentiality requirement imposed for the outside investigative review. Further, they expect the information will be available for the FY 05 audit upon completion of the investigative review.

LACK OF DETAILED RECONCILIATION FOR SERVICE ORGANIZATION ACTIVITIES

The Toll Highway Authority did not have a detailed reconciliation process related to service organization activities.

During our audit, we noted that the Tollway did not have an adequate reconciliation process in place to detect irregularities in transactions performed by the service organization. The service organization performs I-PASS transactions and customer service activities.

Monthly bank reconciliations performed at the Tollway did not detect inappropriate credit card transactions processed by an employee at the service organization. The transactions did not appear to be properly investigated by the Tollway while performing the bank reconciliations.

A service organization employee was able to divert \$45,984 over a period of several months. The unusual activity was discovered by the Tollway's credit card processor. The Tollway has been reimbursed all the funds from the service organization.

We recommended the Tollway perform detailed reconciliations on a timely basis and review the internal controls associated with the service organization. We further recommended that the Tollway should review the feasibility of obtaining SAS 70 reports from its service organizations.

Tollway officials concurred with our recommendation, and stated that they have already implemented procedures to prevent this type of irregularity from occurring, and that they will examine the feasibility of obtaining SAS 70 reports from their service organizations.

LOTTERY'S USE OF INCENTIVE PROGRAMS NEED IMPROVEMENT

The Lottery operated a "prize closet" containing electronics and other merchandise donated by broadcasting stations without maintaining proper documentation and accountability.

During this engagement, it came to our attention that the Lottery has operated a "prize closet" dating back to 1989 and possibly longer. We noted that in the fall of 2003, Lottery's then-general marketing contractor was directed by Lottery to solicit donations of "hard goods" from broadcasting stations from which Lottery purchased advertising. Acceptable

“hard goods” were defined as “electronics (televi- sions, sound systems, MP3 players, etc.), travel/entertainment (airline ticket vouchers, hotel packages) or gift certificates from statewide retail- ers.” According to the letter sent to broadcasting sta- tions requesting the donations, “these hard goods will be utilized as incentives to create excitement and rewards within the Lottery’s team of dedicated employees.”

As a result of the Fall 2003 solicitation, Lottery received over 1,000 individual items which were placed into a “prize closet.” Donations included gift certificates to restaurants and electronic stores, DVDs and CDs, and video game systems. Receipts of donations to the prize closet continued through December 4, 2004, when the Director of Revenue made a decision to stop the “prize closet” operation associated with the Lottery operations.

Lottery maintained a perpetual inventory of items placed in and removed from the prize closet. When items were removed from the prize closet, a request form showing the date, the item, the person requesting the item and the recipient of the item were completed. In eight instances, the Department could not provide evidence reflecting who the ultimate recipient was.

Department officials indicated that Lottery personnel did, in fact, receive incentives as part of promotional activities associated with the Lottery. However, the Department maintained that during this audit period, the incentive awards were not made from the prize closet, but rather, were purchased by the Lottery’s advertising and public relations agencies for this purpose, and the value of those incentives were included in each recipient employee’s W-2 wage reporting.

We recommended the Department maintain appropriate records on distributions from the prize closet or through other incentive programs. We further recommended the Department follow State property laws and regulations for any items placed into or taken from the prize closet or otherwise received from vendors and distributed to employees, agents and others. Finally, the Department should establish clear legal authority for, and follow rules pertaining to, the distribution of items of value received from Lottery vendors.

Department officials stated that they have suspended the practice of soliciting or receiving hard goods in conjunction with media buys, and have returned related items in their possession. In the future, if the Lottery resumes this practice, the Lottery will maintain appropriate records and will follow the State Property Control Act (30 ILCS 605/1 et. seq.) and regulations promulgated there under (44 Ill. Adm. Code Part 5010). The Department will also obtain a legal opinion from General Counsel and Central Management Services as to the appropriateness of establishing clear legal authority for, and follow rules pertaining to, the receipt and distribution of items of value received from Lottery vendors. Also, if the “incentive” practice is re-established, procedures will be established that require the Lottery retailer (or in the case of an approved employee incentive program, the receiving employee) sign for the award, and that the signed receipt be returned to Lottery Central to supplement inventory records.

CONTRACTS WERE NOT COMPETITIVELY BID

The Capital Development Board entered into five separate contracts ranging from \$24,900 to \$25,000 without using a competitive bidding process, contacting more than one vendor, or publishing the solicitation or contract award as required. All five contracts, which totaled \$124,900, were entered into with the same accounting firm and were executed over a six-week period. The contracts consisted of agreed-upon procedures to help determine the Board’s outstanding obligations due to suspended construction of two prisons.

The Illinois Procurement Code (Code) states that State contracts for professional and artistic services of \$20,000 or more shall be awarded using the competitive request for proposal process.

We recommended the Board implement adequate controls to ensure all procurement projects are sub- mitted to the bidding process required by the Code.

Board officials disagreed with the finding, and responded that construction-related professional services can be awarded non-competitively up to \$25,000, according to the Qualifications Based

Selection (QBS) Act. The Board further responded that the \$20,000 level is for other types of professional and artistic services. The Board stated, “CDB feels that the work was engineering- and architecturally-related even though the firm was a CPA firm.”

In our auditor’s comment, we noted that the QBS Act applies only to construction-related professional services of licensed architects, engineers, or registered land surveyors. The Board contracted with an accounting firm, the services were provided by public accountants, and the Board has presented no evidence that these individuals are licensed as architects, engineers, or land surveyors. Therefore, the Procurement Code applies to the procurement of these services, not the QBS Act.

INADEQUATE CONTROLS OVER EMPLOYEES

The Office of the State Fire Marshal employed 129 employees as of June 30, 2004. Furthermore, the Office had five divisions with 63 field employees either working from their homes or a field office. These employees consisted of 20 inspectors, 16 investigators, 24 specialists and three administrative staff. During our review of internal controls, we noted the following problems:

- There was no method to determine that employees worked during reported hours;
- There was not sufficient timekeeping documentation for State employees;
- There was no method to track where employees should be at any point in time;
- Office personnel did not perform spot checks on employees;
- The Office did not appear to have adequate oversight over employees assigned to all locations; and
- There was an apparent lack of supervision over field employees.

We recommended the Office establish and enforce formal administrative controls over its employees, which include employee tracking, timekeeping, and

spot checks of all employees.

Office officials concurred with the finding and stated they were reviewing their policies for purposes of implementing new procedures for field staff and new timesheets for office personnel.

NEED TO ESTABLISH SPECIALIZED ALZHEIMER’S DAY CARE RESOURCE CENTERS

The Department on Aging failed to establish one urban and one rural specialized Alzheimer’s Day Care Resource Center as required by the Illinois Act on Aging (the Act). In addition, the Department failed to contract with a public or private agency to develop a training module for the specialized Alzheimer’s Day Care Resource Centers.

The Illinois Act on Aging (20 ILCS 105/8.05 (b)) states that in order to address the needs of persons suffering from Alzheimer’s disease or a disease of a related type, the Department shall encourage the development of adult day care for these persons through the administration of specialized Alzheimer’s Day Care Resource Centers. The Act requires the Department to establish at least one urban and one rural specialized Alzheimer’s Day Care Resource Center.

The Act also requires the Department to contract with a public or private nonprofit agency, or with professional persons in the fields of health or social services with expertise in Alzheimer’s disease, to develop a training module for the specialized Alzheimer’s Day Care Centers.

Department officials stated that they believed the Adult Day Care Resource Centers were never opened because monies were never appropriated for that purpose. Department officials further stated that the Department did not request funding in their fiscal year 2003 or 2004 appropriation request. Department officials also stated that they believed they were complying with the training provisions of the Act by providing funding to colleges and hospitals for Alzheimer’s training.

We recommended the Department establish one specialized Alzheimer’s Day Care Resource Center

in an urban area and one in a rural area, and develop a training module to assist persons with Alzheimer's disease and other related diseases of that type as required by the Act, or seek legislative remedy to the statutory requirement.

Department officials indicated they plan to: 1) seek funding to open the centers, or 2) recommend that this section be amended to remove the statutory mandate.

NONCOMPLIANCE WITH MANDATED DUTIES SET FORTH IN STATE LAW

The Illinois State Board of Education did not comply with duties mandated by State statute. We noted the Agency did not:

- Initiate and maintain an annual Governor's Recognition Program;
- Develop a model curriculum;
- Make computer literacy and high-tech competency grants available to qualifying school districts;
- Prepare or make available all provisions of family life instruction courses and evaluation procedures;
- Establish a State-level Committee of Cooperative Services;
- Prepare fiscal notes timely as requested by the General Assembly;
- Review, approve and process Safety Survey Reports timely;
- Issue a Certificate of Approval for the Expenditure of Fire Prevention and Safety Funds timely;
- Adequately assess the performance progress for Reading Improvement Block Grant Programs;
- Maintain documentation demonstrating teacher coordinators of the Work Experience and Career Exploration Program possessed the educational experience;
- Notify school districts of a link on the Agency's website to homework assistance websites;
- Compile data by school district on attacks on school personnel; or,

- Maintain documentation that the behavioral intervention guidelines were reviewed in the last three years.

We recommended the Agency comply with the mandated duties.

Agency officials agreed with our recommendation and stated they will implement changes accordingly.

INADEQUATE CONTROLS OVER FINANCIAL REPORTING

The Medical District Commission did not have adequate controls to ensure that accounts payable and notes receivable were properly recorded. The Commission also did not properly record several non-routine transactions.

We reviewed a sample of payments made subsequent to year-end to determine if accounts payable had been properly recorded. Of the 25 payments reviewed for Fiscal Year 2004, 9 payments (36%) totaling \$93,148 were determined to be liabilities of Fiscal Year 2004 which had not been recorded. Of the 25 payments selected for Fiscal Year 2003, 5 payments (20%) totaling \$26,337 were determined to be liabilities of Fiscal Year 2003 which had not recorded.

We also noted that the Commission did not record certain transactions from prior years related to the issuance of certificates of participation (conduit debt for the University of Illinois) in the amount of \$30,625,000, an installment sale contract for \$6,471,000 and various escrow accounts that related to other sales, purchases and projects. The Commission has reported a prior period adjustment in the amount of \$7,550,297.

We recommended the Commission implement procedures to ensure accounting records are appropriately maintained.

Commission officials responded that they concur with the finding, and in conjunction with actions addressing another finding, have rectified the past omissions. Proper recording methods and instruction have been given to staff members responsible and/or involved in financial reporting.

NONCOMPLIANCE WITH THE STATE OFFICIALS AND EMPLOYEES ETHICS ACT

The Department of Financial Institutions (Department) was not maintaining time sheets for its employees in compliance with the State Officials and Employees Ethics Act (Act). Employees' time was tracked using a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise.

The Act requires the Department to adopt personnel policies consistent with the Act. The Act notes policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business. No time sheets documenting the time spent each day on official State business were maintained.

Department officials stated they relied on advice from the Governor's Office staff, who initially stated that agencies using the Department of Central Management Services payroll system, which the Department uses, would be in compliance with the Act.

We recommended the Department amend its policies to require employees to maintain time sheets in compliance with the Act.

Department management concurred with our recommendation and noted that beginning with fiscal year 2005, Financial Institutions resides as a division of the Illinois Department of Financial and Professional Regulation (IDFPR). IDFPR will work to implement a system that will address the issue outlined above.

PAYMENTS WERE MADE FOR EFFICIENCY INITIATIVE BILLINGS FROM IMPROPER LINE ITEMS; CMS DID NOT FULFILL ITS STATUTORY RESPONSIBILITY TO DETERMINE COST SAVINGS FOR EFFICIENCY INITIATIVE BILLINGS TO OTHER STATE AGENCIES

The Department of Central Management Services made payments for efficiency initiative billings from improper line item appropriations. Further, the Department appears to have transferred responsibility for determining cost savings for efficiency initiatives to another agency when the responsibility is granted to the Department by State law.

Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and reengineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by the Department of Central Management Services shall be paid into the Efficiency Initiatives Revolving Fund. The Act further requires State agencies to pay these amounts from line item appropriations where cost savings are anticipated to occur.

During FY04, the Department paid eight billings totaling \$24,843,842 for savings from efficiency initiatives. We found that the Department made payments for these billings not from line item appropriations where the cost savings were anticipated to have occurred, as provided for in the State Finance Act. Rather, the Department made payments for the billings generally where it had flexibility in funding levels.

Further, although Public Act 93-0025 gave the Department the duty to "establish the amount of cost savings to be realized by State agencies from implementing the efficiency initiatives," Department officials noted that the Governor's Office of Management and Budget (GOMB), in fact established the amounts that were billed to all State agencies – including the Department – in September 2003. Department staff printed the amounts received from GOMB onto Department invoices. These invoices were then returned to GOMB, which then decided which invoices would be sent to agencies for payment.

We recommended that the Department only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, we recommended the Department seek an explanation from the Governor's Office of Management and Budget as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated

impact the Department's budget. Finally, we recommended the Department, as required by State statute, establish the amount of cost savings to be realized by State agencies from implementing efficiency initiatives or seek legislative changes to the law to assign that responsibility to the Governor's Office of Management and Budget.

The Department disagreed with most of the finding and recommendation. In general, the Department took the position that aspects of the finding had no factual basis and were misleading.

DEFICIENCIES IN PROCUREMENT CONTRACTING

We selected nine contracts related to the Department of Central Management Services' major initiatives awarded in FY04, totaling a maximum award amount of \$69 million, for which we reviewed the procurement and award files at the Department. We noted problems in several areas:

- 6 of 9 contract files (67 percent) did not have the individual evaluators' scoring sheets. Further, some summary sheets did not identify who the evaluators were, and some summary scoring sheets did not show a breakdown of the scoring by evaluation category.
- 8 of 9 of the contract files we tested (89 percent) lacked evidence of a decision memorandum to the Director recommending the award of a contract to a specific vendor. The Illinois Administrative Code requires written determinations to be filed in the solicitation or contract file to which it applies.
- In 67 percent (6 of 9) of the contracts we reviewed, the winning vendor participated in the development of information for the RFP and/or was granted a waiver by the Department to propose on the procurement. Three of the six winning vendors had information attributed to them in the RFP. We could not find evidence the Department determined in writing that there would be no substantial conflict of interest by allowing vendors to assist in specification development and bid on

the procurement opportunity, and that it was in the best interest of the State to accept bids from these vendors.

- In 44 percent (4 of 9) of the contracts we reviewed, the Department used different criteria when evaluating the price component of proposals. However, we noted that this change in evaluation methodology – while not communicated to proposers – did not appear to affect the contract award. Additionally, we found that the Software Review contract was awarded to a vendor that did not receive the highest total points for technical merit and cost as outlined in the RFP.
- The Department allowed a vendor to extensively revise its proposal during the best and final process after initial scoring evaluations were completed. Documentation contained in the procurement files for the Asset Management professional services procurement opportunity showed that only one proposing vendor was provided the opportunity to submit a best and final offer (BAFO). While the price decreased from \$35.9 million to \$24.9 million as a result of the best and final process, the vendor's technical proposal also significantly changed.
- In 100 percent (9 of 9) of the contracts we reviewed, the Department allowed vendors to initiate work on the project without a formal written agreement in place. On average, the length of time between the announcement of the award and the filing of a contract with the Comptroller was 149 days (with a range of 87 days to 248 days). The average length of time between beginning work on the contract and the filing of the contract with the Comptroller was 125 days (with a range of 75 days to 234 days).
- A lack of supporting documentation submitted by contractors and the Department's lack of adequate review led us to question 77 percent (\$546,650 of \$708,715) of the total expenses paid to these contractors during FY04.

In all, we reported 24 findings in our audit of the Department of Central Management Services. The Department disagreed with most of our findings. ❖

STATEWIDE SINGLE AUDIT UPDATE

The purpose of the Statewide Single Audit is to fulfill the State mandate in accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 42 Illinois State agencies expended federal financial assistance in FY 04.

The schedule of expenditures of federal awards reflects total expenditures of \$16.2 billion for the year ended June 30, 2004. Overall, the State participated in 346 different federal programs; however, 10 of these programs or program clusters accounted for 80.3% of the total federal award expenditures.



Overall, ten State agencies accounted for approximately 97.2% of all federal dollars spent during FY04.

| FEDERAL AGENCIES PROVIDING FEDERAL FUNDING For the year ended June 30, 2004 | |
|--|--------------------|
| U.S. Department | Millions |
| Health & Human Services | \$ 7,759.0 |
| Labor | 3,082.8 |
| Agriculture | 1,914.9 |
| Education | 1,540.2 |
| Transportation | 1,005.4 |
| All Others | 908.0 |
| Total Federal Award Expenditures | \$ 16,210.3 |

Source: FY 2004 State of Illinois Single Audit Report

| SUMMARY OF FEDERAL SPENDING BY STATE AGENCY For the year ended June 30, 2003 | |
|---|--------------------|
| Agency | Millions |
| Public Aid | \$ 5,923.6 |
| Employment Security | 2,883.3 |
| Human Services | 2,647.8 |
| Board of Education | 1,659.6 |
| Transportation | 996.5 |
| Children & Family Services | 495.6 |
| Management & Budget | 422.3 |
| Commerce & Economic Opportunity | 401.8 |
| Student Assistance Commission | 172.2 |
| Environmental Protection Agency | 155.8 |
| All Others | 451.8 |
| Total Federal Spending | \$ 16,210.3 |

Source: FY 2004 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.

Our audit testing focused primarily on the 51 programs expending about \$15.5 billion in federal awards.

Our report contained 71 findings related to 15 State agencies.

FEDERAL

PEER REVIEW

Peer review is an external quality control review conducted every three years by audit professionals from across the United States who are selected by the National State Auditors Association. The peer review helps to ensure that our procedures meet all required professional standards, comply with Government Auditing Standards and produce reliable products for the agencies we audit.

The July 2005 peer review of the Auditor General's audit processes resulted in an unqualified (clean) opinion. Additionally, the peer review team did not note any deviations from professional standards that would have required a written letter of comments. Our most recent prior peer reviews, conducted in 1996, 1999 and 2002, likewise resulted in unqualified opinions.

ANNUAL AUDIT ADVISORY

Every year, the Auditor General's Office distributes an Illinois Audit Advisory to all State agencies for the purpose of sharing information that may make their operations more efficient and effective, and increase compliance with State law. The 2005 Illinois Audit Advisory profiled needed improvements in agencies' contracting processes and controls. In addition, the Advisory again noted agency deficiencies in the internal controls over financial reporting in accordance with generally accepted accounting principles. This year's Advisory also addressed issues such as employee timekeeping and disposal of confidential information.

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, as required by law, the Auditor General annually reviews the State Comptroller's pre-audit function. 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. ❖

FEDERAL

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 the services which the General Assembly intended. Depending on the focus, performance audits are generally referred to as program or management audits.

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 changes is due to the process of transforming the audit findings and recommendations into legislative bills and converting bills into law; additionally, once a law is implemented, the effects may not be apparent for some time.

In June 2005, the Auditor General's Office was awarded the **Excellence in Accountability Award** by the National State Auditors Association (NSAA) for our *Management and Program Audit of the Rend Lake Conservancy District*. NSAA established the Excellence in Accountability Awards Program in 2003 to recognize outstanding performance audits and special projects. This was the second year in a row that a report issued by the Illinois Office of the Auditor General received this highest award.

In June 2005, the *Management and Program Audit of the Rend Lake Conservancy District* also received a **Certificate of Recognition of Impact** from the National Legislative Program Evaluation Society

(NLPES). The award is given annually by NLPES for audit reports that demonstrate significant dollar savings, program improvements, and impact from a legislative and public perspective. The Office previously received the NLPES Certificate of Recognition of Impact for the following audits:

- 2003 *Management Audit of the Illinois State Toll Highway Authority*;
- 2002 *Management Audit of Agency Use of Internet User Tracking Technology*;
- 2001 *Management Audit of State Board of Education and Other State Agencies Providing Funding to Illinois' Regional Offices of Education*;
- 2000 *Management Audit of Child Support State Disbursement Unit*;
- 1999 *Management Audit of the Pilsen Little Village Community Mental Health Center*; and
- 1998 *Management Audit of Tuition and Fee Waivers*.

Performance audits directly impact and improve agency operations. The Auditor General released two performance audits in 2005. Those audit reports contained two recommendations to improve agency operations.

In addition, the Performance Audit Program has the responsibility for audits of Regional Offices of Education (ROEs) and Intermediate Service Centers (ISCs). In 2005, the Auditor General released 45 audits of ROEs and 3 audits of ISCs. These 48 audits included a total of 96 recommendations for improvement. ❖



PERFORMANCE

PERFORMANCE AUDITS COMPLETED IN 2005

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

The Public Utilities Act (220 ILCS 5/8-403.1) requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund. Qualified solid waste energy facilities are required to pay into the Fund \$0.0006 per kilowatt-hour of electricity the facilities sold to electric utilities.

Each audit examines distributions from the Fund for the immediately preceding year. This is the sixth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2004.

The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2004, Robbins received \$345,527 in quarterly disbursements from the Fund. The Village earned \$102 in interest for total cash receipts of \$345,629 in 2004.
- Robbins disbursed \$353,951 from Fund receipts. Specific disbursements in 2004 were for Village payroll and employee health insurance, legal services for the acquisition of tax-delinquent properties in the Village, and other general Village expenses. We identified no questionable expenditures in calendar year 2004.

THE ILLINOIS SCHOOL DISTRICT LIQUID ASSET FUND PLUS

Senate Resolution Number 171 directed the Auditor General to conduct a management audit of the Illinois School District Liquid Asset Fund Plus (ISDLAF+). The ISDLAF+ is an Illinois common

law trust that was created in 1984 pursuant to provisions of the Illinois School Code. The ISDLAF+ offers shares in a manner similar to a money market mutual fund. Participants can choose from two different classes of shares (Liquid Class or the MAX Class). As of September 2004, the ISDLAF+ had approximately 400 participants, including township treasurers, school districts, and community colleges, and pooled funds totaling approximately \$586 million.

Conflicts of Interest. Prior to July 2004, neither Trustees nor service providers for the ISDLAF+ were required to file conflict of interest statements or disclosure forms with the Fund. In July 2004, the ISDLAF+ Board of Trustees approved a motion requiring each voting Trustee to annually submit to the Secretary copies of their economic interest disclosure forms that are filed annually with their respective county clerks. The motion also required Trustees to complete a Conflict of Interest Disclosure Statement. As of April 15, 2005, the Fund provided auditors with Conflict of Interest Disclosure Statements for all ten of the current voting Trustees, and copies of the Statements of Economic Interest filed with the respective county clerks for nine of the ten Trustees. However, the July 2004 motion did not provide guidance regarding the types of relationships considered potential conflicts and the reporting process. Furthermore, service providers and contractors with the Fund were not required to file a disclosure with the ISDLAF+ Board.

Fund Performance. The ISDLAF+ Multi-Class Series performance for the period October 2002 through December 2004 was comparable to other similar funds, including other states' school district liquid asset funds and governmental pool indices. When compared to the Illinois Treasurer's Office Illinois Funds, the ISDLAF+ performed slightly better than the Illinois Funds in the gross rate comparison (i.e., before expenses are deducted); however, the Illinois Funds performed better than

PERFORMANCE AUDITS COMPLETED IN 2005 (CONT.)

the ISDLAF+ in the net rate comparison (after expenses).

Management Controls. The ISDLAF+ has established a system of management controls for the moneys invested by participants in the pooled funds of the Multi-Class Series. These include written investment policies, quarterly reporting to the Board of Trustees, weekly compliance reporting to the audit committee, and regular performance comparisons.

Matter for Consideration. Because it is unclear whether the Public Funds Investment Act specifically authorizes investment in banker's acceptances, we have included a Matter for Consideration for the Illinois General Assembly to consider defining the term "direct obligations of any bank" in the Public Funds Investment Act.

REGIONAL OFFICES OF EDUCATION AUDITS

In addition to other duties, the Auditor General has the responsibility for annual audits of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State. A total of 48 audits were released in 2005; 45 were of Regional Offices of Education (ROEs), and 3 were of Intermediate Service Centers (ISCs). Our office arranged for auditing firms to perform these audits under the general direction and management of the Auditor General's audit managers. Of the 48 audits, 35 included recommendations for improvement. There were a total of 96 recommendations. Many of the recommendations dealt with the need to improve internal controls and compliance with legal requirements. ❖

PERFORMANCE AUDITS IN PROGRESS

STUDY OF STATE EMPLOYEE TRAVEL BETWEEN CHICAGO AND OTHER ILLINOIS CITIES

Legislative Audit Commission Resolution Number 131 directs the Auditor General to conduct a study of State employee travel between the city of Chicago and the following cities: Springfield, Champaign-Urbana, Bloomington, Carbondale, and Macomb. The Resolution replaces House Resolution Number 1039, which requested a similar study. The study is to include:

- A survey of State agencies to identify controls and methods agencies use to ensure the most economical mode of transportation is used and to track or monitor employee's reimbursable travel expenses;
- A survey of State employees who travel between Chicago and the specified cities to identify factors that impact modes of transportation taken, and specifically, whether changes in Amtrak schedules or reliability would increase ridership; and
- A review of a limited number of travel vouchers and follow-up with State agencies and/or individual travelers to identify reasons why the specific mode of transportation used was selected by the traveler.

THE DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY'S ADMINISTRATION OF ITS ECONOMIC DEVELOPMENT PROGRAMS

House Resolution Number 671 directs the Auditor General to conduct a management and program audit of the Department of Commerce and Economic Opportunity's (DCEO) administration of its economic development programs. The audit will include, but need not be limited to, the following determinations:

- Whether DCEO's economic development programs are operated in conformity with applicable federal and State requirements;

- Whether DCEO has established and implemented procedures to periodically review both the efficiency and effectiveness of its economic development programs;
- Whether DCEO has in place appropriate monitoring and reporting procedures to ensure that it receives timely and accurate information from its grant and loan recipients;
- Whether DCEO's reported performance measures are periodically reviewed and adequately supported by underlying documentation; and
- Whether DCEO's performance measures indicate that its economic development programs are effective in accomplishing their stated purposes.

THE DEPARTMENT OF TRANSPORTATION'S TRAFFIC SAFETY PROGRAMS

Legislative Audit Commission Number 129 directs the Auditor General to conduct a management and program audit of the Department of Transportation's traffic safety programs in regard to the following determinations:

- Whether the Department's traffic safety programs are being operated in conformity with applicable State and federal requirements;
- Whether the Department has established and implemented procedures to periodically review both the efficiency and effectiveness of its traffic safety initiatives;
- Whether the Department's traffic safety programs have experienced either staffing or budgetary reductions in the past two fiscal years and the impact of those reductions, if any, on the programs' operations;
- Whether the Department has plans for future reductions of staff and/or budget in its traffic safety programs and the extent to which the Department has analyzed the impact of those reductions on the programs' operations; and
- The extent to which any past reductions have

PERFORMANCE AUDITS IN PROGRESS (CONT.)

impacted, or any planned reductions may impact, federal funding for traffic safety programs.

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

Public Act 90-813 requires the Auditor General to conduct an annual financial, compliance and program audit of the distributions from the Municipal Economic Development Fund during the immediately preceding calendar year, pursuant to Section 8-403.1 of the Public Utilities Act.

STUDY OF DUPLICATE PROGRAMS

Legislative Audit Commission Resolution Number 130 directs the Auditor General to conduct a study that reviews agency programs to identify programs that may be duplicative or overlapping. The study is to include the following determinations:

- Developing an inventory of State programs by surveying State agencies and collecting follow-up information as needed;
- Identifying programs which may be duplicative across two or more agencies, such as similar services in different agencies that are provided to similar categories of recipients; and
- For selected programs where duplication may exist, conducting additional analyses examining the feasibility of consolidating programs, such as legal requirements or funding issues that may impact the feasibility of such consolidation.

THE DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATIONS' DISCIPLINING OF PHYSICIANS WHO VIOLATE THE PROVISIONS OF THE MEDICAL PRACTICE ACT

House Resolution Number 16 directs the Auditor General to conduct a program audit of the Department of Financial and Professional Regulation's disciplining of physicians who violate provisions of the Medical Practice Act of 1987. The audit will include the following determinations:

- The Department's compliance with State law regarding the disciplining of physicians;
- The Department's procedures for determining the need for, and nature of, any recommended disciplinary actions;
- The Department's process for ensuring that its recommended disciplinary actions are implemented and that any specified corrective steps are instituted; and
- The Department's process for communicating results of disciplinary action to the public.

AUDIT OF STATE'S BUSINESS ENTERPRISE PROGRAM AND IDOT'S DBE PROGRAM

Senate Resolution Number 102 directs the Auditor General to conduct a management audit of the State's Business Enterprise Program and the Illinois Department of Transportation's certification of businesses as DBEs through the Illinois Unified Certification Program (ILUCP). The audit shall include the following determinations:

- Whether certification and recertification procedures are adequate to assure that businesses participating in the Business Enterprise Program and businesses certified by IDOT in the ILUCP are legitimately classified as businesses owned and controlled by minorities, females, or persons with disabilities;
- Whether the established procedures and processes that govern certification of businesses owned and controlled by minorities, females, or persons with disabilities are being followed;
- Whether staff responsible for certification of

PERFORMANCE AUDITS IN PROGRESS (CONT.)

these businesses have received adequate training;

- What steps are followed to verify information provided by businesses participating in the Business Enterprise Program and businesses certified by IDOT in the ILUCP, such as review of pertinent documentation, interviews, and on-site visits;
- Whether the certifications are periodically reviewed to ensure that businesses in the programs continue to be qualified for participation; and
- Whether procedures for enforcing compliance with the Act and federal regulations, including contract termination and contractor suspension, are adequate and uniformly enforced.

I-SAVERx / FLU VACCINE

House Resolution Number 394 directs the Auditor General to conduct a management audit of the process followed in negotiating and entering into the contract with Ecosse Hospital Products Limited and in establishing and operating the I-SaveRx program. The audit shall include the following determinations:

- The roles played by the Office of the Governor and the Special Advocate for Prescription Drugs in negotiating and entering into the flu vaccine contract;
- The procedures applicable to, and agencies responsible for, the establishment and operation of the I-SaveRx program; and
- Whether the entities involved in these programs followed all applicable laws, regulations, policies, and procedures.

CTA PERFORMANCE AUDIT

House Resolution Number 479 directs the Auditor General to conduct a financial, compliance, and performance audit of the Chicago Transit Authority's operations, including the Brown Line Capacity Expansion Program, pensions, and capital programs.

RTA, PACE, METRA PERFORMANCE AUDIT

House Resolution Number 650 directs the Auditor General to conduct a financial, compliance, and performance audit of the Regional Transportation Authority (RTA), Metra, and Pace, including their operations, pensions, capital programs, and identifiable areas where redundant operations between RTA, Metra, and Pace and the Chicago Transit Authority (CTA) may be eliminated.

REND LAKE FOLLOW-UP

Legislative Audit Commission Resolution Number 133 directed the Auditor General to follow-up on its 2004 financial, management, and program audit of the Rend Lake Conservancy District. The audit will include the following determinations:

- The status of the District's implementation of the recommendations contained in the September 2004 financial audit and management and program audit; and
- What obstacles the District has faced in implementing those reports' recommendations.

PERFORMANCE

PERFORMANCE AUDITS IN PROGRESS (CONT.)

ILLINOIS DEPARTMENT OF TRANSPORTATION'S AERONAUTICS OPERATIONS

Legislative Audit Commission Resolution Number 135 directs the Auditor General to conduct a management audit of the Illinois Department of Transportation's aeronautics operations. The audit shall include the following determinations for the fiscal years 2003 through 2006:

- All direct and indirect costs associated with operating the State planes;
- A categorization of the users of the State planes by flight destination, time of day, and agency;
- The total reimbursements paid by State agencies for flights taken by their respective employees, and a determination of whether those reimbursements were sufficient to cover costs associated with operating the State's fleet;
- A comparison of the cost paid by State employees for flights on the State plane to

amounts charged by commercial airlines operating out of the same cities;

- To the extent that information is available, a determination of whether any flights were for a personal or non-official purpose; and
- Whether IDOT has analyzed the cost-effectiveness of its air operation, and examined whether alternative means exist to fulfill the travel needs of State employees.

REGIONAL OFFICES OF EDUCATION AUDITS

In 2006, the Auditor General's Office will conduct annual audits of the financial statements of all accounts, funds, and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State. A total of 48 audits are to be performed. ❖

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 the information system controls of all the State agencies. In 2005, we reviewed the following agencies: Chicago State University, Department on Aging, Department of Central Management Services, Department of Children and Family Services, Department of Commerce and Economic Opportunity, Department of Corrections, Department of Military Affairs, Department of Natural Resources, Department of Public Aid, Department of State Police, Department of Veterans' Affairs, Governors State University, Historic Preservation Agency, Illinois Math and Science Academy, Northeastern Illinois University, Office of the Attorney General, Office of the Comptroller, State Fire Marshal, Southern Illinois University, University of Illinois, and Western Illinois University.

As end-user computing and access to external entities proliferates 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, as well as internet and telecommunications security. These reviews have focused on the necessity of establishing consistent and effective security policies and programs and implementing comprehensive security techniques 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. Through its facilities, the Department provides data processing services to approximately 96 user entities throughout State of Illinois governmental agencies. Auditors tested the facility's controls and the 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. Computer programs were developed and executed to verify the integrity and validity of data. No major problems were identified with the data.

Controls at the central computer facility were generally adequate. However, we did recommend that the Department of Central Management Services ensure that disaster contingency resources and procedures are adequate for resumption of data processing following a disaster.



INFO. SYSTEMS

Seven agencies – Chicago State University, Department on Aging, Governors State University, Historic Preservation Agency, Illinois Community College Board, Office of Banks and Real Estate, and Southern Illinois University – had computer security deficiencies. Security administration was not always effective, and some of the available security features to safeguard information assets and to protect the integrity of information were not fully utilized by the agencies. Some of the significant control deficiencies were:

- available security features and monitoring tools were not used,
- comprehensive security policies did not exist, and
- effective password controls were not always used.

We recommended that these agencies establish/strengthen comprehensive security policies and procedures and implement suitable security parameters to protect information assets.

The Capital Development Board, Department of Commerce and Economic Opportunity, Department of State Police, and State Fire Marshal had deficiencies in the system development process that resulted in implementation delays, systems that did not meet agency needs, or insufficient documentation. We recommended that these agencies ensure that all system development projects adhere to appropriate systems development standards.

The Department of Commerce and Economic Opportunity and Department of State Police did not have required internal audit reviews performed on new computer applications. The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003) requires internal auditors to review “the design of major new electronic data processing systems and major modifications of those systems before their

installation to ensure the systems provide for adequate audit trails and accountability.”

The Department of Commerce and Economic Opportunity did not clear all data from computers before transferring them to the State’s Surplus Property Warehouse. The Data Security on State Computers Act (20 ILCS 450/1 et seq.) requires agencies to develop policies and certify in writing that all electronic data processing equipment has been cleared of all data and software before being sold, donated, or transferred. We also found the Department of Central Management Services was not enforcing policies to promote agency compliance with the Data Security on Computers Act. We recommended that these agencies ensure compliance with Data Security on State Computers Act.

Two agencies, including the Department on Aging and the Department of Public Aid, had weaknesses in disaster recovery planning for computer services. We recommended that these agencies assess the potential impact of a loss of computer services on the delivery of services, and formalize and test disaster recovery plans.

Agency officials generally concurred with our recommendations concerning these issues.

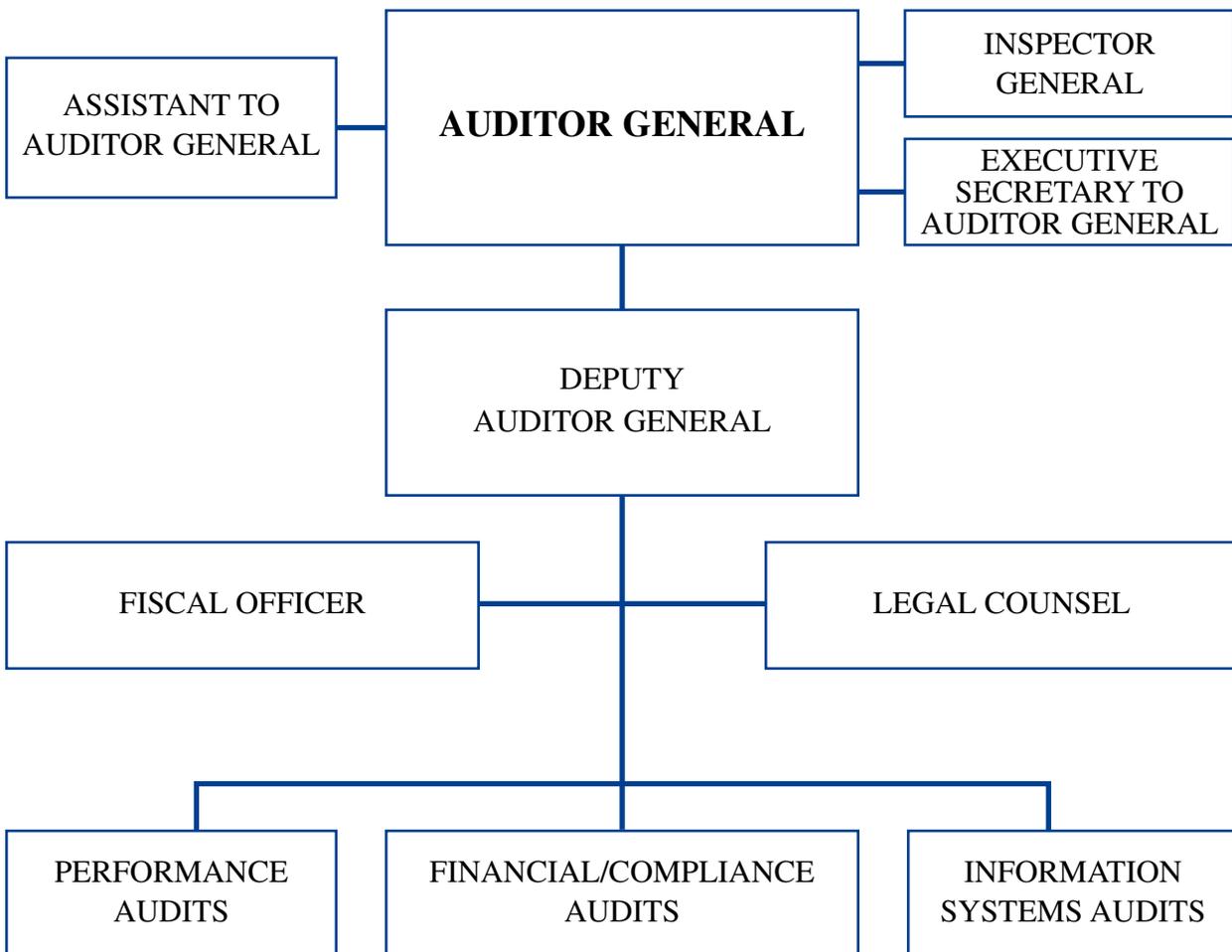
Information systems audit staff also reviewed the Generally Accepted Accounting Principles (GAAP) System at the Office of the Comptroller. This system is used to accumulate fiscal information from all State agencies into the State’s comprehensive financial report. No significant problems were identified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

The Information Systems Audit Division also maintains the computer system environment for the office.



ORGANIZATIONAL CHART

As of December 2005, there were 74 employees. Sixty-three were located in the Springfield Office and eleven in the Chicago Office. ❖



ORGANIZATION

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 there were no outstanding claims administered by the Office that were due and payable to the State as of December 31, 2005. 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. Reimbursements for audits not associated with federal single audits are deposited or transferred to the Audit Expense 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 2005 (July 1, 2004 to August 31, 2005, including lapse period).

| <i>FY 2005 - FINAL</i> | | | |
|---|-----------------------------|-----------------------------|--------------------------|
| | <i>Appropriation</i> | <i>Expended</i> | <i>Balance</i> |
| Personal Services | \$ 4,018,200 | \$ 3,990,891 | \$ 27,309 |
| Employee Retirement (Employer) | .56,700 | .55,189 | .1,511 |
| State Retirement | .643,105 | .643,103 | .2 |
| Social Security | .299,795 | .296,263 | .3,532 |
| Contractual Services | .653,300 | .591,918 | .61,382 |
| Travel | .83,000 | .53,195 | .29,805 |
| Commodities | .11,100 | .6,810 | .4,290 |
| Printing | .22,000 | .16,520 | .5,480 |
| Equipment | .50,000 | .37,050 | .12,950 |
| EDP | .83,900 | .82,955 | .945 |
| Telecommunications | .75,000 | .54,428 | .20,572 |
| Operation of Automotive Equipment | .5,000 | .2,650 | .2,350 |
| Audits/Studies/Investigations* | <u>.13,735,145</u> | <u>.13,057,041</u> | <u>.678,104</u> |
| TOTAL | <u>\$ 19,736,245</u> | <u>\$ 18,888,013</u> | <u>\$ 848,232</u> |

**Audit Expense Fund*



FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
JUNE 30, 2004, SEPTEMBER 30, 2004, DECEMBER 31, 2004, and APRIL 30, 2005

F = Financial Audits S = Single Audits C= Compliance Attestation Examinations

| AGENCY | F | S | C | DATE RELEASED |
|--|----------|----------|----------|--------------------------|
| Attorney General | | | x | 5/10/05 |
| Capital Development Board | x | | x | 4/06/05 |
| Chicago State University | x | x | x | 3/31/05 |
| Chicago State University Foundation | x | | | 1/27/05 |
| Comptroller – Fiscal Officer | x | | x | 5/10/05 |
| Comptroller – Non-Fiscal Officer | | | x | 5/10/05 |
| Department on Aging | | | x | 3/31/05 |
| Department of Central Management Services | x | | x | 4/26/05 |
| DCMS – Deferred Compensation Plan (12/31/04) | x | | | 7/13/05 |
| Department of Children and Family Services | x | | x | 4/06/05 |
| Department of Commerce and Economic Opportunity | x | | x | 4/06/05 |
| Department of Corrections – General Office | x | | x | 4/21/05 |
| Dept.of Corrections, Correctional Center – <i>Big Muddy River</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Centralia</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Danville</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Decatur Women’s</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Dixon</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Dwight</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>East Moline</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Graham</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Hill</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>IL River (Canton)</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Jacksonville</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Lawrence</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Lincoln</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Logan</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Menard</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Pinckneyville</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Pontiac</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Robinson</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Shawnee</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Sheridan</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Southwestern IL</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Stateville</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Tamms</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Taylorville</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Vandalia</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Vienna</i> | | | x | 4/21/05 |
| Dept. of Corrections, Correctional Center – <i>Western Illinois</i> | | | x | 4/21/05 |
| Department of Corrections, Correctional Industries | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Chicago</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Harrisburg</i> | | | x | 4/21/05 |

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

| <i>AGENCY</i> | <i>F</i> | <i>S</i> | <i>C</i> | <i>DATE RELEASED</i> |
|---|----------|----------|----------|--------------------------|
| Dept. of Corrections, IL Youth Center – <i>Joliet</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Kewanee</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Murphysboro</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>St. Charles</i> | | | x | 4/21/05 |
| Dept. of Corrections, IL Youth Center – <i>Warrenville</i> | | | x | 4/21/05 |
| Department of Employment Security | x | | | 2/10/05 |
| Department of Financial Institutions | | | x | 4/06/05 |
| Department of Human Services | x | | | 4/13/05 |
| Department of Insurance | x | | x | 3/31/05 |
| Department of Military Affairs | | | x | 3/10/05 |
| Department of Natural Resources | x | | x | 4/28/05 |
| Department of Professional Regulation | | | x | 6/23/05 |
| Department of Public Aid | x | | x | 3/10/05 |
| Department of Revenue | x | | x | 5/04/05 |
| Department of State Police | | | x | 3/10/05 |
| Department of Transportation | x | | x | 3/10/05 |
| Department of Veterans' Affairs – General Office | | | x | 4/13/05 |
| Drycleaner Environmental Response Trust Fund Council | | | x | 2/10/05 |
| DuPage Water Commission (4/30/05) | x | | x | 9/08/05 |
| East St. Louis Financial Advisory Authority | x | | x | 4/13/05 |
| Eastern Illinois University | x | x | x | 2/17/05 |
| Eastern Illinois University Alumni Association | x | | | 1/27/05 |
| Eastern Illinois University Foundation | x | | | 1/27/05 |
| Environmental Protection Agency | x | | x | 3/10/05 |
| Environmental Protection Agency Trust Fund Commission | | | x | 3/10/05 |
| General Assembly – Retirement System | x | | | 2/02/05 |
| General Assembly – Retirement System | | | x | 4/28/05 |
| Governors State University | x | x | x | 2/17/05 |
| Governors State University Alumni Association | x | | | 1/27/05 |
| Governors State University Foundation | x | | | 1/27/05 |
| Historic Preservation Agency | | | x | 5/10/05 |
| Illinois Building Commission | | | x | 5/04/05 |
| Illinois Community College Board | | | x | 3/31/05 |
| Illinois Conservation Foundation | x | x | x | 3/24/05 |
| Illinois Finance Authority | x | | x | 4/06/05 |
| Illinois Gaming Board | | | x | 5/04/05 |
| Illinois Housing Development Authority | x | x | x | 7/13/05 |
| Illinois Mathematics and Science Academy | x | | x | 2/10/05 |
| Illinois Mathematics and Science Academy Fund | x | | | 2/10/05 |
| Illinois Medical District Commission | x | | x | 3/31/05 |
| Illinois Petroleum Resources Board | | | x | 4/06/05 |
| Illinois Sports Facilities Authority Pursuant to (PA 91-0935) | x | | | 12/16/04 |
| Illinois State Board of Investment | x | | | 2/02/05 |
| Illinois State Board of Investment | | | x | 4/28/05 |
| Illinois State Toll Highway Authority – 12/31/04 | x | | x | 7/13/05 |

| AGENCY | F | S | C | DATE RELEASED |
|--|----------|----------|----------|--------------------------|
| Illinois State University | x | x | x | 3/16/05 |
| Illinois State University Foundation | x | | x | 3/16/05 |
| Illinois Student Assistance Commission | x | | | 5/19/05 |
| ISAC – Designated Account Purchase Program | x | | | 5/19/05 |
| Illinois Student Assistance Commission – Prepaid Tuition | x | | | 5/19/05 |
| Illinois Veterans’ Home – <i>Anna</i> | | | x | 4/13/05 |
| Illinois Veterans’ Home – <i>LaSalle</i> | | | x | 4/13/05 |
| Illinois Veterans’ Home – <i>Manteno</i> | | | x | 4/13/05 |
| Illinois Veterans’ Home – <i>Quincy</i> | | | x | 4/13/05 |
| Illinois Violence Prevention Authority | | | x | 4/06/05 |
| Industrial Commission – Self Insurer’s Fund | x | | | 4/13/05 |
| Joint Committee on Administrative Rules | | | x | 2/24/05 |
| Judges Retirement System | x | | | 2/02/05 |
| Judges Retirement System | | | x | 4/28/05 |
| Judicial Inquiry Board | | | x | 2/24/05 |
| Kankakee River Valley Area Airport Authority | x | | x | 3/31/05 |
| Law Enforcement Training Standards Board | | | x | 2/10/05 |
| Legislative Information Systems | | | x | 5/04/05 |
| Northeastern Illinois University | x | x | x | 2/17/05 |
| Northeastern Illinois University Foundation | x | | | 1/27/05 |
| Northern Illinois University | x | x | x | 2/17/05 |
| Northern Illinois University Alumni Association | x | | x | 2/17/05 |
| Northern Illinois University Foundation | x | | x | 2/17/05 |
| Office of Banks and Real Estate | | | x | 3/08/05 |
| Pollution Control Board | | | x | 3/08/05 |
| Prisoner Review Board | | | x | 3/08/05 |
| Property Tax Appeal Board | | | x | 3/08/05 |
| Secretary of State | x | | | 5/10/05 |
| Sex Offender Management Board | | | x | 5/10/05 |
| Southern IL University | x | x | x | 3/16/05 |
| Southern IL University – Carbondale Alumni Association | x | | | 1/27/05 |
| Southern IL University – Carbondale Foundation | x | | | 1/27/05 |
| Southern IL University – Edwardsville Alumni Association | x | | | 1/27/05 |
| Southern IL University – Evergreen Terrace | x | | | 3/16/05 |
| Southern IL University – Edwardsville Foundation | x | | | 1/27/05 |
| Southern IL University – Physicians & Surgeons, Inc. | x | | | 1/27/05 |
| Southern IL University – Research Park | x | | | 3/16/05 |
| Southern IL University – University Park | x | | | 3/16/05 |
| Southwestern Illinois Development Authority | | | x | 4/13/05 |
| State Appellate Defender | | | x | 2/24/05 |
| State Board of Education | x | | x | 3/31/05 |
| State Employees’ Retirement System | x | | | 2/02/05 |
| State Employees’ Retirement System | | | x | 4/28/05 |
| State Fire Marshal | | | x | 3/31/05 |
| State Police Merit Board | | | x | 2/24/05 |
| State Universities Retirement System | x | | | 2/02/05 |

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

| <i>AGENCY</i> | <i>F</i> | <i>S</i> | <i>C</i> | <i>DATE RELEASED</i> |
|---|----------|----------|----------|--------------------------|
| State Universities Retirement System | | | x | 4/28/05 |
| State's Attorney's Appellate Prosecutor | | | x | 2/10/05 |
| Statewide Single Audit – (Federal Funds) | x | x | | 7/27/05 |
| Teachers' Retirement System | x | | | 2/02/05 |
| Teachers' Retirement System | | | x | 4/28/05 |
| Treasurer – Bright Start College Savings Program | x | | | 2/10/05 |
| Treasurer – Fiscal Officer | x | | x | 5/10/05 |
| Treasurer – Illinois Funds | x | | | 2/10/05 |
| University of Illinois | x | x | x | 3/24/05 |
| University of Illinois Alumni Association | x | | x | 3/24/05 |
| University of Illinois Foundation | x | | x | 3/24/05 |
| University of Illinois – Prairieland Energy, Inc. | x | | x | 3/24/05 |
| University of Illinois – Research Park, LLC | x | | x | 3/24/05 |
| University of Illinois – Ventures, LLC | x | | x | 3/24/05 |
| University of Illinois – Wolcott, Wood & Taylor, Inc. | x | | x | 3/24/05 |
| Western Illinois University | x | x | x | 3/16/05 |
| Western Illinois University Foundation | x | | | 3/16/05 |

| | | | | |
|--|---|--|--|---------------------------|
| Statewide Financial Statements – Prepared and Issued by the Office of the State Comptroller | x | | | Opinion Signed 3/25/05 |
|--|---|--|--|---------------------------|

AUDITS

PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

- Study of State Employee Travel Between Chicago and other Illinois Cities
- The Department of Commerce and Economic Opportunity's Administration of Its Economic Development Programs
- Department of Transportation's Traffic Safety Programs
- The Village of Robbins' Use of Municipal Economic Development Funds
- Study of Duplicate Programs
- Department of Financial and Professional Regulation's Disciplining of Physicians
- I-SaveRx Program and Ecosse Hospital Products, Ltd. Flu Vaccine Contract
- Chicago Transit Authority, Regional Transportation Authority, Pace and Metra
- The Business Enterprise Program and IDOT's Certification of Businesses as DBEs
- Rend Lake Conservancy District Follow-up
- Illinois Department of Transportation Aeronautics Operations

- 7/05 Village of Robbins' Use of Municipal Economic Development Funds
- 5/05 The Illinois School District Liquid Asset Fund Plus
- 12/04 Department of Human Services' Office of the Inspector General
- 9/04 Rend Lake Conservancy District
- 9/04 Illinois Aquaculture Development Fund
- 8/04 Village of Robbins' Use of Municipal Economic Development Funds
- 2/04 Department of Central Management Services' Administration of the State's Space Utilization Program
- 12/03 Regulation of Grain Dealers and the Grain Insurance Fund
- 11/03 Grade Crossing Protection Fund

- 9/03 Village of Robbins' Use of Municipal Economic Development Funds
- 5/03 Illinois State Toll Highway Authority
- 4/03 Teachers Academy for Mathematics and Science
- 1/03 Group Workers Compensation Self-Insured Pools
- 12/02 DHS Office of the Inspector General
- 8/02 Village of Robbins' Use of Municipal Economic Development funds
- 8/02 Department of Human Services' Early Intervention Program
- 7/02 Department of Public Aid's KidCare Program
- 4/02 Department of Human Services Early Intervention Program Follow-up
- 4/02 States Construction Contracting Methods
- 1/02 Agency Use of Internet User Technology
- 10/01 EPA's Vehicle Emissions Testing Program
- 9/01 Illinois Health Facilities Planning Board
- 8/01 Board of Education and Other State Agencies Providing Funding to Regional Offices of Education
- 6/01 Village of Robbins' Use of Municipal Economic Development Funds
- 5/01 Tuition & Fee Waivers Follow-up
- 12/00 DHS Office of the Inspector General
- 6/00 Municipal Economic Development Fund Distributions: Village of Robbins
- 3/00 Department of Public Aid: Child Support State Disbursement Unit
- 11/99 Illinois Math & Science Academy
- 9/99 Department of Public Aid's Contracts with Delta Dental
- 8/99 Pilsen-Little Village Community Mental Health Center
- 7/99 Medicaid Home Health Care & Regulation of Home Health Agencies
- 6/99 State Fire Marshal's Fire Investigations

PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS (CONT.)

| | | | |
|-------|--|-------|---|
| 5/99 | Illinois Health & Human Service Providers | 3/92 | Case Management Practices |
| 12/98 | DHS: Inspector General | 1/92 | State Legal Services |
| 9/98 | Comptroller's Offset System | 11/91 | State Regulation of Insurer Solvency |
| 6/98 | Nursing Home Prescreening | 8/91 | Higher Education "Systems of Systems" |
| 5/98 | IDOT's Road Construction Program | 7/91 | Eastern Illinois University Coal Conversion Project |
| 4/98 | Tuition & Fee Waivers | 6/91 | Special Analysis: Build Illinois |
| 5/97 | Professional Regulation – Physicians Regulated Under the Medical Practices Act | 5/91 | Availability of Obstetric Care |
| 12/96 | DMHDD – Office of the Inspector General | 5/91 | Collection of Sales & Taxes Receivable |
| 6/96 | IHSA – Site Selection for Boys Basketball Finals | 5/91 | Property Forfeited Under the Illinois Controlled Substances Act |
| 4/96 | DMHDD – Reporting of Resident Abuse & Neglect | 3/91 | Illinois Competitive Access & Reimbursement Equity Program |
| 5/95 | Summer Unemployment at State Universities | 3/91 | Nutritional Services Paid by the Department of Children & Family Services |
| 2/95 | Laws Considered Obsolete | 2/91 | Illinois Multi-Year Fixed Contractual Obligations |
| 1/95 | Public Aid's Child Support Program | 2/91 | Administrative Citations: Environmental Protection Agency |
| 12/94 | Office of the Inspector General | 10/90 | Project Chance Evaluation Contract |
| 6/94 | Toll Highway: Helicopters | 10/90 | Frequent Flyer Programs |
| 6/94 | DMHDD: Abuse & Neglect | 8/90 | Parents Too Soon Program |
| 5/94 | Correctional Industries | 7/90 | State University Tuition & Fee Policies & Practices |
| 5/94 | Central Management Services: Telecommunications | 7/90 | Debt Collection Practices of Illinois & Other States |
| 3/94 | Collection of Money from Circuit Clerks | 5/90 | DMHDD: Abuse & Neglect |
| 1/94 | State Housing Benefits | 4/90 | Veterans' Affairs Field Office Closures |
| 5/93 | Public Aid: Property Transfers | 3/90 | Illinois Competitive Access & Reimbursement Equity Program |
| 4/93 | Office of the Inspector General | 1/90 | Public Aid's Delta Dental |
| 4/93 | Early Intervention Services System | 12/89 | Regional Transportation Authority |
| 4/93 | User Fees | 11/89 | Illinois Sports Facilities Authority & the Chicago White Sox |
| 11/92 | DMHDD: Abuse & Neglect | 11/89 | Five State Retirement Systems' Financial Status |
| 7/92 | St. Anne's Lease | 10/89 | Feasibility of Consolidating State Revenue Bond Agencies |
| 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 | | |

| | | | |
|-------|---|-------|---|
| 7/89 | Commerce & Community Affairs' Economic Development Programs | 9/85 | Management & Collection of Claims Receivable |
| 5/89 | EPA's Hazardous Waste Mgmt. 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 | Board of Investment: Five 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 |
| 6/87 | Chicago Housing Authority | 7/82 | Criminal History Components |
| 6/87 | Cash Management Practices | 4/82 | Financing of Improvements of Rock Island State Park |
| 4/87 | State Laboratory Services | 1981 | Chicago Road Fund |
| 4/87 | U of I Hospital & Affiliated Clinics | 12/81 | DMHDD: Region 2 |
| 4/87 | Chicago's Use of State Appropriated Funds | 11/81 | Procurement of Real Property |
| 10/86 | State Pensions Assets Investment Performance | 10/81 | Registration & Education: Investigation & Enforcement Functions |
| 10/86 | CMS – Lottery Building Lease | 1/81 | Licensing & Regulation of Bingo |
| 10/86 | Property Management Problems – Mental Health Centers | 1/81 | Chicago Bd. of Education |
| 5/86 | Illinois Preferential Procurement Programs | 12/80 | Nursing Home Reimbursement System |
| 4/86 | State Toxicology Lab | 12/80 | DCFS Day Care Activities |
| 4/86 | Legislative Printing Unit | 11/80 | Dept. of Personnel Management |
| 4/86 | Engineering Programs in Illinois – NIU | 10/80 | Public Aid's Local Office Management |
| 3/86 | Claims & Accounts Receivable | 9/80 | Licensing of Grain Dealers |
| 3/86 | Capital Development Board: Construction of the State of Illinois Center | 7/80 | Illinois Fair Employment Practices Commission |
| 2/86 | Illinois Commerce Commission | 6/80 | Secretary of State Vending Services |
| 2/86 | Advisory Boards & Commissions | 5/80 | Coastal Zone Management |
| 11/85 | Data Security Practices | 1/80 | Court of Claims |
| 11/85 | Hazardous Waste Management | 1/80 | Cook Co. Health & Hospitals |







