

2009

ANNUAL REPORT

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL



William G. Holland, Auditor General

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

March 1, 2010

Honorable Members of the General Assembly
The Legislative Audit Commission
The Honorable Pat Quinn, Governor
Citizens of Illinois

Ladies and Gentlemen:

Enclosed is the Annual Report of the Auditor General's Office for the year ended December 31, 2009, 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 2009. 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", with a large flourish extending upwards and to the right.

WILLIAM G. HOLLAND
Auditor General



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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 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. ❖



OVERVIEW

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 report summaries and full report texts.

PUBLIC INFORMATION IS AVAILABLE BY WRITING:

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PUBLIC INFO.

CONTINUING PROFESSIONAL EDUCATION AND TRAINING REQUIREMENTS

The U.S. Government Accountability Office has established Government Auditing Standards to provide a framework for conducting high quality government audits and attestation engagements with competence, integrity, objectivity, and independence.



The general standard related to competence specifies that auditors assigned to perform the audit or attestation engagement must collectively possess adequate professional competence for the tasks required.

The general standard related to continuing professional education (CPE) applies to auditors who are responsible for planning, directing, performing field work, or reporting on an audit or attestation engagement conducted in accordance with Government Auditing Standards. This requirement first became effective January 1, 1989, and now states that every 2 years auditors should complete at least 80 hours of CPE that enhances the auditor's professional proficiency to perform audits or attestation engagements. A minimum of 24 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. At least 20 of the 80 hours should be completed in each year of the 2-year period.

The most recently completed 2-year period for CPE requirements as measured by the Office of the Auditor General was January 1, 2007, through December 31, 2008. All auditors, audit directors, and information specialists required to meet the CPE standard were in compliance for this 2-year period, and are in compliance with current CPE requirements.

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 Audit Division conducted 149 engagements. These encompassed compliance examinations, financial audits, and federal audits. Staff auditors conducted 37 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 compliance 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 audit information, the Office attempts to deliver audits as early as possible in the legislative session.

COMPLIANCE

A number of reports issued had findings that were critically important from an accountability standpoint. A brief summary of some of these findings follows:

FINANCIAL REPORTING WEAKNESSES

The State of Illinois did not have adequate controls to assess the risk that information reported by individual agencies would not be fairly stated and compliant with generally accepted accounting principles (GAAP). We noted the following:

- The beginning balances in the financial statements were restated to correct prior reporting errors related to unearned income tax revenues, unearned driver's license and fee revenue, lack of allocation of motor fuel tax revenues, and an understatement of shared motor fuel tax liabilities.
- Material misstatements were identified by the auditors. The errors related to accounting for revenues, securities lending transactions, net assets and inventories.

We also reported the State's decentralized reporting system and related decentralized internal control system is not adequate to reduce the likelihood that a material misstatement of the State's financial statements could occur and not be detected during the normal course of business. We noted significant financial reporting deficiencies for the following agencies:

- Department of Revenue
- Department of Central Management Services
- Department of Human Services
- Department of Healthcare and Family Services
- Department of Corrections

In discussing these conditions with the Office of the Governor's officials, they stated that the weakness is due to separation in the responsibility for the State's internal control procedures among agencies and component units. The Illinois Office of the Comptroller (IOC) has the statutory authority to develop and prescribe accounting policy for the State, but there is no centralized statewide accounting system to capture all items necessary to provide underlying support to review agency financial transactions. In addition, there is an overall lack of qualified individuals in the State to ensure that all transactions are recorded in accordance with

government accounting standards.

IOC personnel indicated the misstatements were caused by a separation in the responsibility for the State's internal control. The IOC has the statutory authority to develop and prescribe accounting policy for the State but does not have statutory authority to monitor adherence to these policies as performed by State agencies at the transactional level.

We recommended State implement additional internal control procedures in order to assess the risk of material misstatements to the financial statements and to identify such misstatements during the financial statement preparation process.

Officials of the Governor's Office responded that they will work together with the IOC to convince the Illinois Legislature of the necessity to include capital funding for the purpose of procuring and implementing a statewide accounting system with all necessary components including general ledger, procurement, inventory, grants management, payroll and timekeeping information systems. Officials further stated they will work together to enhance internal controls over the year-end financial reporting process.

IOC officials responded that they will continue to provide consultation and technical advice to State agencies in relation to identification and establishment of adequate internal control with respect to financial reporting.

THE FINANCIAL REPORTING PROCESS FOR THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) IS INADEQUATE TO PERMIT TIMELY AND ACCURATE REPORTING

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner.

Accurate and timely financial reporting problems continue to exist even though the auditors have:

1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to financial statements year after year.

The State has not been able to solve these problems or make substantive changes to the system to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General continues to inform state agency officials that the post audit function is not and should not be an internal control mechanism for any operational activity related to financial reporting.

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare a series of complicated financial reporting forms (SCO forms) designed by the IOC to prepare the CAFR. These SCO forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles and of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to assist the Comptroller in his preparation of statewide financial statements in accordance with generally accepted accounting principles (GAAP).

Although these SCO forms are subject to the review by the IOC financial reporting staff during the CAFR preparation process, the current process has resulted in several restatements relative to the financial statement reporting over the past several years.

For example, first, expenditures of the Public Assistance Grants program (2006 and 2007), the Early Intervention Program (2003, 2004 and 2005), and the Highway Planning and Construction Cluster program (2004 and 2005) were not reported in the appropriate fiscal year. Second, other correcting entries and/or restatements were required to accurately state the financial information. Third,

major programs were not identified until six months subsequent to the end of the year by several agencies. Finally, preparation of the SEFA has not been completed by the State prior to March 31 in the past six years.

Federal regulations require that a recipient of federal awards prepare appropriate financial statements, including the SEFA, and ensure that the required audits are properly performed and submitted when due. Also, the federal regulations require recipients of federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Agencies having problems in one or more of the above noted areas during the past six years were:

- 1) Healthcare and Family Services
- 2) Children and Family Services
- 3) Public Health
- 4) State Board of Education
- 5) Illinois Student Assistance Commission
- 6) Employment Security
- 7) Illinois Community College Board
- 8) Department of Commerce and Economic Opportunity
- 9) Department of Natural Resources
- 10) Illinois Environmental Protection Agency
- 11) Department of Corrections
- 12) Illinois Criminal Justice Information Authority
- 13) Emergency Management Agency
- 14) Human Services
- 15) Department of Transportation

Although the deficiencies relative to the CAFR and SEFA financial reporting process have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic.

As a result of the errors, deficiencies and omissions noted throughout the process used by the State in its financial reporting process, along with the inability to meet the required filing deadline of 3/31/09, the auditors identified the inadequacies as a significant deficiency for all federal programs administered by the State.

We recommended the Governor's Office and the IOC work together with the state agencies to establish a corrective action plan to address the quality and timeliness of accounting information provided to and maintained by the IOC as it relates to year end preparation of the CAFR and SEFA.

The State Comptroller's Office response states it will continue to provide consultation and technical advice to state agencies in relation to financial reporting. They also will seek legislation that provides the Office with enforcement tools to compel agencies to comply with necessary reporting deadlines.

The Office of the Governor's response states it will collaborate with the other agencies of state government to establish a corrective action plan to improve the quality and timeliness of accounting information provided to the Comptroller for year-end preparation of the CAFR and SEFA.

REQUESTED DOCUMENTATION TO PERFORM AUDIT TESTING NOT PROVIDED TIMELY OR AT ALL

The Department of Corrections did not provide all the requested documentation to the auditors in a timely manner and generally demonstrated a lack of cooperation during the engagement.

As a result of the Department's audit request protocol, a number of requested documents to perform the audit testing were not provided timely. Documents related to 208 requests were provided after the due date they were requested to be provided. Further, 78 of the requests were received 31 to over 120 days late, with 15 being over 120 days late.

In addition to providing requested audit documentation late, the Department did not adequately respond to all auditor requests. Specifically they failed to provide the auditors with all the requested documents. As a result, for those requests where documents were partially provided, auditors could not complete the associated testing and considered the missing items to be exceptions.

There were also 17 requests for audit documentation

that the Department failed to complete and had to be considered exceptions during our testing. Many of these are included as part of other findings in the report.

Finally, the Department did not provide the auditors with detailed workpapers to support the fiscal year 2008 GAAP reporting packages submitted to the Comptroller's Office until February 19, 2009, approximately 5 months late. Providing auditors with requested supporting documentation almost five months late significantly delays the audit and negatively impacts the preparation and audit of the statewide financial statements.

Department management stated they were unable to provide the requested information timely because of timing constraints and competing priorities. This finding is repeated from the previous report in which the Department stated it would comply timely and accurately with all requests and be vigilant in the follow up to determine the auditors' questions and needs are met.

We recommended the Department reevaluate and restructure its process of providing an audit liaison function to the auditors to ensure requested engagement documentation is provided in a timely manner as required by the Illinois State Auditing Act.

Department officials accepted our recommendation and responded they are in the process of reviewing their operations and will plan a restructuring of the audit liaison function in accordance with State statutes.

INADEQUATE CONTROLS OVER INVENTORY

During testing of the Department of Corrections inventory balances at June 30, 2008, numerous errors were noted at Correctional Centers. The errors were so pervasive the auditors at five Centers (Stateville, Big Muddy, Dixon, Graham and Jacksonville) had to qualify their opinions for inventory balances. Inventory balances at these five Centers totaled \$5.2 million of \$22.1 million (24%) total inventory reported by the Department at June 30, 2008. The errors at the Centers included, but were not limited to:

- Physical inventory counts did not agree to accounting records;
- Inventory purchases were not recorded in the proper fiscal year; and
- Inventory counts were not reconciled to The Inventory Management System (TIMS).

Auditors also noted the General Office made errors totaling \$1.6 million compiling inventory balances from the Centers for financial statement reporting.

We recommended the Department improve its centralized oversight function related to inventory and ensure the Center personnel are adequately trained on the use of TIMS. Additionally, we recommended that the Department should ensure that the inventory balances reported to the Comptroller's Office during the GAAP reporting process are reconciled adequately with those maintained at the Centers.

Department officials responded that the recommendation was implemented and during the fiscal year 2009, mandatory training was given on TIMS and facilities were instructed to maintain timely and accurate information for use in financial reporting.

INADEQUATE CONTROLS OVER CONTRACTUAL AGREEMENTS

The Department of State Police did not maintain adequate controls over its contractual agreements. We noted the following:

- Six of 25 (24%) Electronic Data Processing (EDP) contracts reviewed, totaling \$1,434,942 were approved between 62 and 117 days late.
- Two of 25 (8%) other contracts tested, totaling \$5,192,155 were approved between 39 and 162 days late.
- The Department did not disclose specifics of an aviation fuel purchase. We could not determine the quantity or cost per gallon of the fuel. In addition, the contract for the fuel purchase did not have the proper language required by State statute for advance payments.
- One of 25 (4%) contracts tested, totaling \$76,000 did not have the financial interest statement included.

We recommended the Department ensure all contracts are approved prior to the execution of the contract period and include all required content.

Department officials concurred with our recommendation and stated a procedure to address the issue of contracts signed after the start date has been created.

LACK OF CONTROLS OVER FIREFIGHTERS MEMORIAL FUND DISTRIBUTIONS

The Office of the State Fire Marshal (Office) did not exercise proper control over the contract and monitoring of the monies paid from the Firefighters Memorial Fund (Fund). We noted the following:

- The Office inappropriately paid Office-wide telephone and communications charges, totaling \$17,026, entirely from the Fund. These charges were neither allocated to the responsible divisions, nor supported by documentation of the portion related to the statutory purposes of the Fund.
- The Office reimbursed the Firefighter Memorial Foundation (Foundation) for duplicate billings and disallowed costs, totaling \$15,595.
- The Office did not recoup \$612 in prior audit period overpayments made to the Foundation for inappropriate expenditures.

We recommended the Office establish and maintain internal controls to ensure distributions from the Fund are adequately monitored. Specifically, we recommended the following:

- The Office should ensure all expenditures from the Fund are reasonable, necessary, and in compliance with law.
- The Office should carefully review reimbursement requests received from the Foundation for reasonableness and duplicate billings before reimbursement is authorized.
- The Office should work to recoup overpayments from the Foundation.

Office officials accepted the finding and recommendation. Officials stated that in Fiscal Year 2009 the Office stopped the practice of charging telephone and communications services to the Firefighters' Memorial Fund. Office officials also stated the

Office will offset overpayments as part of the Fiscal Year 2009 reimbursement to the Foundation and will provide appropriate oversight of all expenditures.

INCORRECT HEALTH INSURANCE PREMIUM RATES CHARGED

The Department of Healthcare and Family Services (Department) did not charge the correct health insurance premium rates for the Teacher's Retirement Insurance Program and College Insurance Program.

The Department set the Fiscal Year 2008 health insurance premium rates for Teachers Retirement System benefit recipient and dependent beneficiaries by increasing the prior year rate by 5%. The Department did not take into account the percentage that was to be paid by the Teacher Health Insurance Security Fund. As a result, we noted that the Department did not have an adequate rate-setting methodology used to determine the amount of the health care premiums to be charged. In addition, the Department did not present the rate-setting methodology (included but not limited to utilization levels and costs) used to determine health care premiums to the Teachers' Retirement System by April 15th as required.

We also noted the following 2008 premium rates of Teacher Retirement Insurance Program and College Insurance Program health insurance were not in compliance with parameters established in State statute.

- The monthly health insurance premium rate charged for a Teachers Retirement System dependent beneficiary who is Medicare primary was \$240.09; however, the health insurance premium rate should have only been \$229.63. The beneficiaries were overcharged a total of \$152,643 during Fiscal Year 2008.
- The monthly health insurance premium rate charged for a Teachers Retirement System benefit recipient for ages 23 and under selecting the major medical coverage program was \$139.54; however, the health insurance premium rate should have only been \$117.17. The benefit recipients were overcharged a total of \$2,617 during Fiscal Year 2008.
- The monthly health insurance premium rate

charged for a Teachers Retirement System benefit recipient for ages 23 and under selecting the medical coverage program was \$69.77; however, the health insurance premium rate should have only been \$58.58. The benefit recipients were overcharged a total of \$269 during Fiscal Year 2008.

- The monthly health insurance premium rate charged for a Community College benefit recipient for ages 23 and under selecting a managed care program was \$73.01; however, the health insurance premium rate should have been at least \$181.84. The benefit recipients were undercharged a total of \$7,946 during Fiscal Year 2008.

We recommended the Department ensures health insurance premium rates are set for the Teacher's Health Insurance Program and the College Insurance Program as required by the State Employees Group Insurance Act of 1971. We also recommended the Department ensures adequate rate setting methodologies are established and make annual required reports to the Teachers Retirement System.

Department officials agreed to the finding and recommendation and stated that the Department has submitted draft legislative language to address the issue and clarify that the determination of premiums shall be limited solely to an increase of no more than 5% of the prior year.

In an auditor's comment, we noted that: 1) the Department's corrective action plan noted in its response is overly simple and an unreasonable resolution to the issues addressed in the finding; and 2) a rate setting methodology should be developed annually and include but not be limited to utilization levels and costs as currently required by the State Employees Group Insurance Act of 1971.

FAILURE TO CONDUCT ANNUAL REVIEW OF BENEFITS RECEIVED BY ILLINOIS VETERANS

The Department of Veterans' Affairs - Central Office did not comply with the Department of Veterans Affairs Act regarding an annual review of the benefits received by Illinois veterans. The Department was unable to provide documentation that they conducted annual reviews that

compared benefits received by Illinois veterans with the benefits received by veterans in all other states and U.S. territories.

We recommended the Department of Veterans' Affairs conduct an annual review of the benefits received by Illinois veterans compared with the benefits received by veterans in all other states and U.S. territories, or seek legislative remedy.

Department officials agreed with the finding and stated they are reviewing the legislation to determine what type of report will provide value and address the legislative intent of this requirement.

NONCOMPLIANCE WITH APPLICATION AND ADMISSION REQUIREMENTS

The Department of Veterans' Affairs Illinois Veterans' Home at Anna (Home) did not comply with all application and admissions requirements of the Department of Veterans' Affairs Act (Act).

- One of 11 (9%) tested veterans admitted to the Home during the examination period did not meet admission requirements.
- One of 25 (4%) applicants tested was approved for admission and placed on the Home's short-term waiting list without providing proof of military service to the Home.
- One of 25 (4%) applicants tested was approved for admission to the Home and given preference over all other eligible and previously approved veterans.
- Two of 11 (18%) files tested for veterans admitted during the examination period did not contain evidence the veteran had been notified of the rules of the Home upon admission.

We recommended the Home carefully evaluate each application for admission to ensure all admission and eligibility requirements are met and documented in the application file before granting admission into the Home. We also recommended the Home ensure each veteran is notified of the rules of the Home upon admission and this notification is documented in each veteran's file.

Home officials agreed with our finding and stated the recommendations have been implemented.

FINANCIAL REPORTING WEAKNESSES

The Department of Children and Family Services (Department) did not have adequate controls in place to ensure the Department's financial statements for the year ended June 30, 2008 were prepared in accordance with generally accepted accounting principles (GAAP). Our audit identified the following problems in the Department's initial financial statements, and adjustments to the financial statements were made to correct for these matters:

- General Revenue Fund interfund receivables of \$311,000 due from other State funds were misclassified as due from other Department funds.
- General Revenue Fund interfund payables of \$14,235,000 due to other State funds were misclassified as due to other Department funds.
- DCFS Federal Projects Fund interfund payables of \$53,000 were misclassified.
- GAAP eliminations of inter-departmental receivables and payables were not made.
- Child Abuse Prevention Fund net assets of \$959,000 were reported as unrestricted net assets.
- Note disclosures concerning interfund balances did not agree with the information in the financial statements.
- Disclosure of a litigation matter required by GAAP was not updated for the current status of the matter.

We recommended the Department implement additional internal control procedures to assess the risk of material misstatements of the Department's financial statements and to identify such misstatements during the financial statement preparation process.

Department officials agreed and have discussed these issues with and requested assistance and training from the State Comptroller's Office.

INAPPROPRIATE PREPAYMENTS

The Historic Preservation Agency (Agency) inappropriately prepaid vendors for contracted services. During testing, we noted four instances where the Agency paid in advance for goods and services:

- The Agency contracted with various vendors to perform maintenance services and to operate historic sites. During FY07, a vendor was paid the annual contracted total of \$13,500 in August 2006 and another vendor was paid the annual contracted total of \$15,000 in February 2007. During FY08, a third vendor was paid the annual contracted total of \$9,500 in October 2007. These payments were issued without detailed invoices or other supporting documentation and prior to Agency receipt of from 4 to 10 months of the contracted services. None of the contracts or vouchers contained an advance payment clause or other documentation noting the services were being paid in advance.
- The Agency issued a voucher totaling \$17,145 on 8/20/07 for a vehicle that had been ordered in April 2007 but was not received by the Agency until 8/30/07.

We recommended the Agency only make payments for services rendered unless otherwise stipulated in the contract and ensure proper documentation is received prior to processing payments to vendors.

Agency officials concurred with our recommendation and stated they will process payments after services or goods are rendered or received unless stipulated in the contract, and only after receiving the final invoice.

NEED TO IMPROVE INTERNAL CONTROLS OVER RATE ADJUSTMENT FUND OPERATIONS

The Workers' Compensation Commission had major internal control weaknesses over its Rate Adjustment Fund (RAF).

The RAF was created in 1975 to provide annual cost of living adjustments to persons who had received awards for permanent total disabilities or to the survivors of fatally injured workers. These awards are usually paid over many years to eligible recipients and are funded by assessments on employers.

The Commission discovered payment discrepancy problems during the current compliance examination and conducted reviews of all RAF cases, their histories, and payments to identify potential cases that

may have been eligible for payments from this Fund. Our examination of 25 cases disclosed that no RAF payments had been made to eligible recipients in eight cases, two of which were not eligible until Fiscal Year 2009 (32%); that in nine cases (36%) payments had been made in the wrong amount; and that in eight cases (32%) no further RAF payments were required. This examination indicated appropriate documentation did not exist, nor were there adequate internal controls to determine if or when payments had correctly been provided.

Initially, the Commission compiled 30 years of case and payment history that provided the potential number of RAF cases that were paid and not paid, and the set-up calculation to provide if all payments were made to all potentially eligible persons for the longest amount of time the person may be owed benefits. This process identified a large number of cases and a significant dollar amount. This model served as a starting point to determine an accounting and statistical model for a 30-year projection of liability.

Over the past year, the Commission continued to research cases and developed a statistical model based on their experience of back claims in order to refine their potential liability estimates for financial reporting to the Illinois Office of the State Comptroller (IOC). The Commission's model has shown that estimated liabilities could be in the range of \$9,000,000 to \$14,000,000. The IOC reviewed the Commission's information and questioned parts of this methodology.

At the close of our fieldwork in February 2009, the Commission was working with the IOC to better estimate this financial reporting liability, which was in the range of \$18-\$22 million. Commission management states they have a known liability of \$3.5 million for back claims as of June 30, 2008.

Commission officials stated RAF payments were improperly administered due to a lack of internal controls and monitoring of the Fund. Policies and procedures regarding this fund were not adequately documented, and furthermore, eligibility was not determined by those with the education and training to make the proper decision. Many decisions were made by data entry employees without any assistance by the legal department or the Arbitrators

who rendered the decisions. Cases were also not tracked if the case was appealed outside the Commission to the Circuit, Appellate or Supreme Court. Further, discrepancies were found in payment records. The Rate Adjustment Fund was insolvent from Fiscal Years 1981-1983 and then again from Fiscal Years 1987-1996. Subsequent efforts to make-up missed payments or underpayments were not documented in Commission files.

We recommended internal controls and monitoring of the RAF be strengthened to ensure proper payments are made to eligible recipients; that the Commission should determine and pay any outstanding amounts due to eligible claimants; that the Commission consult with the Office of the Attorney General to determine if legal issues exist; and that the Commission establish procedures for recording related liabilities and disclosing contingent liabilities annually to the Office of the State Comptroller.

Commission officials concurred with this finding and stated that several significant steps to correct a 30-year-old program had already been taken. The Commission plans to work with Legal Counsel and the Attorney General to better determine who may be eligible for back payments. The Commission also plans to implement policies and rules as well as pursue statutes that will be needed to manage the program.

COMMUNICATION WITH PROSPECTIVE BIDDER DURING PROCUREMENT PROCESS

While procuring a master contract for the purchasing of servers and accessories, the Department of Central Management Services (Department) communicated with a prospective bidder resulting in a change of procurement from an Invitation to Bid method to a Sole Economically Feasible method. The prospective bidder was the vendor awarded the sole source contract.

The Department has made a significant investment in brand-specific hardware (servers and related accessories) and determined it was in the State's best interest to ensure compatibility by continuing to purchase the same brand. The hardware to be

procured was potentially available directly through the manufacturer (who holds the current contract) or through various resellers. During Fiscal Year 2008, the Department initiated an Invitation for Bid (IFB) procurement process anticipated to result in the expenditure of approximately \$9 million. Following commencement of the IFB procurement process, the Department had several contacts with the manufacturer, including representation that the manufacturer would prohibit any reseller from offering a price better than the price the manufacturer would offer. As a result of these contacts, the Department cancelled the IFB and initiated a sole economically feasible procurement process. The Department subsequently received the letter from the manufacturer supporting the pricing representation.

We recommended the Department establish appropriate controls to ensure the procurement process is conducted in a fair and open manner that does not exclude any potential bidders.

Department officials concurred with our recommendation and stated that procurements should be conducted in a fair and open manner to ensure competition. While significant financial benefits to the State of Illinois were gained and documented in this case as a result of these negotiations, the Department agrees that even the appearance of not having a fair and open procurement should be avoided. While the Department agrees with the recommendation, the Department also reserves the right to utilize all provisions in the procurement code, including the Sole Economically Feasible Source provision. As such, the Department will implement controls to ensure all legitimate provisions of the procurement code are applied appropriately and within the guidelines of the code.

Department officials further stated that one additional control when using the Sole Economically Feasible Source procurement approach is to expand and document research of market pricing verifying that the State is receiving the most economical procurement. In this case the research was done but the trail of documentation was lacking. The Department stated it did determine that the pricing offered was 5% lower than that offered through the Western States Contract Alliance, and up to 10% lower than pricing offered by the vendor to the State of Texas. Finally, the manufacturer had agreed to

honor pricing from the previous contract during the contract negotiations, so there was no period where agency needs went unmet.

CONTRACT PROVISIONS VIOLATE STATE STATUTE AND CIRCUMVENT APPROPRIATIONS PROCESS

The Department of Commerce and Economic Opportunity's Illinois Bureau of Tourism's (IBOT) 2007 and 2008 Travel Guide contract violates the State Officers and Employees Money Disposition Act (30 ILCS 230), and circumvents the appropriation process by not requiring the vendor to submit gross advertising revenues it collects for deposit into the State Treasury.

The IBOT entered into a contract with a vendor to assist the Department in the ongoing development, production, and advertising sales of the State's 2007 and 2008 Travel Guide. The vendor was responsible for selling advertising and collecting revenue on behalf of the State. The contract obligated the Department to pay the vendor \$200,000 and allowed the vendor to retain the first \$200,000 in advertising sales to offset the overall cost of producing the Travel Guide. The contract also permitted the vendor to retain any sales over \$300,000 minus a percentage of royalties paid to the Department.

In Fiscal Years 2007 and 2008, the vendor earned the following revenue pursuant to the terms of the contract:

	FY2007	FY2008
Contract payment	\$200,000	\$200,000
Advertising sales	393,819	483,199
Less: Uncollectible receivables	(14,430)	(19,433)
Less: Royalty payments remitted	(19,847)	(44,130)
Total	\$559,542	\$619,636

We noted \$379,389 and \$463,766 of advertising revenue (shown above as advertising sales less uncollectible receivables) was not deposited into the State Treasury in fiscal year 2007 and 2008, respectively. This condition is attributed to a provision in the contract permitting the vendor to retain the revenue to offset the costs of producing

the Travel Guide. The Department has no statutory authority to allow a vendor to withhold any funds collected on its behalf.

We recommended the Department amend its contractual agreement to comply with the State Officers and Employees Money Disposition Act (Act) or seek legislative remedy to enable them to operate in accordance with their contractual agreement.

Department officials agreed with our recommendation and indicated that they would seek legislative remedy to exempt the tourism travel guide revenue from the Act.

NEED TO IMPROVE CONTROLS OVER FINANCIAL REPORTING

The Office of the Treasurer (Office) did not maintain adequate controls during the preparation of the Fiscal Officer Responsibilities financial statements and notes to the financial statements. We noted the following:

- An adjusting entry for securities lending collateral was not properly recorded as the balance was understated by \$51,312,500.
- An adjusting entry for clearing cash reconciling items was not properly recorded as money market account. Specifically, balances were overstated by \$2,581,631, and clearing account deposits and deposits in transit were overstated by \$2,171,808. Further, agencies' deposits outside the State Treasury were overstated by \$4,753,439.
- An incorrect amount was reported in the Deposits and Investments Note (Note D) for the market value of securities on loan as of June 30, 2008. The amount was reported as \$1,399,725,017, but should have been \$1,454,922,491, a difference of \$55,197,474.

We recommended the Office establish and maintain effective controls over the financial reporting process to ensure the accurate submission of financial data, including a timely and adequate review of the financial statements and notes to the financial statements.

Treasurer officials agreed with our finding and recommendation and stated that they will continue

to evaluate and strengthen controls over the financial reporting process to ensure the accurate submission of financial data, including timely and adequate review of the financial statements and notes to the financial statements.

FAILURE TO ESTABLISH OR PLAN FOR SEX OFFENDER TRACKING SYSTEM

The Sex Offender Management Board (Board) did not develop systems for tracking and monitoring sex offenders and their behaviors as required by the Sex Offender Management Board Act (Act). Further, the Board had not established a plan or any timelines for compliance with these requirements, which became effective January 1, 2004. As of June 30, 2008, there were 7,463 registered Illinois sex offenders subject to tracking and monitoring.

Management stated that they have been unable to comply with the mandate, which they view as a long-term goal, due to no staff, limited funding, poor attendance at Board meetings, other priorities, and needed statutory changes to repeal or revise the Act.

We recommended the Board either develop a formal plan and timeline for compliance with tracking and monitoring provisions of the Act or seek statutory changes to repeal this requirement.

Management noted that the Act does not include a statutory deadline for compliance, which they expect to require years to implement. Management further stated the Board will conduct a survey of approved sex offender treatment providers and evaluators. After reviewing the survey results, the Board will begin to establish program goals and will start identifying data to be collected and possible methods of data collection.

NEED TO IMPROVE CONTROLS OVER FINANCIAL REPORTING

The Illinois State Toll Highway Authority (Tollway) does not have sufficient controls over the financial reporting process.

During our audit of the financial statements, we

noted the following:

- The Tollway enters into agreements with State/local governments to share the responsibility of costs incurred over common infrastructure. These costs had been improperly recorded by the Tollway. As of year end, total revenues and expenses were each understated by \$81 million. The Tollway corrected these amounts in the final financial statements.
- Leases receivable and the corresponding deferred revenue for the two oasis system leases (retail and fuel leases) were overstated by \$1.6 million in the trial balance and the draft financial statements. This amount represented one year of lease payments. The Tollway corrected these amounts in the final financial statements.
- The footnote disclosures for investments in the draft financial statements contained errors in reporting investment types for certain funds under the custody of the State Treasurer. A total of \$395 million in investments were classified as repurchase agreements with no credit rating. Additionally, approximately \$9.6 million of investments in FNMA agency securities were classified as money market investments in the draft financial statements. Necessary disclosures were corrected in the final financial statements.
- The counterparty credit ratings provided in the interest rate exchange agreement section of the revenue bonds payable draft footnote were not accurately reflected as of year end. The Tollway obtained the correct ratings from Moody's and Standard & Poor's and corrected the ratings in the final financial statements.
- The amount reported for the "Bond Interest and Other Financing Costs" line of the Tollway's Trust Indenture Basis Financial Statements (presented as supplementary information in their financial statements) was incorrect. The spreadsheet provided by the Tollway to the auditors contained numerous errors totaling \$928,000. The errors were corrected by the Tollway in their final financial statements.

We recommended that internal control over financial reporting be strengthened. The Tollway should develop policies and procedures for recording infrastructure assets which are constructed or enhanced by the Tollway on behalf of another governmental entity or other external party. The Tollway should

ACCOUNTABILITY

also develop policies and procedures for recording receivables and deferred revenues pertaining to long-term lease agreements. Recorded amounts should be supported by detailed schedules that correspond to the signed lease agreements.

We also recommended that the Tollway develop

policies and procedures to ensure the adequate review and approval for preparing their footnote disclosures and the schedules supporting their trust indenture financial statements.

Tollway officials agreed with our recommendations.



COMPLIANCE

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, 44 Illinois State agencies expended federal financial assistance in FY 08.

The schedule of expenditures of federal awards reflects total expenditures of \$17.3 billion for the year ended June 30, 2008. Overall, the State participated in 347 different federal programs, however, 10 of these programs or program clusters accounted for 82.7% of the total federal award expenditures.

Overall, ten State agencies accounted for approximately 97.8% of all federal dollars spent during FY 08.

U.S. FEDERAL AGENCIES PROVIDING FEDERAL FUNDING For the year ended June 30, 2008	
U.S. Department	Millions
Health & Human Services	\$ 8,820.4
Agriculture	2,541.4
Labor	2,386.8
Education	1,721.6
Transportation	1,368.6
All Others	486.1
Total Federal Award Expenditures	\$ 17,324.9

Source: FY 2008 State of Illinois Single Audit Report

U.S. SUMMARY OF FEDERAL SPENDING BY STATE AGENCY For the year ended June 30, 2008	
Agency	Millions
Healthcare and Family Services	\$ 7,071.9
Human Services	3,290.9
Employment Security	2,224.8
Board of Education	1,858.8
Transportation	1,366.1
Children & Family Services	375.1
Student Assistance Commission	227.2
Commerce & Economic Opportunity	226.6
Public Health	196.1
Emergency Management Agency	98.5
All Others	389.0
Total Federal Spending	\$ 17,324.9

Source: FY 2008 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.

Our audit testing focused primarily on the 53 major programs expending about \$16.5 billion in federal awards.

Our report contained 97 findings related to 17 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 2008 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 prior peer reviews, conducted in 1996, 1999, 2002, and 2005 likewise resulted in unqualified opinions. Our next peer review is slated for 2011.

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. Copies of this advisory are available on our website at: www.auditor.illinois.gov.

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. 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 services which the General Assembly intended. Depending on the focus, they 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 July 2009, the *Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process* received a Recognition of Impact Award 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, or impact from a legislative and public perspective. The Office previously received the NLPES Certificate of Recognition of Impact for the following audits:

- 2007 *Performance Audit of the Mass Transit Agencies of Northeastern Illinois*;
- 2006 *Management Audit of the Flu Vaccine Procurement and the I-SaveRx Program*;
- 2004 *Management and Program Audit of the Rend Lake Conservancy District*;
- 2003 *Management Audit of the Illinois State Toll Highway Authority*;

- 2002 *Management Audit of Agency Use of Internet User Tracking Technology*;
- 2001 *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*.

Also, in June 2008, the *Performance Audit of the Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace* was awarded the Excellence in Accountability Award by the National State Auditors Association (NSAA). The Auditor General's Office had previously received this award in 2005 and 2004 for our *Management and Program Audit of the Rend Lake Conservancy District* and our *Management Audit of the Illinois State Toll Highway Authority*. NSAA established the Excellence in Accountability Awards Program in 2003 to recognize outstanding performance audits and special projects.

Performance audits directly impact and improve agency operations. The Auditor General released seven performance audits, one follow up report, and two reviews of information submitted by the CTA Retirement Board and Retiree Health Care Trust in 2009. The audits contained a total of 60 recommendations. State agencies generally accepted the audit recommendations to correct or improve operations.

In addition, the Performance Audit Program has the responsibility for annual audits of 45 Regional Offices of Education (ROEs) and 3 Intermediate Service Centers (ISCs). Audits released in 2009 included a total of 79 recommendations for improvement. ❖

PERFORMANCE

PERFORMANCE AUDITS COMPLETED IN 2009

PERFORMANCE AUDIT OF THE COAL DEVELOPMENT FUND

House Resolution Number 1076 directed the Auditor General to conduct a performance audit of the activities of the Coal Development Fund and the propriety of transferring money from the fund. The audit concluded that: In June 2007, the State of Illinois deposited \$10.2 million from the sale of General Obligation bonds into the Coal Development Fund used by the Department of Commerce and Economic Opportunity (DCEO). In November 2007, the Governor and Director of the Office of Management and Budget (OMB) transferred (reallocated) \$10.2 million from the Coal Development Fund to the Transportation Bond Series B Fund. The General Obligation Bond Act authorizes the Governor and Director of OMB to reallocate unused bond proceeds among these named funds.

The Resolution also directed us to audit the activities of DCEO with respect to deposits and withdrawals from the Coal Development Fund. This fund is used by two DCEO programs:

- Coal Demonstration Program, which had awarded four grants in FY07-FY08 totaling \$5.1 million.
- Coal Revival Program, which had a \$14.1 million pending grant to Secure Energy, Inc. but as of December 2008 lacked sufficient funds for the grant.

We reviewed DCEO's project files for Secure Energy, Inc. and all the four grants from the Coal Demonstration Program in FY07. Our review showed that DCEO had documentation to address the technical aspects of the grants but needed to better document and organize the review process used to determine eligibility and to assess the project's strengths and weaknesses.

MANAGEMENT AUDIT OF THE STATE'S MULTI-YEAR BEVERAGE VENDING AND POURING CONTRACT

House Resolution Number 862 directed the Auditor General to conduct an audit of the procurement practices in connection with the State's multi-year Beverage Vending and Pouring contract. Two companies, Coca-Cola Enterprises Bottling Companies (Coke) and PepsiAmericas, Inc. (Pepsi), submitted

proposals. The contract was awarded to Pepsi on July 27, 2007.

Pepsi's technical proposal received an average score of 383 points. Coke's technical proposal received an average score of 341 points which was below the 350 point minimum established in the RFP. As a result, Coke's proposal was rejected. Coke was not notified that its proposal did not meet the 350 point requirement until October 26, 2007, six months after the price proposals were opened and after Coke was told they would be asked to submit a best and final offer.

We noted a number of deficiencies in the evaluation process that could have adversely affected both Coke's and Pepsi's technical proposal scoring. Had these instances not occurred, Coke's score may have been above the 350 points needed and its technical proposal would not have been rejected. Deficiencies in the procurement process included the following:

- Technical proposal scores varied greatly among the evaluation team members. For example, with 500 points being the maximum score possible, the lowest overall score for Coke was 206 while the highest score was 435. Pepsi's scores ranged from 298 to 453. The evaluation team did not meet to discuss these major differences in scores as recommended by CMS Evaluation Guidelines.
- Notes to support the scores given were not provided by most evaluation team members, which is contrary to CMS Evaluation Guidelines.
- Reference checks, which were conducted by two evaluation team members from the Department of Revenue, were not supported by adequate documentation. The documentation that was provided showed that reference scores were lowered for both vendors with no indication of why the scores were lowered. Also, a specific question worth 10 points was not asked of the references but scores were still designated with no indication of why the assigned points were given.
- Evaluation committee meetings were not adequately documented to show who attended, what specifically was discussed, and what instructions were given to the evaluation team.
- The vendor presentations were also not adequately documented to show who attended or the discussions that took place during the presentations, such as questions asked by the evaluation team and vendors.

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

MANAGEMENT AND PROGRAM AUDIT OF THE ILLINOIS STATE POLICE'S DIVISION OF FORENSIC SERVICES

House Resolution 451 directed the Auditor General to conduct a management and program audit of the Illinois State Police's (ISP) Division of Forensic Services (DFS). Our audit concluded that:

- ISP operates a system of nine forensic labs around the State of Illinois. These labs analyze case evidence for any law enforcement operation in the State.
- Between FY02 and FY07, ISP received \$387 million from State and federal sources to operate its forensic lab system. Relative to lab funding and staffing we found:
 - ISP was directly appropriated \$348.6 million in GRF during the audit period. In addition, over \$15 million was appropriated to DFS from three major fee funds. The remainder, \$22.9 million, came from other funds maintained by ISP or federal grants.
 - While the backlog of cases continues to increase and labs report lost headcount, DFS had not utilized all of the funding it received from the General Assembly. Our analysis of expenditure data from the Comptroller's Office shows DFS lapsed \$19.3 million in State funds between FY02-FY07. In addition, at January 16, 2008, DFS had allowed \$1.3 million in 21 federal grants for forensic activities to lapse since 2002.
 - ISP transferred a significant amount of funding (\$6 million) to other purposes that was originally appropriated for forensic lab operations.
 - The number of backlogged cases at ISP labs had increased by over 200 percent from FY02-FY07 (3,426 cases to 10,387 cases). However, the number of forensic scientists, including trainees, had declined 3 percent during the same time period – 336 in FY02 to 327 in FY07.
- During FY07, ISP's lab system held two major accreditation certificates, one from the American Society of Crime Laboratory Directors/Laboratory Accreditation Board and another, conducted by Forensic Quality Services.
- ISP had underreported backlogged DNA cases in

its Accountability Report provided to the Governor and General Assembly. Additionally, when ISP outsourced a DNA case to a vendor, ISP took that case out of its backlog statistics. Providing inaccurate and misleading information in reports inhibits the ability of the General Assembly to recognize the true needs of the ISP labs.

- From January-June 2007, the Rockford lab implemented an unconventional method for processing forensic biology/DNA cases which resulted in the misstatement of the true DNA backlog, in violation of the Unified Code of Corrections.
- From 2000-2007, ISP utilized seven outside vendors to provide forensic services. Total State payments to these seven vendors were over \$16 million. Relative to outsourcing we found:
 - Most analyses conducted by contractual labs performing DNA analyses were not completed within the 75 day processing time requirement contained in their contracts with ISP.
 - Significant delays between the time ISP received a case to when it was outsourced to a contractual lab.

PERFORMANCE AUDIT OF FUNDING PROVIDED BY STATE AGENCIES TO HEARTLAND HUMAN SERVICES

House Resolution Number 1307 directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to Heartland Human Services (Heartland). Heartland is a non-profit corporation in Effingham, Illinois that provides outpatient services and 24-hour residential services to adults with mental illness. Our audit concluded that:

- During FY06-FY08, State agencies provided \$7.4 million in funding to Heartland. The majority of the State funds, \$6.3 million, were provided by the Department of Human Services (DHS), mainly from the Division of Mental Health.
- In FY08, services provided at Heartland were affected by a labor strike. Most affected were DHS funded programs for the mental health division's CILA and Medicaid programs, the alcoholism and substance abuse division's Global program, and the rehabilitative services division's Supported and

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

Extended Employment programs.

- Although the strike was ongoing at the end of the audit, Heartland had resumed services for all programs except for Supported and Extended Employment.
- All State agencies providing funding to Heartland conducted monitoring of Heartland during FY07 and/or FY08.

The audit identified several Statewide issues, such as:

- DHS allowed commingling of Medicaid funds with grant funds, which along with limitations in DHS reporting requirements, made it difficult to track and account for funding received by providers.
- Due to the process used by DHS to reconcile mental health funding, providers have been allowed to keep funding that was not reported as expended since FY05.
- DHS did not ensure that mental health providers reported interest earned on grant funds.
- The Illinois Department of Public Health did not require reporting of CILA employees to the Health Care Worker Registry as required by State law.

Issues specific to Heartland Human Services included:

- Based on financial reports, Heartland did not spend 80 percent of its Crisis Services funding on salaries and benefits as required by the grant agreement.
- Heartland allocated \$145,492 in revenue to the Crisis Services program in FY08 (\$128,683 in DHS funding and \$16,809 from non-State revenue), but only reported \$82,507 allowable in expenses for the program.
- Heartland employees need to be more specific when documenting services provided in the case notes.

MANAGEMENT AUDIT OF THE DEPARTMENT OF CENTRAL MANAGEMENT SERVICES' 2008 JOINT PROCUREMENTS OF BULK ROCK SALT

Legislative Audit Commission Resolution Number 138 directed the Auditor General to conduct a management audit of the Department of Central

Management Services' joint purchasing procurements of bulk rock salt in 2008. Our audit concluded that some actions taken by CMS for the 2008 joint procurement of bulk rock salt were not in accordance with the Illinois Procurement Code and CMS' administrative rules.

- CMS allowed one vendor (Cargill) to significantly change the terms and conditions of its bid *after* the bid opening. The price per ton bid by Cargill was significantly lower than those bid by the other vendors. Changing these terms reduced the potential amount of salt the vendor would be required to provide pool participants by approximately 300,000 tons or \$16.5 million. Other bidders were not afforded the opportunity to change their terms and conditions.
- A public record of the bid opening was not contained in the procurement files for the first solicitation.
- For the second solicitation there was no written determination in the procurement files regarding decisions to allocate salt alternatives.

CMS did not hold vendors to some requirements contained in the terms and conditions of the Invitations for Bid. These included submitting proof of stockpiling and performance bonds.

CMS should consider changes to the procurement process including:

- Issuing the joint procurement Invitation for Bid earlier.
- Changing the basis of award.
- Changing guaranteed percentage requirements.
- Extending the deadlines for stockpiling.
- Holding a bidder's conference.
- Requiring bid bonds and reviewing performance bond requirements.
- Reviewing delivery requirements and times.
- Reviewing the liquidated damages provisions.

CMS also needed to improve its communications with local government participants by providing full disclosure of terms and conditions, providing accurate information in communications and memos, and giving local governments adequate time to make decisions.

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

MANAGEMENT AUDIT OF THE \$1 MILLION GRANT TO THE LOOP LAB SCHOOL

House Resolution 1190 directed the Auditor General to conduct a management audit of the process involved in the \$1 million grant to the Loop Lab School (School). Our audit concluded that:

- The previous Governor initially promised the Pilgrim Baptist Church (Church) \$1 million in State grant funds on January 9, 2006, three days after a fire destroyed the Church.
- The previous Governor's Office had no policies and procedures for administering these types of grants, even though it directed and approved over \$45 million in grants from the Fund for Illinois' Future in FY06-07.
- While the previous Governor promised the funds to the Church, it appeared that a member of his staff directed the funds to the School and not the Church.
- While the previous Governor indicated there was a "bureaucratic mistake," his staff was aware that the Church and School were separate entities on January 18, 2006, 12 days after the fire.
- On November 22, 2006, DCEO executed a grant with the School to purchase property to relocate its operation.
- After numerous inquiries by auditors, spanning an 8-month period, a Governor's Office official reported to auditors that the former Governor was "unable to recall" who the ex-staffers were or who told him about the situation.
- DCEO was not timely in completing the grant recovery process with the School. During the recovery process:
 - The School attempted to sell the property for \$950,000.
 - After outstanding expenses and liens a total of \$119,000 would have remained.
 - In May 2009, the School agreed to repay the State. Given that the real estate is the only reported asset the School has and given the number of claims against the School, the State will likely recover very little of the \$1 million grant to the School.
- On March 3, 2008, the previous Governor again

promised \$1 million to the Church. That same morning a news story questioned his initial promise.

- While the grant was executed June 30, 2008, it had not been paid due to an ongoing lawsuit.
- Internal controls at DCEO were circumvented in the award and processing of the grants to both the School and Church.
- We received limited cooperation from the former Governor's Office; however, during the period of March through May 2009 staff in the current Governor's Office found and provided over 900 pages of documentation.

PERFORMANCE AUDIT OF THE MEDICAL ASSISTANCE PROGRAM – LONG TERM CARE ELIGIBILITY DETERMINATION

House Resolution 1295 directed the Auditor General to audit the Medical Assistance Program jointly administered by the Departments of Healthcare and Family Services and Human Services with respect to the accuracy and impact of eligibility determination standards and procedures regarding persons applying for or receiving assistance for long term care, with particular emphasis on the nature and scope of errors in the assessment of the client's financial resources and financial liability.

In their response to the audit report, the agency directors acknowledged that: "The policies, procedures and systems reviewed are highly complex and confusing." As auditors, we are accustomed to dealing with complex and confusing processes. However, the real significance of, and difficulty with, this statement lies with the elderly and vulnerable population who ultimately must deal with these highly complex and confusing policies on a regular basis. Among the issues auditors noted were:

- The eligibility determination process, specifically the processes used by both Departments related to determining how much income a client with a community spouse (a spouse residing in the community) must pay to the long term care facility, is complex, cumbersome, and confusing.

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

- Auditors identified significant and pervasive problems in the processes and data used by the Departments which resulted in long term care clients with community spouses being overcharged for their nursing home care.
- The most significant problem was that the Departments automatically add the annual Social Security cost of living increase to the client's group care credit (the amount that the client and the client's community spouse have to pay monthly for nursing home care).
- This automatic cost of living adjustment almost always results in the new group care credit being incorrect, since most or all of the income can be given to the community spouse. If not corrected in a timely manner, it results in the client being overcharged for their care.
- In 7 of 23 cases we reviewed, there were 14 instances where more than two months passed before the group care credit was manually corrected by the caseworker. In 3 of 23 cases, the group care credits were not corrected for two years. In these cases, the clients were overcharged \$9,204, \$1,056, and \$1,012, for their care.
- The Departments send two notices within a two week period to long term care clients that provide conflicting, or at best confusing, information regarding the handling of the clients' Social Security increases.

ANNUAL REVIEW OF INFORMATION SUBMITTED BY THE CHICAGO TRANSIT AUTHORITY'S EMPLOYEE RETIREMENT PLAN

Public Act 95-708 requires the Chicago Transit Authority's Employee Retirement Plan (Retirement Plan) to annually submit certain information to the Auditor General for review. Our review was limited to the specific conclusions required by the Act. This report does not constitute an audit as that term is defined in generally accepted government auditing standards. This was our second year of review.

The Illinois Pension Code requires the Retirement Plan to determine the Plan's funded ratio of assets to liabilities, and determine employee and employer

contribution rates needed to meet the Pension Code's funding requirements. The OAG is required to review the Board's determination and the assumptions on which it is based and determine whether they are "unreasonable in the aggregate."

The conclusions reached in this report are based on the Actuarial Valuation as of January 1, 2009, prepared by the Board's actuary, including its determination of increases in contribution rates needed for the CTA and its employees to comply with the funding requirements of the Pension Code. This Actuarial Valuation was presented to the Retirement Plan Board at its August 27, 2009 meeting but was not formally acted upon by the Board. Further, as of the conclusion of our review, no formal action had yet been taken by the Board to set employee and employer contribution rates to meet the Pension Code's funding requirements. Readers of this report, therefore, are cautioned that this report's conclusions are contingent upon the Board's approval of the Actuarial Valuation and implementation of its recommendations for changes in contribution rates.

The OAG's review of the Retirement Plan's Actuarial Valuation as of January 1, 2009 concluded its assumptions were not unreasonable in the aggregate. However, we do note that the investment return assumption (i.e., expected rate of return) of 8.75 percent, while selected using established standards for pension plans and not unreasonable in the aggregate, is an optimistic assumption and should be viewed as such.

The Pension Code requires the CTA to contribute 12 percent of pay to the Plan, less up to a 6 percent credit for debt service paid on the bonds issued in 2008 to fund the Plan; employees are required to pay 6 percent of pay. If the funded ratio is projected to decline below 60 percent prior to 2040, the CTA is required to pay two-thirds and employees one-third of the required contribution. The actuary determined that increases in employer and employee contributions will be necessary in 2010 to meet the 60 percent funding requirement: the employer contribution rate would need to increase to 10.690 percent (which is net of the employer debt service credit of 6% per pay); and the employee contribution rate would need to increase to 8.345 percent.

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

REGIONAL TRANSPORTATION AUTHORITY FOLLOW UP

House Resolution Number 1596 directed the Auditor General to follow up with the Regional Transportation Authority on the status of implementation of the audit recommendations made in the OAG performance audit of the Mass Transit Agencies of Northeastern Illinois in March 2007.

The RTA submitted a Status Report to the OAG. The OAG reviewed the Status Report and the supporting documents, and followed up with the individual transit agencies as necessary.

- 2007 Audit. The March 2007 performance audit had reviewed the RTA's governance and operations, along with the operations of Chicago Transit Authority (CTA), Commuter Rail Division (Metra), and Suburban Bus Division (Pace).
- Recommendations in the 2007 Audit. The audit made 47 recommendations that required over 130 actions by the transit agencies. The actions related to planning, operations, performance management, fares, services, staffing, pensions, financial management, capital program, procurement, real estate, fleet, and other related matters.
- Implementation of Recommendations. The four transit agencies have made significant progress in implementing the recommendations in the 2007 audit. The Status Report submitted by the RTA in February 2009 to the OAG showed that over one-half of the 47 recommendations in the audit were implemented and the others were partially implemented. After the RTA's submission of its Status Report to the OAG, the mass transit agencies have continued to implement additional audit recommendations. We followed up to determine these recommendations were implemented.

ANNUAL REVIEW OF INFORMATION SUBMITTED BY THE CHICAGO TRANSIT AUTHORITY'S RETIREE HEALTH CARE TRUST

Public Act 95-708 requires the Chicago Transit Authority's Retiree Health Care Trust to submit

certain information each year to the Auditor General for review. The report is intended to annually assess the funding level of the Health Care Trust.

The Illinois State Auditing Act (Section 5/3-2.3(f)) requires the OAG to examine the information on the funding level of the Health Care Trust submitted pursuant to Section 22 101B(b)(3)(iii) of the Illinois Pension Code.

The OAG is required to review the Health Care Trust's assumptions to ensure they are *not unreasonable in the aggregate*. Our review was limited to the specific conclusions required by the State Auditing Act. This report does not constitute an audit as that term is defined in generally accepted government auditing standards. This is our second year of review.

- The Health Care Trust submitted its Actuarial Report to the Office of the Auditor General on September 30, 2009, as required by the Pension Code.
- The Report concluded that the actuarial present value of projected contributions, trust income, and assets in excess of the statutory reserve, exceeded the actuarial present value of the projected benefits. Consequently, no change in benefits or contributions was required.
- We examined the Health Care Trust's assumptions and did not find them to be unreasonable in the aggregate.
- In its calculation of the statutorily required reserve, the Actuarial Report deducted \$25 million for expected retiree and dependent contributions from the \$62 million of expected claims, for a reserve of \$37 million. The subtraction of expected contributions is not delineated in the Pension Code. If not netted, the actuarial present value of projected income and assets is 99.4 percent of the actuarial present value of projected benefits.

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 super-

PERFORMANCE AUDITS COMPLETED IN 2009 (CONT.)

intendent of schools of each educational service region in the State. A total of 48 audits are conducted annually: 45 are of Regional Offices of Education (ROEs) and 3 are 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. In 2009, one audit was done by the staff of the Auditor General. The ROE audits released in 2009 contained a total of 79 recommendations for improvement. Many of the recommendations dealt with the Regional Offices not having sufficient internal controls over their financial reporting processes. ❖

PERFORMANCE AUDITS IN PROGRESS

AUDIT OF THE CIVIL SERVICE COMMISSION

House Resolution 140 directs the Auditor General to conduct an audit of exemptions granted by the Civil Service Commission pursuant to its authority under item (3) of subsection (d) of Section 4 of the Illinois Personnel Code during the period January 1, 2003 to December 31, 2008, to determine if the granting of such exemptions was consistent with applicable State law and rules.

PERFORMANCE AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

The Covering ALL KIDS Health Insurance Act was revised by Public Act 95-985 to require that the Auditor General annually perform an audit of the Covering ALL KIDS Health Insurance Program (215 ILCS 170/63). The audit is to include payments for health services covered by the Covering ALL KIDS Health Insurance Program and contracts entered into by the Department in relation to the Program.

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.

REVIEW OF INFORMATION SUBMITTED BY THE CHICAGO TRANSIT AUTHORITY'S EMPLOYEE RETIREMENT PLAN

Pursuant to Public Act 95-708, the Auditor General is to annually examine required submissions made by the Chicago Transit Authority's Employee Retirement Plan. We are to examine whether the information submitted complies with the requirement of the Act and submit a report of the analysis thereof to the General Assembly.

REVIEW OF INFORMATION SUBMITTED BY THE CHICAGO TRANSIT AUTHORITY'S RETIREE HEALTH CARE TRUST

Pursuant to Public Act 95-708, the Auditor General is to annually examine required submissions made by the Chicago Transit Authority's Retiree Health Care Trust. We are to examine whether the information submitted complies with the requirement of the Act and submit a report of the analysis thereof to the General Assembly.

REGIONAL OFFICES OF EDUCATION AUDITS

Since 2002, the School Code (105 ILCS 5/2-3.17a) has required the Auditor General's Office to 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. In 2010, 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 continue to emphasize the review of information system controls at State agencies. In 2009, we reviewed the following agencies:

Capital Development Board, Chicago State University, Department on Aging, Department of Central Management Services, Department of Children and Family Services, Department of Corrections, Department of Financial and Professional Regulation, Department of Healthcare and Family Services, Department of Human Services, Department of Revenue, Department of State Police, Department of Transportation, Department of Veterans' Affairs, Northeastern Illinois University, Office of the Comptroller, Office of the State Fire Marshal, Southern Illinois University, State Board of Education, 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 security and control of confidential information. 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 provided 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.

After reviewing the control environment, we recommended the Department of Central Management Services:

- Develop a process to ensure billings are appropriate and accurately reflect services rendered.
- Develop a formal methodology to clearly document the allocation of rates and charges to user agencies.
- Ensure the necessary plans and components (plans, equipment, and facilities) are available to provide for the continuation of critical computer services in the event of a disaster. ❖

INFO. SYSTEMS

Nine agencies – **Department on Aging, Department of Central Management Services, Department of Natural Resources, Department of Revenue, Department of Transportation, Department of Veterans’ Affairs, Eastern Illinois University, Office of the State Fire Marshal and Illinois State University** – had not adequately developed or tested recovery plans to provide for continuation of critical computer operations in the event of a disaster. We recommended that these agencies develop and test disaster contingency plans.

Six agencies – **Big Muddy River Correctional Center, Department of Central Management Services, Department of Employment Security, Department of Transportation, Office of the State Fire Marshal and University of Illinois** – had not established adequate controls for securing its computer resources. We recommended that these agencies evaluate their computer environments and ensure adequate security controls and policies exist to safeguard computer resources.

Three agencies – **Department of Financial and Professional Regulation, Department of Revenue and Department of State Police** – had not ensured the process for the development of computer applications was properly controlled and documented. We recommended that these agencies ensure application developments are controlled, documented and meet expectations.

The **Department of Revenue** did not have sufficient internal control over the new enterprise-wide tax system (GenTax) functions, which affect the integrity of processing taxpayer information, financial data, and financial reporting. We recommended the Department thoroughly review GenTax and ensure the system provides the required functionality, integrity, and accuracy.

The **Department of Central Management Services** did not maintain complete, accurate, or detailed records to substantiate its current midrange computer systems and equipment. The Department also did not have an effective mechanism to track, control, and monitor end-user software use. 20 ILCS 405/405-410 mandated the Department to consolidate Information Technology functions of State government. Due to the consolidation, eleven agencies’ IT functions were consolidated into the Department. As a result of the consolidation, the Department became responsible for tracking, controlling, and monitoring mid-range computer systems and equipment, and software use and licenses. We recommended the Department ensure complete, accurate, and detailed records are available to substantiate its midrange computer systems and equipment, and track, control, and monitor software use.

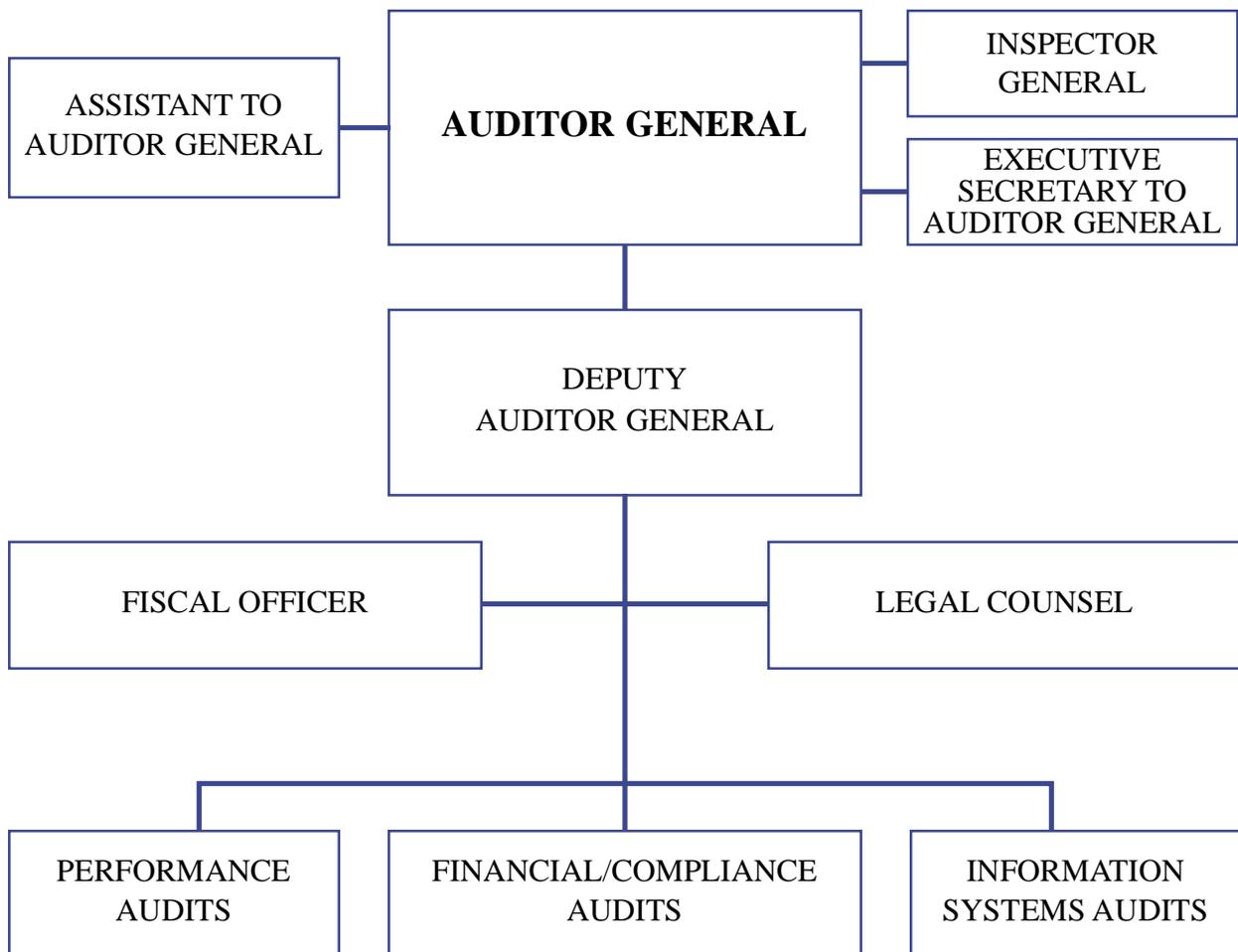
Agency officials generally concurred with our recommendations concerning these issues.

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



ORGANIZATIONAL CHART

As of December 2009, there were 103 employees. 90 were located in the Springfield Office and 13 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, 2009. 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 2009 (July 1, 2008 to August 31, 2009, including lapse period).

<i>FY 2009 - FINAL</i>			
	<i>Appropriation</i>	<i>Expended</i>	<i>Balance</i>
GRF Operations:			
Personal Services	\$ 5,606,333	\$ 5,606,333	\$ 0
State Retirement	1,574,424	1,180,889	393,535
Social Security	412,045	412,044	1
Contractual Services	856,127	734,527	121,600
Travel	49,406	49,406	0
Commodities	22,000	10,894	11,106
Printing	25,000	22,107	2,893
Equipment	100,000	98,892	1,108
EDP	120,000	102,482	17,518
Telecommunications	75,000	71,222	3,778
Operation of Automotive Equipment	6,000	2,452	3,548
GRF Operations Total	8,846,335	8,291,248	555,087
Audit Expense Fund:			
Audits/Studies/Invest.	\$ 19,563,300	\$ 17,095,562	\$ 2,467,738

PERSONAL INFORMATION PROTECTION ACT COMPLIANCE ---

The Auditor General's Office has taken measures to comply with the requirements of the Personal Information Protection Act (815 ILCS 530 et seq.). During calendar year 2009 we reported one incident of theft to the General Assembly involving password protected personal information. As a result, security policies and procedures have been strengthened and use of encryption devices has been expanded.



FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING

APRIL 30, 2008, JUNE 30, 2008, SEPTEMBER 30, 2008, AND DECEMBER 31, 2008

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

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Attorney General		X		01-08-09
Capital Development Board	X	X		02-11-09
Chicago State University	X	X	X	05-14-09
Chicago State University Foundation	X			12-18-08
Chicago Technology Park Corporation	X	X	X	04-02-09
Comptroller - Fiscal Officer Responsibilities	X			01-29-09
Comptroller - Fiscal Officer Responsibilities		X		02-26-09
Comptroller - Non-Fiscal Officer		X		05-07-09
Department on Aging		X		04-21-09
Department of Central Management Services	X	X		06-04-09
Department of Central Management Services (Deferred Compensation Plan)	X			07-30-09
Department of Children and Family Services	X	X		06-25-09
Department of Commerce and Economic Opportunity		X		05-28-09
Department of Corrections - General Office	X	X		08-06-09
Dept. of Corrections, Correctional Center - Big Muddy River		X		08-06-09
Dept. of Corrections, Correctional Center - Centralia		X		08-06-09
Dept. of Corrections, Correctional Center - Danville		X		08-06-09
Dept. of Corrections, Correctional Center - Decatur Womens		X		08-06-09
Dept. of Corrections, Correctional Center - Dixon		X		08-06-09
Dept. of Corrections, Correctional Center - Dwight		X		08-06-09
Dept. of Corrections, Correctional Center - East Moline		X		08-06-09
Dept. of Corrections, Correctional Center - Graham		X		08-06-09
Dept. of Corrections, Correctional Center - Hill		X		08-06-09
Dept. of Corrections, Correctional Center - IL River (Canton)		X		08-06-09
Dept. of Corrections, Correctional Center - Jacksonville		X		08-06-09
Dept. of Corrections, Correctional Center - Lawrence		X		08-06-09
Dept. of Corrections, Correctional Center - Lincoln		X		08-06-09
Dept. of Corrections, Correctional Center - Logan		X		08-06-09
Dept. of Corrections, Correctional Center - Menard		X		08-06-09
Dept. of Corrections, Correctional Center - Pinckneyville		X		08-06-09
Dept. of Corrections, Correctional Center - Pontiac		X		08-06-09
Dept. of Corrections, Correctional Center - Robinson		X		08-06-09
Dept. of Corrections, Correctional Center - Shawnee		X		08-06-09
Dept. of Corrections, Correctional Center - Sheridan		X		08-06-09
Dept. of Corrections, Correctional Center - Southwestern IL		X		08-06-09
Dept. of Corrections, Correctional Center - Stateville		X		08-06-09
Dept. of Corrections, Correctional Center - Tamms		X		08-06-09
Dept. of Corrections, Correctional Center - Taylorville		X		08-06-09
Dept. of Corrections, Correctional Center - Thomson		X		08-06-09
Dept. of Corrections, Correctional Center - Vandalia		X		08-06-09
Dept. of Corrections, Correctional Center - Vienna		X		08-06-09

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Dept. of Corrections, Correctional Center - Western Illinois		X		08-06-09
Department of Corrections, Correctional Industries	X	X		08-06-09
Dept. of Corrections, IL Youth Center - Chicago		X		09-08-09
Dept. of Corrections, IL Youth Center - Harrisburg		X		09-08-09
Dept. of Corrections, IL Youth Center - Joliet		X		09-08-09
Dept. of Corrections, IL Youth Center - Kewanee		X		09-08-09
Dept. of Corrections, IL Youth Center - Murphysboro		X		09-08-09
Dept. of Corrections, IL Youth Center - Pere Marquette		X		09-08-09
Dept. of Corrections, IL Youth Center - St. Charles		X		09-08-09
Dept. of Corrections, IL Youth Center - Warrenville		X		09-08-09
Department of Employment Security	X			04-30-09
Department of Financial and Professional Regulation	X	X		06-11-09
Department of Healthcare and Family Services	X	X		07-08-09
Department of Healthcare and Family Services - Teacher Health Insurance Security Fund	X			07-08-09
Department of Healthcare and Family Services - Local Government Health Insurance Reserve Fund	X			07-08-09
Department of Healthcare and Family Services - Community College Health Insurance Reserve Fund	X			07-08-09
Department of Human Services	X			04-02-09
Department of Juvenile Justice		X		09-08-09
Department of Military Affairs		X		06-30-09
Department of Natural Resources	X	X		06-11-09
Department of Revenue	X	X		07-08-09
Department of State Police		X		07-08-09
Department of Transportation	X	X		06-04-09
Department of Veteran's Affairs - General Office		X		06-25-09
Drycleaner Environmental Response Trust Fund Council		X		04-02-09
East St. Louis Financial Advisory Authority	X	X		04-02-09
Eastern Illinois University	X	X	X	05-14-09
Environmental Protection Agency	X	X		03-05-09
Environmental Protection Trust Fund Commission		X		03-05-09
Executive Ethics Commission		X		01-08-09
General Assembly - Retirement Systems	X			01-15-09
General Assembly - Retirement Systems		X		05-21-09
Governors State University	X			03-05-09
Governors State University		X	X	03-26-09
Governors State University Alumni Association	X			12-18-08
Governors State University Foundation	X			01-22-09
Historic Preservation Agency		X		06-11-09
Illinois Commerce Commission		X		01-08-09
Illinois Community College Board		X		05-07-09
Illinois Conservation Foundation	X	X	X	03-12-09
Illinois Finance Authority	X	X	X	06-11-09
Illinois Housing Development Authority	X			11-06-08
Illinois Housing Development Authority		X	X	03-31-09

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Illinois Mathematics and Science Academy		X		06-25-09
Illinois Mathematics and Science Academy Fund	X			06-25-09
Illinois Medical District Commission	X	X		04-02-09
Illinois State Board of Investment	X			01-15-09
Illinois State Board of Investment		X		03-12-09
Illinois State Toll Highway Authority	X	X		09-23-09
Illinois State University	X			02-19-09
Illinois State University		X	X	03-19-09
Illinois Student Assistance Commission	X			04-14-09
Illinois Student Assistance Commission		X		05-21-09
Illinois Student Assistance Commission - Designated Account Purchase Program	X			04-14-09
Illinois Student Assistance Commission - Prepaid Tuition	X			04-14-09
Illinois Veterans' Home - Anna		X		06-25-09
Illinois Veterans' Home - LaSalle		X		06-30-09
Illinois Veterans' Home - Manteno		X		06-25-09
Illinois Veterans' Home - Quincy		X		06-25-09
Illinois Violence Prevention Authority		X		02-11-09
Illinois Workers' Comp. Comm. - Self Insurer's Fund	X			04-02-09
Joint Committee on Administrative Rules		X		02-11-09
Judges Retirement System	X			01-15-09
Judges Retirement System		X		05-21-09
Judicial Inquiry Board		X		02-26-09
Kankakee River Valley Area Airport Authority	X	X		06-11-09
Law Enforcement Training Standards Board		X		2-26-09
Legislative Ethics Commission		X		01-29-09
Legislative Information System		X		01-22-09
Legislative Inspector General		X		01-29-09
Northeastern Illinois University	X	X	X	03-05-09
Northeastern Illinois University Foundation	X			01-08-09
Northern Illinois Research Foundation	X	X		04-30-09
Northern Illinois University	X			04-23-09
Northern Illinois University		X	X	05-28-09
Northern Illinois University Alumni Association	X	X		04-30-09
Northern Illinois University Foundation	X	X		04-30-09
Pollution Control Board		X		01-29-09
Prisoner Review Board		X		12-09-08
Procurement Policy Board		X		12-04-08
Property Tax Appeal Board		X		02-11-09
Secretary of State	X			05-28-09
Sex Offender Management Board		X		04-02-09
Southern IL University		X	X	04-14-09
Southern IL University	X			02-19-09
Southern IL University - Carbondale Alumni Association	X			01-08-09
Southern IL University - Carbondale Foundation	X			11-20-08
Southern IL University - Edwardsville Alumni Association	X			01-22-09

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Southern IL University - Edwardsville Foundation	X			01-22-09
Southern IL University – Physicians & Surgeons, Inc.	X			02-11-09
Southern IL University - Research Park	X			12-09-08
Southern IL University - University Park	X			01-29-09
Southwestern Illinois Development Authority		X		06-04-09
State Appellate Defender		X		06-25-09
State Board of Education	X	X		04-23-09
State Employees' Retirement System	X			01-15-09
State Employees' Retirement System		X		05-21-09
State Fire Marshal		X		07-08-09
State Police Merit Board		X		02-26-09
State Universities Retirement System	X			02-05-09
State Universities Retirement System		X		03-12-09
State's Attorney's Appellate Prosecutor		X		03-12-09
Statewide Financial Statement Audit	X			07-30-09
Statewide Single Audit - (Federal Funds)			X	08-11-09
Teacher's Retirement System	X			01-15-09
Teacher's Retirement System		X		04-23-09
Treasurer - Bright Start College Savings Program	X			04-02-09
Treasurer - Fiscal Officer	X	X		04-21-09
Treasurer - Illinois Funds	X			01-29-09
University of Illinois	X			01-29-09
University of Illinois		X	X	03-26-09
University of Illinois Alumni Association	X			12-04-08
University of Illinois Alumni Association		X		01-22-09
University of Illinois Foundation	X			01-22-09
University of Illinois Foundation		X		02-11-09
University of Illinois - Prairieland Energy, Inc.	X	X		03-05-09
University of Illinois - Research Park, LLC	X	X		11-20-08
University of Illinois - Ventures, LLC	X	X		01-29-09
University of Illinois - Wolcott, Wood & Taylor, Inc.	X			01-22-09
University of Illinois - Wolcott, Wood & Taylor, Inc.		X		01-29-09
Western Illinois University	X			02-19-09
Western Illinois University		X	X	03-19-09
Western Illinois University Foundation	X			02-19-09



REGIONAL OFFICE OF EDUCATION AND INTERMEDIATE SERVICE CENTER FINANCIAL AUDITS

FOR THE PERIOD ENDING JUNE 30, 2008

F = Financial Audits S = Single Audits

AGENCY	F	S	DATE RELEASED
ROE #1: Adams, Pike Counties	x		01-15-09
ROE #2: Alexander, Johnson, Massac, Pulaski, Union Counties	x	x	02-19-09
ROE #3: Bond, Fayette, Effingham Counties	x		04-21-09
ROE #4: Boone, Winnebago Counties	x	x	04-21-09
ROE #8: Carroll, Jo Daviess, Stephenson Counties	x	x	06-25-09
ROE #9: Champaign, Ford Counties	x	x	04-21-09
ROE #10: Christian, Montgomery Counties	x		06-11-09
ROE #11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Counties	x	x	04-02-09
ROE #12: Clay, Crawford, Jasper, Lawrence, Richland Counties	x		05-14-09
ROE #13: Clinton, Marion, Washington Counties	x		01-29-09
ROE #14: Suburban Cook County	x		06-11-09
ROE #16: DeKalb County	x		07-23-09
ROE #17: Dewitt, Livingston, McLean Counties	x	x	07-08-09
ROE #19: DuPage County	x	x	05-14-09
ROE #20: Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne, White Counties	x		06-04-09
ROE #21: Franklin, Williamson Counties	x	x	05-21-09
ROE #22: Fulton, Schuyler Counties	x		04-21-09
ROE #24: Grundy, Kendall Counties	x	x	07-08-09
ROE #25: Hamilton, Jefferson Counties	x		01-29-09
ROE #26: Hancock, McDonough Counties	x	x	03-31-09
ROE #27: Henderson, Mercer, Warren Counties	x		04-14-09
ROE #28: Bureau, Henry, Stark Counties	x	x	02-26-09
ROE #30: Jackson, Perry Counties	x		02-19-09
ROE #31: Kane County	x	x	05-14-09
ROE #32: Iroquois, Kankakee Counties	x	x	07-23-09
ROE #33: Knox County	x		05-28-09
ROE #34: Lake County	x	x	07-23-09
ROE #35: LaSalle County	x		07-08-09
ROE #38: Logan, Mason, Menard Counties	x		06-25-09
ROE #39: Macon, Piatt Counties	x	x	03-19-09
ROE #40: Calhoun, Greene, Jersey, Macoupin Counties	x		08-27-09
ROE #41: Madison County	x	x	06-30-09
ROE #43: Marshall, Putnam, Woodford Counties	x		06-04-09
ROE #44: McHenry County	x		05-14-09
ROE #45: Monroe, Randolph Counties	x		03-05-09
ROE #47: Lee, Ogle Counties	x	x	12-17-09
ROE #48: Peoria County	x	x	07-23-09
ROE #49: Rock Island County	x	x	10-15-09
ROE #50: St. Clair County	x	x	04-30-09
ROE #51: Sangamon County	x	x	03-31-09
ROE #53: Tazewell County	x		04-21-09
ROE #54: Vermilion County	x		06-11-09
ROE #55: Whiteside County	x		07-30-09
ROE #56: Will County	x	x	04-30-09
Intermediate Service Center #1: North Cook	x	x	04-21-09
Intermediate Service Center #2: West Cook	x	x	07-30-09
Intermediate Service Center #4: South Cook	x	x	10-15-09

PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

- Audit of the Civil Service Commission
- Performance Audit of the Covering ALL KIDS Health Insurance Program
- The Village of Robbins' Use of Municipal Economic Development Funds
- Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan
- Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust

12/09	Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust	8/07	Prevention for the CeaseFire Program
12/09	Regional Transportation Authority Follow Up	8/07	Payments to the Illinois Hispanic Chamber of Commerce by State Agencies
11/09	Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan	7/07	Village of Robbins' Use of Municipal Economic Development Funds
9/09	Medical Assistance Program – Long Term Care Eligibility Determination	4/07	Rend Lake Conservancy District Follow-up Report
7/09	Grant to the Loop Lab School	3/07	Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace
6/09	Department of Central Management Services' 2008 Joint Procurements of Bulk Rock Salt	1/07	Department of Transportation's Aeronautics Operations
5/09	Funding Provided by State Agencies to Heartland Human Services	12/06	Department of Human Services' Office of the Inspector General
3/09	Illinois State Police's Division of Forensic Services	9/06	Flu Vaccine Procurement and I-SaveRx Program
3/09	Multi-Year Beverage Vending and Pouring Contract	9/06	Village of Robbins' Use of Municipal Economic Development Funds
2/09	Coal Development Fund	8/06	Department of Financial and Professional Regulation's Disciplining of Physicians
12/08	Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan and Retiree Health Care Trust	6/06	Department of Central Management Services' Business Enterprise Program and Department of Transportation's Disadvantaged Business Enterprise Program
12/08	Department of Human Services Office of the Inspector General	3/06	Department of Transportation's Traffic Safety Programs
11/08	Village of Robbins' Use of Municipal Economic Development Funds	2/06	Department of Commerce and Economic Opportunity's Administration of Its Economic Development Programs
7/08	Review of Documents Related to the Proposed Sale of Bonds for the Chicago Transit Authority Retirement Plan and Retiree Health Care Trust	2/06	State Employee Travel - Modes of Transportation between Chicago and: Bloomington, Carbondale, Champaign-Urbana, Macomb, and Springfield
5/08	The Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process	7/05	Village of Robbins' Use of Municipal Economic Development Funds
2/08	Pilsen-Little Village Community Mental Health Center, Inc.	5/05	The Illinois School District Liquid Asset Fund Plus
10/07	Inventory of State Programs	12/04	Department of Human Services' Office of the Inspector General
8/07	Funding Provided by or through the State of Illinois to the Chicago Project for Violence	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

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

5/03	Illinois State Toll Highway Authority	4/96	DMHDD – Reporting of Resident Abuse & Neglect
4/03	Teachers Academy for Mathematics and Science	5/95	Summer Unemployment at State Universities
1/03	Group Workers Compensation Self-Insured Pools	2/95	Laws Considered Obsolete
12/02	DHS Office of the Inspector General	1/95	Public Aid’s Child Support Program
8/02	Village of Robbins’ Use of Municipal Economic Development funds	12/94	Office of the Inspector General
8/02	Department of Human Services’ Early Intervention Program	6/94	Toll Highway: Helicopters
7/02	Department of Public Aid’s KidCare Program	6/94	DMHDD: Abuse & Neglect
4/02	Department of Human Services Early Intervention Program Follow-up	5/94	Correctional Industries
4/02	States Construction Contracting Methods	5/94	Central Management
1/02	Agency Use of Internet User Technology	3/94	Services: Telecommunications
10/01	EPA’s Vehicle Emissions Testing Program	1/94	Collection of Money from Circuit Clerks
9/01	Illinois Health Facilities Planning Board	5/93	State Housing Benefits
8/01	Board of Education and Other State Agencies Providing Funding to Regional Offices of Education	4/93	Public Aid: Property Transfers
6/01	Village of Robbins’ Use of Municipal Economic Development Funds	4/93	Office of the Inspector General
5/01	Tuition & Fee Waivers Follow-up	4/93	Early Intervention Services System
12/00	DHS Office of the Inspector General	4/93	User Fees
6/00	Municipal Economic Development Fund Distributions: Village of Robbins	11/92	DMHDD: Abuse & Neglect
3/00	Department of Public Aid: Child Support State Disbursement Unit	7/92	St. Anne’s Lease
11/99	Illinois Math & Science Academy	6/92	State Police I-SEARCH Program
9/99	Department of Public Aid’s Contracts with Delta Dental	5/92	Privatizing Weigh Stations
8/99	Pilsen-Little Village Community Mental Health Center	4/92	Henry Horner’s Children’s Care
7/99	Medicaid Home Health Care & Regulation of Home Health Agencies	3/92	Governor’s Council on Health & Physical Fitness
6/99	State Fire Marshal’s Fire Investigations	3/92	Case Management Practices
5/99	Illinois Health & Human Service Providers	1/92	State Legal Services
12/98	DHS: Inspector General	11/91	State Regulation of Insurer Solvency
9/98	Comptroller’s Offset System	8/91	Higher Education “Systems of Systems”
6/98	Nursing Home Prescreening	7/91	Eastern Illinois University Coal Conversion Project
5/98	IDOT’s Road Construction Program	6/91	Special Analysis: Build Illinois
4/98	Tuition & Fee Waivers	5/91	Availability of Obstetric Care
5/97	Professional Regulation – Physicians Regulated Under the Medical Practices Act	5/91	Collection of Sales & Taxes Receivable
12/96	DMHDD – Office of the Inspector General	5/91	Property Forfeited Under the Illinois Controlled Substances Act
6/96	IHSA – Site Selection for Boys Basketball Finals	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

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

8/90	Parents Too Soon Program	3/86	Claims & Accounts Receivable
7/90	State University Tuition & Fee Policies & Practices	3/86	Capital Development Board: Construction of the State of Illinois Center
7/90	Debt Collection Practices of Illinois & Other States	2/86	Illinois Commerce Commission
5/90	DMHDD: Abuse & Neglect	2/86	Advisory Boards & Commissions
4/90	Veterans' Affairs Field Office Closures	11/85	Data Security Practices
3/90	Illinois Competitive Access & Reimbursement Equity Program	11/85	Hazardous Waste Management
1/90	Public Aid's Delta Dental	9/85	Management & Collection of Claims Receivable
12/89	Regional Transportation Authority	3/85	Perinatal Medical Care
11/89	Illinois Sports Facilities Authority & the Chicago White Sox	10/84	State Employee Travel
11/89	Five State Retirement Systems' Financial Status	1 0/84	Feasibility Study: Rock Island Co. Facility
10/89	Feasibility of Consolidating State Revenue Bond Agencies	9/84	Employment Security Unemployment Insurance
7/89	Commerce & Community Affairs' Economic Development Programs	8/84	Salaried Non-working Time Benefits
5/89	EPA's Hazardous Waste Mgmt. Program	8/84	Responsible Relative Requirements
4/89	Selected Auditor Comparability: Jobs & Pay	5/84	Board of Investment: Five State Retirement Systems
2/89	AIDS Testing: Statutory Requirements & Costs	10/83	Commerce Comm.: Management Audits of Public Utilities
1/89	Public Univ. Instructional Costs	5/83	Contractual Legal Services
1/89	Vehicle Emissions Testing Program	4/83	Industrial Commission
10/88	U of I Athletic Association	12/82	Procurement Policies & Procedures
8/88	JTPA	7/82	Criminal History Components
7/88	Audit Status of Circuit Courts	4/82	Financing of Improvements of Rock Island State Park
6/88	Dept. of Revenue - Corporate Income Tax	1981	Chicago Road Fund
5/88	State Program of Internal Auditing	12/81	DMHDD: Region 2
7/87	Computer Acquisition & Use in Higher Education	11/81	Procurement of Real Property
6/87	Chicago Housing Authority	10/81	Registration & Education: Investigation & Enforcement Functions
6/87	Cash Management Practices	1/81	Licensing & Regulation of Bingo
4/87	State Laboratory Services	1/81	Chicago Bd. of Education
4/87	U of I Hospital & Affiliated Clinics	12/80	Nursing Home Reimbursement System
4/87	Chicago's Use of State Appropriated Funds	12/80	DCFS Day Care Activities
10/86	State Pensions Assets Investment Performance	11/80	Dept. of Personnel Management
10/86	CMS – Lottery Building Lease	10/80	Public Aid's Local Office Management
10/86	Property Management Problems – Mental Health Centers	9/80	Licensing of Grain Dealers
5/86	Illinois Preferential Procurement Programs	7/80	Illinois Fair Employment Practices Commission
4/86	State Toxicology Lab	6/80	Secretary of State Vending Services
4/86	Legislative Printing Unit	5/80	Coastal Zone Management
4/86	Engineering Programs in Illinois – NIU	1/80	Court of Claims
		1/80	Cook Co. Health & Hospitals





