

2011

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, 2012

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, 2011, 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 2011. 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". The signature is stylized and includes a large, sweeping flourish that extends 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, 2009, through December 31, 2010. 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 90 engagements in FY 2010. These encompassed compliance examinations, financial audits, and federal audits. Staff auditors conducted 31 of these audits and four were joint staff and contract engagements. The remainder were performed by public accounting firms under the general direction and management of the Auditor General's audit managers.

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

The compliance 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 which were critically important from an accountability standpoint. A brief summary of some of these findings follows:

INADEQUATE FINANCIAL REPORTING PROCESS

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. Reporting issues at various individual agencies caused delays in finalizing the financial statements, which did not occur until June of the subsequent year for the past four fiscal years. The lack of timely financial reporting limits effective oversight of State finances, adversely affects the State's bond rating, and jeopardizes federal funding.

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. These findings have been directed primarily toward the Office of the Comptroller (IOC) and major State agencies under the organizational structure of the Office of the Governor.

The State has not solved these problems or made 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 has repeatedly informed 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.

We recommended the Office of the Governor and the Office of the State Comptroller work together to

resolve the State's inability to produce timely and accurate GAAP basis financial information and a Statewide SEFA.

The Governor's Office agreed with the finding and reported the State has been working with the Senate Committee on State Government and Veterans Affairs to solve some of these problems, although without adequate funding, correcting this will be difficult. The Governor's Office further responded that the Governor's Office, the Governor's Office of Management and Budget and the Office of the Comptroller have developed a timeline for short-term, mid-term, and long range plans, and the response provided further details of these plans.

The Comptroller's Office response stated the IOC will assist the Governor's Office in their efforts to increase the quality of the GAAP packages by providing training and technical assistance to State Agencies.

FINANCIAL REPORTING WEAKNESSES

The State of Illinois did not have adequate controls to assess the risk that information reported by individual agencies of the primary government would not be fairly stated and compliant with generally accepted accounting principles. The Office of the Auditor General performs audits at 26 agencies of the primary government, including five pension systems and the State Board of Investments. During these audits, we noted at 13 agencies there were a total of 15 material weaknesses and 30 significant deficiencies related to the internal controls over the financial reporting process.

Material weaknesses and significant deficiencies further extend financial reporting timelines since additional measurements and reporting are required. Completion or substantial completion of these audits is necessary in order for the Auditor General to issue an opinion on the State's basic financial statements. In addition to the deficiencies noted above, restatements and material errors were noted during our audits, which are as follows:

- The beginning balances in the financial statements of the primary government were restated due to the correction of four errors. The restatements

ranged from \$26 million to \$525 million.

- Material misstatements were identified by the auditors at seven agencies. The misstatements ranged from \$13 million to \$128 million.
- \$3.5 billion in expenditures needed to be reclassified to the appropriate expenditure functions.

We recommended the 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. The internal control procedures should include a formal evaluation of prior problems and implementation of procedures to reduce the risk of these problems reoccurring.

The Governor’s Office agreed with the finding and responded that if the State had an entity-wide financial reporting system, internal controls would be in place to lessen the risk that statements are not accurately presented.

The Comptroller’s Office response stated the IOC will assist the Governor’s Office in their efforts to increase the quality of the GAAP packages by providing training and technical advice to State agencies.

FINANCES INCREASE RISKS

The State of Illinois did not have sufficient controls over its finances to ensure obligations are paid timely and funds are used for their original intended purpose. This condition increases the risk that liabilities will not be properly recorded and funds will be used in a manner that violates agreements with outside parties. This condition also diminishes the usefulness of the fund financial statements. We noted the following during our financial audit of the State’s financial statements and our financial audits at various Departments.

The State had transactions, totaling \$5.281 billion, on hand at June 30, 2010 that had been approved for payment by the State, but remained unpaid at year end due to the State’s cash flow difficulties. Of this amount, nearly \$4 billion was owed to external

parties, the remaining balance was related to intra-governmental transactions.

During our audit of the Illinois Department of Revenue (IDOR), the auditors reported that there was a deficit balance totaling \$1.4 billion in the Income Tax Refund Fund, a sub account of the General Revenue Fund, because the State did not allocate sufficient income tax revenues into the Income Tax Refund Fund.

Large deficits in the Income Tax Refund Fund indicate that the State is essentially borrowing from taxpayers (individuals and businesses) since over-payments of taxes are not revenue to the State when accounted for in accordance with generally accepted accounting principles (GAAP). Delays in paying tax refunds generates additional adjustments to convert cash basis amounts to GAAP basis. These necessary adjustments, due to lack of cash payment, increases the risk that liabilities will not be recognized in the proper period.

Pursuant to Public Act 96-44 (Act) \$356 million was transferred out of other funds and into the General Revenue Fund during fiscal year 2010 in order to improve stability of the General Revenue Fund. According to the Act, the transfers shall be made notwithstanding any other provision of State law to the contrary.

The following table details by fund type the total transfers out made for this purpose.

Fund Type	Number of Funds	Total Transfers Out
Special Revenue	181	\$ 304,843,502
General	8	\$ 29,745,061
Internal Service	3	\$ 15,922,190
Agency	2	\$ 659,000
Enterprise	3	\$ 3,795,520
Private Purpose Trust	1	\$ 503,700
Capital Projects	1	\$ 320,000
Permanent Trust	1	\$ 250,000
Total	200	\$ 356,038,973

There have been several legal cases filed against the State that challenge the constitutionality of legislation that allowed the broader use of fee proceeds that are deposited into special funds.

General use of resources originally designated as Capital Projects, Permanent Trust, Private Purpose Trust, Agency, and Enterprise increases the risk that covenants with outside parties will be violated.

We recommended the Governor work with the General Assembly to improve the State's control over State finances in a manner that eliminates significant payment delays including refunds due to taxpayers. We also recommended that the Governor work with the General Assembly to ensure fund transfers are made in conformity with law and other applicable governing agreements.

The Governor's Office's response noted that the Office recognizes that significant balances are owed at year-end but does not feel that this is the result of the administration's insufficient controls over finances. The Office attributed the unpaid bills as a result of the economic downturn and diminished revenues. The Office further noted that if the State had a consolidated accounting system with a general ledger, these liabilities could be properly reported.

The Governor's Office and GOMB agreed that the refund rate is insufficient to pay tax refunds and will work with the General Assembly to pay these outstanding refunds by recommending refund rates that are sufficient to pay refunds in the year they are due.

The Governor's Office responded that Public Act 96-44 required transfers to be made from other state funds to the General Revenue Fund and the Office is not aware of legal challenges to any of these transfers. The Governor's Office also responded that except for the transfer from the fund mentioned in finding 10-4 that GOMB is trying to correct, the Governor's Office is unaware of any transfers

violating covenants with outside parties. In an auditors' comment we noted that the unprecedented amount of held payments of \$5.281 billion at the end of FY10 created an additional risk that material liabilities would not be recorded in the proper period. The held payments had legal authorization for payment and were unpaid due to a lack of resources. Attributing the cause of this additional weakness to a lack of control over State finances is reasonable since the State essentially follows a cash basis budget process. As noted in the finding, we do agree that economic conditions are relevant to the cause of the condition.

The auditors' comment also noted that although no legal challenges have been made for the FY10 transfers, challenges have occurred in the past. The classification of funds as Agency, Private Purpose Trust, and Permanent Trust indicates a degree of fiduciary responsibility for the State. Simply being "unaware" of a covenant violation does not eliminate the audit concern that such transfers did or could violate covenants with outside parties.

CERTAIN YEAR-END RECEIVABLES NOT VALID

The Department of Revenue (Department) included invalid taxes receivable accounts in the Department's accounts receivable calculation at June 30, 2010.

During our testing of Sales Tax (ROT), Withholding Income Tax (WIT), Business Income Tax (BIT), and Individual Income Tax (IIT) accounts included in the Department's accounts receivable calculation at June 30, 2010, we noted the following:

COMPLIANCE

Information received but not worked at June 30, 2010	# invalid	# tested	\$ invalid	\$ tested
Sales Taxes	1	33	\$ 38,989	\$ 27,072,092
Income Taxes	16	98	\$ 802,460	\$ 31,701,733
Payment received but not applied correctly or processed by June 30, 2010	# invalid	# tested	\$ invalid	\$ tested
Sales Taxes	1	33	\$ 1,659	\$ 27,072,092
Income Taxes	5	98	\$ 10,253	\$ 31,701,733
Data Entry Error or Error on Account	# invalid	# tested	\$ invalid	\$ tested
Income Taxes	4	98	\$ 647,207	\$ 31,701,733
Grand Total	# invalid	# tested	\$ invalid	\$ tested
Sales Taxes	2	33	\$ 40,648	\$ 27,072,092
Income Taxes	25	98	\$ 1,459,920	\$ 31,701,733

The errors noted in the chart were projected to the entire billed sales and income tax receivable populations, and the projected estimated overstatement for the populations as a whole are noted in the following chart. In addition, the Department projected an error rate based on their own review and made the adjustments noted in the chart below. The difference between the auditor's projection and the Department's adjustments were deemed immaterial by the Department and were not recorded in the financial statements.

Net A/R expressed in millions				
	SALES	BIT	IIT	WIT
Projected error	\$ 4.8	\$ 10.9	\$ 26.3	\$ 2.2
IDOR adjustment	–	\$ 8.8	\$ 9.9	\$ 1.0
Difference	\$ 4.8	\$ 2.1	\$ 16.4	\$ 1.2

The Department's GenTax system does not have the required functionality to ensure that individual taxpayer balances per the system are valid receivables in accordance with the accrual basis of accounting. Additionally, the Department does not maintain a general ledger. As such, balances reported in GenTax (subsidiary ledger) cannot be reconciled to a general ledger to detect these types of occurrences.

As a result of these types of errors, sales and income tax receivables are overstated at June 30, 2010. The projected error for the population of sales and income tax receivables was approximately \$44.2 million, net of the estimated allowance. Additionally, under the present system, the risk of material errors

is high for any period in which significant cash receipts are received in the last few days of the fiscal year, but processed after year-end.

We recommended the Department continue to evaluate the controls over taxes receivable and implement the necessary edits and controls to better identify valid accounts receivables to report in the financial statements. In addition, we recommend the Department take action to ensure taxpayer information is timely considered or processed to ensure taxpayers' records and financial statement information reflects accurate information. In the long-term, the Department needs to enhance the capabilities of the GenTax system to permit the posting of transactions and adjustments to a previous period for financial reporting purposes.

The Department disagreed with our recommendation, stating their tax records are accurate, timely processed, and proper controls are in place over taxes receivable. The Department also stated their estimate of year-end receivables was materially correct and the \$24.5 million adjustment determined by the auditor means that the estimate of year end receivables was 97.8 % accurate.

The Department has submitted a system change request to further identify unworked accounts at year end in order to track historical collection trends and will also submit a system change request for tracking year end payments received prior to June 30th not yet posted to GenTax until early July. However, the Department stated that as GenTax is a tax processing system, not an accounting system, it

is not economically feasible to change the core tax processing system to backdate processing transactions for financial reporting purposes.

In an Auditor's Comment, we noted if as the Department stated, "our tax records are accurate, timely processed, and proper controls are in place over taxes receivable," we would not have reported a finding. The Department is responsible for financial reporting in accordance with Generally Accepted Accounting Principles (GAAP). Presently, the Department utilizes tax information from the GenTax system to estimate and record a portion of year-end taxes receivable. Until such a time as an alternative system is available to accumulate receivables for financial reporting, the Department must ensure the information extracted from GenTax is accurate for financial reporting purposes. Based on the sample of 131 items selected, the error occurrence was high. This year, 21% of the accounts selected contained an error in the receivable calculation. Although the total projected error remaining for these accounts stated in dollars (\$24.5 million) is not material to the financial statements, it is not insignificant. Additionally, under the present system, the potential for a material misstatement remains.

INADEQUATE CONTROLS OVER RECEIPT PROCESSING AND TAXPAYER INFORMATION

The **Department of Revenue** (Department) had not implemented adequate controls and safeguards over tax receipt processing and taxpayer information. During FY10, the Department received and processed 3.4 million tax receipt documents, totaling over \$4.4 billion, at their Springfield and Chicago locations.

We noted several internal controls and physical safeguards were not in place to protect taxpayer receipts and taxpayer information. We specifically noted deficiencies in the following areas:

Receipt Processing

- All receipt documents were not received and processed with adequate monitoring and security

controls, including the Document Control and Deposit section (DC&D). Additionally, the Department hires various temporary employees throughout the year and both temporary and full-time employees are allowed to have mobile devices (cell phones with cameras) and other personal belongings while processing taxpayer receipts and information.

- Appropriate segregation of duties over taxpayer receipts received outside of DC&D did not exist. Individuals in the processing areas could receive payments and adjust accounts in GenTax. Additionally, all accounts did not require supervisory review and verification of adjustments.

Monitoring

- Management does not have a true tracking of receipts received in processing areas, specifically lacking the ability to identify the locations, dollar amount, or number of receipts processed at various locations throughout the Department. Without this information, the Department lacks the ability to monitor the receipt processing in the various areas for unusual trends, errors, or discrepancies.

Physical Safeguards

- Physical safeguards to control general public access to tax processing areas, including those accessing daycare and restaurant services, were not implemented. We noted the Department is unable to prevent undetected entry by unauthorized persons during duty and non-duty hours in the Tax Processing and Document Control and Deposit areas.
- Physical safeguards over tax returns and taxpayer information were lacking. We noted taxpayer files are stored on desks and open shelving units and are not locked or secured from other Department employees or other individuals who enter the building past the security checkpoints. Department personnel and the other individuals who enter the building past the security checkpoints should not have access to these areas if they are not authorized to access tax information.
- The Department's Document Control and Deposit area leaves checks and tax return information received on tables or laying on vertical shelving units in unprotected areas. This information and documents are accessible (specifically, lacking access controlled barriers) to all Department

employees, including Lottery employees and Liquor Control Commission employees, as well as Secretary of State and Department of Central Management Services employees.

- Taxpayer payments were stored in an open bin in a readily accessible hallway within a tax processing area.
- The Department lacked a fully functional security system to protect tax receipts and taxpayer information.

In contrast to the weak controls over State tax information, federal tax information was subject to strict physical security controls. These controls included:

- Physically maintaining tax returns in a secure area with limited access. Tax returns are maintained within secure cabinets and bins; the information was not left in the open.
- Employees are not allowed to have cameras or personal belongings within the secure area.

We recommended the Department implement controls to ensure:

- Receipt processing is received and processed in a centralized location with adequate monitoring and security controls. Management should also monitor the receipt process for errors or irregularities and any necessary improvements.
- Segregation of duties exists over the receipt and recording of taxpayer payments and information.
- Tax processing and payment areas are adequately secured and limited to authorized individuals by eliminating unnecessary traffic through critical areas and thereby reducing the opportunity for unauthorized disclosure or theft.
- Taxpayer information is adequately stored and protected during both duty and non-duty hours from unauthorized access.
- Individuals authorized to access taxpayer information are restricted from bringing personal items and mobile devices into the tax processing areas.

Department Officials disagreed that it did not have adequate controls and protection in place, but it agreed that safeguarding of receipts and taxpayer information is critical and can always be improved.

The Department disagreed that all receipts can be processed in a centralized area without drastically slowing the process of resolving taxpayer issues, and noted that the auditor's issue involved roughly .1% of payments received through correspondence with taxpayers.

Department officials agreed to see whether further segregation of duties is needed for employees who adjust accounts and occasionally receive a check. The Department plans to work to further enhance the security of the tax environment and agreed to review and discuss with the bargaining unit restricting from the workplace personal items that could erode security.

In an auditors' comment, we noted our concerns addressed all **\$4.4 billion** received at the Chicago and Springfield locations, and not just payments received from correspondence. The Department needs to review their transaction process flows, including the Document Control and Deposit Area, for necessary improvements in security and controls. The Department needs a centralized location for the receipt, processing, and protection of all receipts received to ensure they are deposited into the State Treasury. During the exit conference, we discussed past incidents where employees left the Department and taxpayer checks were found in their desk drawers at later dates.

Although the Department agreed to see whether further segregation of duties is needed for employees who can adjust accounts and receive checks, the auditors noted that good internal controls would not allow one individual to have the authority to both receive taxpayer payments and adjust the taxpayer's account. Departmental documents reported that three processing areas received 5,086 payments, totaling \$9.4 million. The auditors deem these transactions as more than "occasionally receiv[ing] a check."

NEED TO IMPROVE REPORTING OF DEFERRED REVENUES

The **Department of Transportation** (Department) did not accurately report deferred revenues to the Illinois Office of the Comptroller for fiscal year 2010.

We noted the following errors and weaknesses in the Department's deferred revenue reporting process:

- The Department failed to defer as unavailable revenue a \$20 million lawsuit settlement that was not due to be received until February 2011. This resulted in an understatement of deferred revenue and an overstatement of revenue at June 30, 2010. The Department corrected this error in its revised financial statements.
- The Department failed to accurately determine the amount of deferred – unavailable revenues in the Road Fund due to the calculations being completed soon after year end. Some of the service dates entered into the Fiscal Operations and Administration system were not final when the data was pulled and were later revised for accuracy after the Department had completed the calculation of deferred – unavailable revenue. These errors resulted in a \$7.4 million overstatement of deferred revenue and an understatement of revenue at June 30, 2010. The Department corrected this error in its revised financial statements.
- In determining the deferred – unavailable revenues for amounts due from local municipalities related to joint improvement programs in the Road Fund, the Department failed to properly account for all lapse period receipts on these accounts. These errors resulted in an \$8.5 million overstatement of deferred revenue and an understatement of revenue at June 30, 2010. The Department corrected this error in its revised financial statements.
- The Department failed to accurately record a significant amount of revenues in the Federal Local Airport Fund. These errors resulted in a \$9.3 million overstatement of deferred revenue and an understatement of revenue at June 30, 2010. The Department corrected this error in its revised financial statements. As a result of this error, the Department also determined that the related payables were incorrectly allocated between the local and Federal portions. While total payables were reported correctly, the error in the allocation resulted in a \$9.3 million overstatement of Federal revenues and an overstatement of Federal receivables at June 30, 2010. The Department corrected this error in its revised financial statements.

We recommended the Department devote sufficient resources to its financial accounting function such

that the deferred revenues are properly accounted for to permit the preparation of reliable financial information submitted to the Office of the Comptroller.

Department officials agreed with the recommendation and stated additional staff had been added to the Fiscal Operations Unit. They further stated this will allow the Department to complete a more thorough review of the financial information prior to submission in order to ensure the necessary financial reports are accurate and timely.

NEED TO STRENGTHEN CONTROLS AND MONITORING OVER ENHANCED RATE PAYMENTS

The **Department on Aging** (Department) spent \$47,827,803 for an enhanced rate for health insurance coverage to homecare workers during Fiscal Years 2009 and 2010. We tested \$8,792,244 (18%) of those expenditures and noted the Department lacked adequate controls and monitoring over eligibility determinations and payments made to service provider agencies (providers) that applied for and received a special hourly rate under the Community Care Program. The Department overpaid \$333,799 to two providers, paid two other providers \$7,095,895 without ensuring eligibility, and failed to monitor four providers for excess payments.

We recommended the Department strengthen controls to ensure that initial and ongoing reviews of applications, eligibility, and annual reporting for the enhanced reimbursement rate are conducted properly, in a timely manner, and in accordance with administrative rules. We also recommended the Department ensure required information is obtained and maintained. In addition, we recommended the Department obtain missing documentation and pursue reimbursement from providers for excessive or unsupported payments.

Department officials partially agreed with the finding and recommendation, and stated overpayments totaling \$333,799 have been recouped. Officials acknowledged that errors were made in the review and approval of some

applications for the enhanced payments for health insurance costs, but stated they believe that adequate controls were built into the application process and administrative rules to protect the interests of the State. Officials also stated they have initiated a review of all enhanced rate payments to determine whether excess payments were made, and to recoup all excess payments.

In an auditor's comment, we noted the Department's internal controls were not sufficiently designed and placed into operation in order to prevent and timely detect and correct significant instances of noncompliance with laws and regulations. The Department did not detect or recoup overpayments until identified by the auditors.

WEAKNESSES IN PREPARATION OF REPORTING FORMS AND FINANCIAL STATEMENTS

The **Department of Correction's** (Department) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller (Comptroller) contained numerous inaccuracies and incomplete data. These problems, if not detected and corrected, could materially misstate the Department's financial statements and negatively impact the statewide financial statements prepared by the Comptroller.

During the audit of the June 30, 2010 Department financial statements, the auditors noted an overall lack of a formalized methodology to accumulate information for GAAP reporting and a failure to formally document this information. Some of the issues noted where errors were identified in the GAAP Reporting forms and Department financial statements are as follows:

- Liabilities were improperly calculated at June 30, 2009 and 2010.
- Weaknesses were identified in the financial accounting for, and reporting of, capital assets. The Department could not provide sufficient support for the additions, deletions, and net transfers of capital assets as originally reported to the Office of the Comptroller.

- During testing of pay rates for compensated absences, the auditors noted 53% of the pay rates were incorrect. When projected out to the population, the compensated vacation and sick time liability was understated.
- The Department failed to account for the elimination of inter-fund billings totaling \$29,041,700 between the Department and Correctional Industries in the original submission of the financial statements.

The Fiscal Control and Internal Auditing Act requires all State agencies to establish and maintain a system of internal fiscal control to permit the preparation of reliable financial reports. Because of the significance of the exceptions noted, the auditors considered this to be a material weakness in the Department's internal control over financial and fiscal operations.

Department management indicated the errors noted were due to a lack of resources and competing priorities for personnel.

We recommended the Department implement procedures to ensure GAAP reporting forms are prepared in an accurate, complete manner and all supporting documentation is maintained in a contemporaneous manner.

Department officials accepted the recommendation and noted they will continue devoting resources necessary within the limitations of the current technology and budget constraints to complete the GAAP reporting as required.

FAILURE TO ESTABLISH OR PLAN FOR OFFENDER TRACKING SYSTEM

The **Sex Offender Management Board** (Board) did not develop systems for tracking sex offenders and monitoring 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, 2010, there were 10,039 registered Illinois sex offenders subject to the tracking and monitoring requirement.

ACCOUNTABILITY

Management stated they have been unable to comply with the mandate, which they view as a long-term goal, due to lack of staff and limited funding.

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

Board management agreed with the recommendation and noted the Act does not include a statutory deadline for the planning and development of an offender tracking system. Board management also stated current Illinois law makes it extremely difficult for the Board to develop an offender tracking system, and noted that statutory changes will be sought.

FAILURE TO COMPLY WITH MEDICARE AND MEDICAID CERTIFICATION REQUIREMENTS

Two of the **Department of Human Service's** facilities (Department), **Howe Developmental Center** (Howe) and **Tinley Park Mental Health Center** (Tinley), continued to remain decertified during fiscal year 2010 as eligible Medicare or Medicaid service providers.

The Department lost approximately \$21.646 million of federal revenue during fiscal year 2010 due to the decertification status of Howe. As the process of closing Howe proceeded, and residents were moved from Howe into settings that were certified, the revenue lost was reduced.

Tinley, which was decertified on February 23, 2007, had applied for its recertification. A certification survey was completed on September 16, 2009. On October 21, 2009, a report ruling was issued that Tinley remained out of compliance and that the facility remain decertified. The Department disagreed with the report and filed an appeal on December 16, 2009, which was denied. A request for a hearing was submitted and was also denied. The Department must now initiate a new application for certification of Tinley.

As of June 30, 2010, Tinley did not maintain

housing for any Medicare/Medicaid patients. A screening process was implemented at Madden Mental Health Center to identify patients with Medicaid or Medicare eligibility. These patients were sent to State hospitals with certification, as opposed to Tinley, increasing the burden to provide care at those locations.

We recommended the Department continue its efforts to recertify Tinley Park Mental Health Center.

Department officials agreed with the recommendation and indicated the Department will continue its efforts to recertify Tinley Park Mental Health Center, and will reapply for certification by the end of fiscal year 2012.

NONCOMPLIANCE WITH THE UNCLAIMED PROPERTY ACT AND ACCOUNTING ERROR WRITE OFFS

Chicago State University (University) did not fully comply with the Uniform Disposition of Unclaimed Property Act, and recorded a prior period adjustment for old accounting errors.

After the completion of each calendar year, the University transfers its old outstanding checks to a liability account and removes them from its bank reconciliation. During our audit, we noted that these liability accounts contained stale checks which had never been cashed. Some of these checks were issued over eleven years ago.

We also noted that the University wrote off approximately \$1,071,000 of stale checks that were payable to businesses and individuals that it believes were not valid liabilities of the University. The University recorded a prior period adjustment to its 2009 net assets to remove these liabilities. Although we concur that most of these stale checks were likely the result of accounting errors, the University still has a due diligence requirement to investigate each one of these stale dated checks and comply with the Act.

The Uniform Disposition of Unclaimed Property Act

states that every person holding funds or other property, tangible or intangible, presumed abandoned under this Act shall report and remit all abandoned property specified in the report to the State Treasurer. This property shall be presumed abandoned if the property has remained unclaimed for 7 years.

We recommended that the University continue its evaluation of stale checks and comply with the requirements of the Act.

University officials agreed with the recommendation and stated they will make every effort to comply.

FAILURE TO PROVIDE INFORMATION TO AUDITORS

The **Illinois Power Agency** (Agency) did not provide all the requested documentation to the auditors.

In the prior year and current year audits, we have encountered significant issues in receiving documentation. As is necessary during a compliance examination and financial audit, we made numerous requests of the Agency. For example, we requested from the Agency supporting documentation for the financial statements, specifically accounts receivable and accounts payable; however, we were not provided the information, which resulted in a scope limitation. As a result, we rendered a disclaimer of opinion on the Agency’s financial statements for fiscal years 2009 and 2010. In summary, we do not express an opinion on the Agency’s financial statements.

The Illinois State Auditing Act (30 ILCS 5/3-12) states, “At the request of the Auditor General, each agency shall, without delay, make available to the Auditor General or his or her designated representative any record or information requested...”

Without being provided support for testing related to Agency records, we were unable to determine if the Agency was performing all of its required duties and responsibilities.

We recommended the Agency hire staff to carry out the responsibilities of the Agency and ensure supporting documentation is maintained.

The Agency agreed with the finding and recommendation.

DUPLICATE VENDORS IN THE ACCOUNTS PAYABLE MASTER VENDOR LIST

The **Illinois Housing Development Authority’s** (Authority) accounts payable master vendor list has duplicate vendors.

During our testing of the master vendor list, we noted of the 7,324 vendor records there were 2,042 duplicate records (28%) representing 602 vendors. The vendors had the same name but were given different vendor identification numbers in the accounts payable system. Below is a breakdown of instances of duplication:

- 24 vendors were in the system 10 times or more
- 45 vendors were in the system 5 to 9 times
- 533 vendors were in the system 2 to 4 times

Without adequate procedures to prevent multiple vendors from being created in the accounts payable system or to detect and purge multiple vendors in the accounts payable system, there exists the risk of an accounting error or a misappropriation of assets.

We recommended that the Authority implement procedures to assign one vendor identification number per vendor to prevent multiple vendors from being created on the system. We also recommended that the Authority implement procedures to review the master vendor list regularly and purge duplicate vendor names from the system.

Authority officials concurred with the recommendation and stated that they will be implementing procedures to manage the vendor identification numbers assigned to vendors to prevent multiple vendors in the accounts payable system.



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 FY10.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$29.3 billion for the year ended June 30, 2010. Overall, the State participated in 402 different federal programs; however, 11 of these programs or program clusters accounted for approximately 87.3% of the total federal award expenditures.

Overall, eleven State agencies accounted for approximately 98.5% of all federal dollars spent during FY 2010.

FEDERAL AGENCIES PROVIDING FEDERAL FUNDING <i>For the year ended June 30, 2010</i>	
<i>U.S. Department</i>	<i>Millions</i>
Health & Human Services	\$ 11,052.6
Labor	8,851.6
Agriculture	3,712.3
Education	3,182.4
Transportation	1,766.1
All Others	778.3
Total Federal Award Expenditures	\$ <u>29,343.3</u>

Source: FY 2010 State of Illinois Single Audit Report

SUMMARY OF FEDERAL SPENDING BY STATE AGENCY <i>For the year ended June 30, 2010</i>	
<i>Agency</i>	<i>Millions</i>
Healthcare and Family Services	\$ 8,800.4
Employment Security	8,597.1
Human Services	4,505.6
Board of Education	3,288.6
Transportation	1,764.6
Commerce & Economic Opportunity	687.7
Children & Family Services	403.0
Public Health	277.0
Student Assistance Commission	246.0
Environmental Protection Agency	206.7
Emergency Management Agency	135.3
All Others	431.3
Total Federal Spending	\$ <u>29,343.3</u>

Source: FY 2010 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.

FEDERAL

Our audit testing covered 33 major programs expending about \$28.2 billion in federal awards.

Our report contained 103 findings related to 19 State agencies.

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 September 2011 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 1993, 1996, 1999, 2002, 2005, and 2008 likewise resulted in unqualified opinions. Our next peer review is slated for 2014.

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 audit 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. ❖

THE PERFORMANCE AUDIT PROGRAM

Performance audits are conducted at the request of legislators to assist them in their oversight function. Based on the scope specified in the resolution or the law requesting the audit, State agencies' programs, functions, and activities are reviewed. The audits determine if resources are used efficiently, economically, and effectively to provide the services which the General Assembly intended. Depending on the focus, 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 2011, our *2010 Program Audit of the Covering ALL KIDS Health Insurance Program* 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:

- *2009 Management and Program Audit of the Illinois State Police's Division of Forensic Services;*
- *2008 Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process;*
- *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, Office of the Auditor General performance audits have also received three Excellence in Accountability Awards by the National State Auditors Association (NSAA) over the past eight years:

- *The Performance Audit of the Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace in 2008;*
- *The Management and Program Audit of the Rend Lake Conservancy District in 2005; and*
- *The Management Audit of the Illinois State Toll Highway Authority in 2004.*

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 four performance audits and two annual reviews in 2011. The audits contained a total of 39 recommendations. State agencies generally accepted the audit recommendations to correct or improve operations.

In addition, the Performance Audit Program had the responsibility for Fiscal Year 2010 audits of 45 Regional Offices of Education (ROEs) and 3 Intermediate Service Centers (ISCs). Audits released in 2011 included a total of 90 recommendations for improvement.

PERFORMANCE AUDITS COMPLETED IN 2011

STATE'S FINANCIAL REPORTING SYSTEM

Senate Resolution 609 directed the Auditor General to conduct a management audit of the State's financial reporting system. The audit was to include an analysis of the State's current financial reporting procedures, practices, and systems, including the number of different systems used by the various State agencies, an estimate of the cost of maintaining those systems, and whether those systems are compliant with generally accepted accounting principles applicable to government.

The audit concluded that the State of Illinois' financial reporting "system" is comprised of over 260 individual financial systems, many of which are not interrelated, are antiquated, and are costly to operate. The lack of a centralized financial reporting system has considerable negative consequences, including untimely financial reporting of the true financial position of the State. The lack of timely financial reporting limits effective oversight of State finances, adversely affects the State's bond rating, and jeopardizes federal funding.

Specifically, we found the following:

- Agencies reported using 263 different financial reporting systems.
- Agencies reported that only 16 percent of the systems are compliant with Generally Accepted Accounting Principles (GAAP).
- Half of the financial reporting systems in use at State agencies are more than 10 years old.
- Fifty-three percent of the financial reporting systems are not interrelated, which consequently requires manual intervention to convert data from one system so it can be used in another.
- The total estimated cost of maintaining the systems in fiscal year 2010 was not determinable. Agencies provided cost estimates totaling \$24 million, which covered only 56 percent of the systems.

In addition to the lack of a centralized GAAP compliant financial reporting system, other factors have an adverse impact on the timeliness and accuracy of financial reporting:

- The Comptroller's Office is responsible for financial reporting but does not have authority over the agencies from which it collects information. Furthermore, there is no penalty if the agencies do not cooperate with the Comptroller. The Comptroller's Office and the Governor's Office should work together to establish financial reporting target completion dates and ensure that such dates are met.
- The State of Illinois has a complex fund structure that utilized an estimated 900 funds in fiscal year 2009. A complex fund structure increases the level of effort necessary to account for and report transactions and increases the risk of errors and omissions.
- Many State agencies have a lack of competent trained staff in the area of financial reporting, and reported that the personnel system impedes their ability to hire qualified staff.

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES' OPERATION OF THE STATE'S PASSENGER CAR FLEET

House Resolution Number 658 directed the Office of the Auditor General to audit the Department of Central Management Services' (CMS) operation of the fleet of passenger cars used by State executive agencies. The Resolution called for the audit to address the total number of cars; number of take-home cars; necessity of take-home vehicles; cost of vehicles in Fiscal Year 2009; the adequacy of CMS' system to record their use and maintenance; and to check for official use, including whether it is possible to implement a system to track vehicles for business use only.

CMS is statutorily responsible for administering the operation of passenger cars under the Governor's jurisdiction, along with any agencies that desire to use CMS vehicle services: "...to acquire, maintain, and administer the operation of the passenger cars reasonably necessary to the operations of the executive department of the State government..." (20 ILCS 405/405-280) CMS said it is responsible for developing vehicle policies, while monitoring vehicle use and maintenance is up to each individual State agency.

PERFORMANCE AUDITS COMPLETED IN 2011 (CONT.)

The audit identified areas where the administration of the vehicle fleet could be made more efficient and effective:

1. **Vehicles.** A total of 65 State executive agencies had nearly 16,600 vehicles in Fiscal Year 2010.
 - Almost 75 percent of the vehicles were at agencies under the jurisdiction of CMS (12,000 of 16,600).
 - A total of 5,375 vehicles were assigned to individual employees.
 - Approximately 5,150 vehicles were authorized to be taken home.
 - Approximately \$129 million was the total spent in Fiscal Year 2009 to acquire, repair, maintain, and operate vehicles. In Fiscal Year 2010, approximately \$121 million was spent on vehicles.
2. **Breakeven Miles.** CMS calculated that if vehicles were not driven between 7,000 and 12,000 miles per year (depending on type of car), it would be more cost-effective for the State to reimburse the employee for use of a personal vehicle. Some vehicles were driven less than 7,000 miles per year.
3. **Logs.** Agencies did not always keep daily or complete vehicle logs, and/or used different types of logs.
4. **Data.** Agencies' annual reports to CMS on individually assigned vehicles contained errors.
5. **Coordinators.** Vehicle coordinators, who are responsible for monitoring vehicles at agencies, were not properly checking logs, monitoring commuting miles, or submitting accurate reports to CMS.
6. **Commuting.** Some vehicles were used extensively (over 30% of total miles driven) for commuting.
7. **Purchasing.** Vehicles are expected to be driven 18,000 miles per year but one-half were driven fewer miles.
8. **Tax.** Agencies for 9 employees sampled did not provide documentation to show they paid commuting taxes.
9. **License Plates.** A total of 218 vehicles at 20 agencies had conventional (non-U) license plates.

10. **Policy.** Most agencies had policies that address the purpose of State vehicles, restrictions on take-home vehicles, procedures for using motor pool vehicles, credit card use, etc. but over 20 agencies did not.

MANAGEMENT AUDIT OF THE STATE'S BOARDS AND COMMISSIONS

Senate Resolution Number 682 directed the Auditor General to conduct a management audit of the State's boards and commissions. As of June 2010, the Governor's Office of Executive Appointments website listed 309 boards and commissions, primarily those to which the Governor appoints some members. The term "boards and commissions" includes all authorities, boards, bureaus, commissions, committees, councils, task forces, or other entities that were included on the Governor's Office of Executive Appointments list in June of 2010.

The following summarizes the major conclusions reached in our analysis of information reported by boards and commissions:

- **Authorization:** Of the 309 boards and commissions, 270 (87%) were authorized by Illinois statute.
- **Board Member Salaries or Stipends:** 38 boards and commissions reported that their members received salaries or stipends totaling \$8.3 million in Fiscal Year 2009.
- **Member Reimbursements:** 89 boards and commissions reported that their members were paid reimbursements and per diems for board meetings totaling \$586,515 in Fiscal Year 2009.
- **Other Reimbursements:** 61 boards and commissions reported that State officials and employees were paid reimbursements and per diems for attending board and commission meetings totaling \$265,158 in Fiscal Year 2009.
- **Work Products:** 223 boards and commissions had a required work product, of which 168 (75%) had completed or partially completed their work products and 52 (23%) had not completed or did not note completion. Another three noted that work products were not yet due.

PERFORMANCE AUDITS COMPLETED IN 2011 (CONT.)

- **Noncompliance with Open Meetings Act:** Many boards and commissions had meeting minutes that did not comply with requirements of the Open Meetings Act. We identified instances where boards and commissions did not record members present at meetings (18), did not record members absent at meetings (76), did not record the place of the meetings (38), or did not record the time of the meetings (19).
- **Board Vacancies June 2010:** 181 of the 309 (59%) boards and commissions reviewed had one or more vacancies; 145 (47%) had one or more expired terms. There were 68 boards that had five or more member vacancies. 78 boards had five or more members with expired terms.
- **Completeness of Governor's Board and Commission Listing:** We identified 24 additional boards on a list maintained by the Legislative Research Unit which required an appointment by the Governor but were not on the Governor's Office of Executive Appointments list.
- As in our prior audit, our testing identified documented immigrants that were misclassified as **undocumented** immigrants in HFS data. By not correctly classifying them, HFS did not submit and receive federal matching funds for these misclassified documented immigrants. HFS officials stated they found that a system error was causing the misclassifications and corrected it in October 2010.
- HFS does not terminate ALL KIDS coverage when the enrollees fail to pay premiums as required by 89 Ill. Adm. Code 123.340(a).
- HFS and the Department of Human Services (DHS) did not have controls in place to ensure that families who were previously terminated from coverage met re-enrollment requirements found in the Administrative Code.
- When determining ALL KIDS eligibility, HFS and DHS did not require individuals who are self-employed to provide detailed business records to verify income.
- FY10 claim data had billing irregularities in areas such as transportation, optical, preventive medicine, and dental claims. These irregularities may have been billing errors or may have been fraudulent. The irregularities were reported to HFS or to the HFS Office of the Inspector General (HFS-OIG) for follow-up and/or investigation.
- HFS paid for non-emergency transportation services that were excluded by the Illinois Administrative Code.
- HFS and DHS agreed with all 14 recommendations.

PROGRAM AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This was our second annual audit and covered FY10. The focus of this audit is on "EXPANDED ALL KIDS," which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (i.e., those children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants). Our audit found:

- In FY10, 94,628 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY10 for the EXPANDED ALL KIDS enrollees were \$84.2 million. The Department of Healthcare and Family Services (HFS) received approximately \$9.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$74.4 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.

2011 ANNUAL REVIEW OF INFORMATION SUBMITTED BY THE RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The Illinois State Auditing Act requires the Retirement Plan for Chicago Transit Authority Employees (Retirement Plan) to submit its most recent audit, annual statement, and actuarial statement to the Office of the Auditor General (OAG) by September 30 of each year. These documents were submitted by the Retirement Plan

PERFORMANCE AUDITS COMPLETED IN 2011 (CONT.)

on September 30, 2011. The OAG reviewed these documents and concluded that the Retirement Plan had complied with the requirements established in the Auditing Act.

The Illinois Pension Code (40 ILCS 5/22-101(e)(3)) requires the Retirement Plan determine, based on a report prepared by an enrolled actuary, the estimated funded ratio of the total assets of the Retirement Plan to its total actuarially determined liabilities. The Retirement Plan is also required to determine the contribution rates needed to meet the funding requirements established by the Pension Code. The Auditor General is then required to review the Retirement Plan's determination and assumptions to determine whether they are "unreasonable in the aggregate". This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

- The OAG reviewed the Retirement Plan's assumptions in the January 1, 2011 Actuarial Valuation and concluded they were not unreasonable in the aggregate.
 - The Retirement Plan kept most of its assumptions unchanged from the prior year's Actuarial Valuation except that it reduced the investment rate of return assumption from 8.75 percent to 8.5 percent.
 - While this reduction improves its reasonableness, the 8.5 percent investment return assumption remains at the upper end of returns used by other pension plans.
- The Pension Code requires the Retirement Plan to set employee and employer contribution rates at levels so that the Plan's projected funded ratio does not decline below 60 percent in all years through 2039.
 - Based on the January 1, 2011 Actuarial Valuation, the Retirement Board increased the employee and employer contribution rates for 2012 to keep the Plan's funded ratio from declining below the statutorily required 60 percent level in all years through 2039.
 - The employee contribution rate will increase

from 8.345 percent to 8.65 percent of pay, and the employer contribution rate will increase from 10.69 percent to 11.3 percent of pay (the employer contribution rate is net of debt service credit of 6% of pay).

2011 ANNUAL REVIEW OF INFORMATION SUBMITTED BY THE CHICAGO TRANSIT AUTHORITY'S RETIREE HEALTH CARE TRUST

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust is required by the Illinois Pension Code to submit a report to the Office of the Auditor General (OAG). The report is intended to annually assess the funding level of the Retiree 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 Retiree Health Care Trust submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code. The OAG is required to review the Retiree 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 Pension Code. This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

- The Retiree Health Care Trust submitted its Funding Valuation Report to the Office of the Auditor General on September 30, 2011.
- 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 assumptions in the Retiree Health Care Trust's Funding Valuation Report and found that they were not unreasonable in the aggregate.

PERFORMANCE AUDITS COMPLETED IN 2011 (CONT.)

REGIONAL OFFICES OF EDUCATION AUDITS

In addition to other duties, the Auditor General has the responsibility for annual audits of the financial statements of all accounts, funds, and other moneys in the care, custody, or control of the regional superintendent of schools of each educational service region in the State. A total of 48 Fiscal Year 2010 audits were conducted: 45 of Regional Offices of Education (ROEs) and 3 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 2011, one audit was done by the staff of the Auditor General. The ROE audits released in 2011 contained a total of 90 recommendations for improvement. Many of the recommendations dealt with the Regional Offices not having sufficient internal controls over their financial reporting processes or not recognizing a liability for postemployment benefits other than pensions in their Statement of Net Assets and the Statement of Activities. ❖

PERFORMANCE AUDITS IN PROGRESS

PERFORMANCE AUDIT OF THE UNIVERSITY OF ILLINOIS BOARD OF TRUSTEES

Legislative Audit Commission Resolution Number 139 directs the Auditor General to conduct an audit of certain financial and business processes for which the University of Illinois Board of Trustees has responsibility. The Resolution directs that the audit focus specifically on transactions approved by the Board during the period 2007 through 2009 involving purchasing, finance and investment, and construction. The audit is also to determine whether the approval process for those transactions followed all applicable laws, rules, policies and procedures.

2705/2705-590) for road construction contracts awarded in calendar year 2010. The audit is to include:

- Whether the Department has developed and implemented a life-cycle cost analysis which complies with the statutory requirements;
- Whether the Department has designed and awarded these projects utilizing material having the lowest life cycle cost; and
- The frequency in which the Department has made a decision based on other criteria.

MANAGEMENT AUDIT OF THE DEPARTMENT OF TRANSPORTATION'S IMPLEMENTATION OF LIFE-CYCLE COST ANALYSIS

Legislative Audit Commission Resolution Number 140 directs the Auditor General to conduct a management audit of the Illinois Department of Transportation's implementation of the life-cycle cost analysis required by Section 2705-590 of the Department of Transportation Law (20 ILCS

MANAGEMENT AUDIT OF THE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

House Resolution Number 131 directs the Auditor General to conduct a management audit of the Workers' Compensation program as it applies to State employees. Specifically, the resolution asks the Auditor General to determine:

- The roles of the Department of Central Management Services, the Attorney General's Office, and the Illinois Workers' Compensation Commission in processing, reviewing, determining, and paying on workers' compensation claims filed by State workers;

PERFORMANCE AUDITS IN PROGRESS (CONT.)

- The number of claims filed by State workers during the last 4 years, including a classification of the types of alleged injuries, employing unit, disposition, and claims payments;
- A review of the settlement contract process and, in particular, documentation supporting any decisions on these claims;
- An analysis of any fraud identification and control policies and procedures governing the workers' compensation program;
- Whether the processing of State employee workers' compensation claims complies with applicable State law and regulations;
- An analysis of arbitrator caseloads over the 4-year period, including the number of cases closed, a classification of the types of alleged injuries involved in those cases, the employing unit involved in the claims, and claim dispositions and payments;
- A review of conflict of interest policies applicable to arbitrators, commissioners, and other principals involved in the workers' compensation program, including any procedures for handling workers' compensation claims filed by arbitrators, commissioners, and other principals involved in the workers' compensation program; and
- A comparison of claims history by State workers to claims filed by all other workers covered under the Workers' Compensation program.

MANAGEMENT POSITIONS IN THE EXECUTIVE BRANCH

Legislative Audit Commission Resolution Number 141 directs the Auditor General to conduct a management audit of management positions in the Executive Branch of State government, excluding public universities. Specifically, the audit is required to include an analysis, based on information provided by the various agencies, of:

- The number of management positions, by organizational unit, job title and function;
- The number of positions supervised or managed by each management position and whether any of those employees are supervised or managed by more than one management position; and

- For each management position, whether it is exempt from the Personnel Code, exempt from Rutan, or covered by a collective bargaining agreement.

The audit is also to include a determination of whether the Department of Central Management Services has performed any analysis to determine appropriate management to staff ratios or span of control, and whether it has conducted any reviews, or has other controls in place, to ensure that management positions do not unnecessarily overlap or duplicate other management positions.

MANAGEMENT AUDIT OF THE ILLINOIS STATE POLICE'S ADMINISTRATION OF THE FIREARM OWNERS IDENTIFICATION CARD ACT

House Resolution Number 89 requires the Office of the Auditor General to conduct a management audit of the Department of the State Police's administration of the Firearm Owners Identification Card Act. The audit is to include, but need not be limited to, the following determinations:

- What steps the Department of State Police takes to determine whether an applicant is eligible or ineligible to receive a Card, and whether those steps appear to be adequate;
- The total number of applicants during the past 3 years, the number of those applicants who were denied a Card, and the reasons for denial;
- Whether the Department of State Police is approving or denying all applications within 30 days after the date they are received;
- The total number of Cards that were revoked during the past 3 years and the reasons for revocation; and
- Whether, during the past 3 years, the Department of State Police has denied any applications for a Card because the applicant provided false information and, if so, whether the Department of State Police made any referrals for criminal prosecution of applicants providing false information on a Card application.

PERFORMANCE AUDITS IN PROGRESS (CONT.)

MANAGEMENT AUDIT OF THE COLLEGE ILLINOIS! PREPAID TUITION PROGRAM

House Resolution Number 174 directs the Auditor General to conduct a management audit of the College Illinois! Prepaid Tuition Program's administrative operations. Specifically, the Resolution directs the Auditor General to examine:

- The growth in recent years of program costs; and
- The efficacy of the program's administration, and, in particular, the Illinois Student Assistance Commission's oversight and administrative capacity to evaluate and direct College Illinois! prepaid tuition program investments.

The Resolution also requires the Auditor General to conduct an independent asset allocation study of College Illinois! prepaid tuition program investments to determine the overall level of risk associated with the program's current alternative investment mix. It is intended that this study shall be conducted in comparison with a standardized investment portfolio containing no alternative investments, as well as in comparison with actual investment portfolios of similar public prepaid tuition programs currently operating in the states of Michigan, Virginia, Washington, and Florida.

MANAGEMENT AUDIT OF THE STATE'S PROCUREMENT OF HEALTH INSURANCE VENDORS

Legislative Audit Commission Resolution Number 142 directs the Auditor General to conduct a management audit of the State's procurement of health insurance vendors for the State's group health insurance program. The audit is to determine:

- Whether all aspects of the procurement process were conducted in accordance with applicable laws, rules, regulations and policies;
- Whether the evaluative criteria guiding the Department of Healthcare and Family Service's (HFS) selection of vendors were adequate and uniformly applied to competing vendors;
- Whether decisions concerning the selection of

vendors and resolution of protests are adequately supported and documented;

- Whether the vendors selected by HFS demonstrated the capacity to provide quality, adequate and timely health care services for State employees, dependants and retirees at the time of the award;
- Whether the vendors selected by HFS demonstrated the capacity to provide quality, adequate and timely health care services for State employees, dependants and retirees no later than at the beginning of the contract period (July 1, 2011);
- Whether estimates of cost savings to the State are reasonable and fully supported; and
- Whether, in the course of the procurement process or resolution of protests, the potential cost impact on participants in the group health insurance program was taken into consideration.

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.

MANAGEMENT AUDIT OF PUBLIC UNIVERSITIES

Legislative Audit Commission Resolution Number 143 directs the Auditor General to conduct a management audit of the State's nine public universities. The audit is to include the following:

- A comparison of the management structure at each public university and related costs;
- A breakdown and comparison of operating expenses by function, including instruction, at each public university;
- A comparison of administrative to faculty salaries, for each public university, and including an analysis of terms and benefits provided in

PERFORMANCE AUDITS IN PROGRESS (CONT.)

contracts between the universities and administrators; and

- A summary, review and comparison of selected administrative expenditures at each public university.

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 RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

Pursuant to Public Act 95-708, the Auditor General is to annually examine required submissions made by the Retirement Plan for Chicago Transit Authority Employees. 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. For fiscal year 2012, a total of 47 audits are to be performed. ❖

PERFORMANCE

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 2011, we reviewed the following agencies:

Chicago State University, Department of Commerce & Economic Opportunity, Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Insurance, Department of Revenue, Department of Transportation, Department of Veterans' Affairs, Eastern Illinois University, Environmental Protection Agency, Governors State University, Illinois Commerce Commission, Illinois Racing Board, Office of the Comptroller, Southern Illinois University, State Board of Education, State Fire Marshal, 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, the Auditor General has emphasized the review of networks and the 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 102 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.

We reviewed the suitability of the design and operating effectiveness of controls to meet the criteria for the security, availability, and processing integrity principles set forth in *Trust Services Principles, Criteria, and Illustrations for Security, Availability, and Processing Integrity (AICPA, Technical Practice Aids)*.

We found controls over verifying the identity of an individual prior to resetting their password, and granting, modifying or revoking physical access badges had not been effectively implemented. No other significant issues were identified; however, several control deficiencies were identified and appeared in the body of the report. ❖

INFO. SYSTEMS

Four agencies – **The Department on Aging, Department of Revenue, Department of Transportation, and Northern Illinois 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.

Eight agencies – **The Department of Central Management Services, Department of Employment Security, Department of Revenue, Office of the State Treasurer, Chicago State University, Governors State University, Northern Illinois University, 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.

Seven agencies – **The Department of Revenue, Illinois Racing Board, Illinois State Police, Illinois State University, Northern Illinois University, Southern Illinois University, and Western Illinois University** – had not ensured the adequate security or disposal of confidential information. Confidential and personal identifiable information collected and maintained by agencies should be adequately secured at all times. As such, it is an agency’s responsibility to ensure adequate procedures for safeguarding all confidential information have been established, effectively communicated to all personnel, and continually enforced. Inherent within this responsibility is the requirement of adequate disposition of all confidential information that is no longer needed. Failure to establish adequate procedures to protect and timely dispose of confidential information

and to enforce compliance with established procedures can lead to such information being compromised. We recommend these agencies assess their procedures for safeguarding and subsequent disposal of all confidential information. Procedures for properly disposing of confidential information should be established, effectively communicated, and continually enforced.

The Department of Revenue had weaknesses in project and change management associated with the enterprise-wide tax system (GenTax). We recommended the Department ensure the project and change management processes are adequately controlled and documented.

The Department of Central Management Services did not maintain complete, accurate, or detailed records to substantiate its current midrange computer systems and equipment. 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 midrange computer systems and equipment. We recommended the Department ensure complete, accurate, and detailed records are available to substantiate its midrange computer systems and equipment.

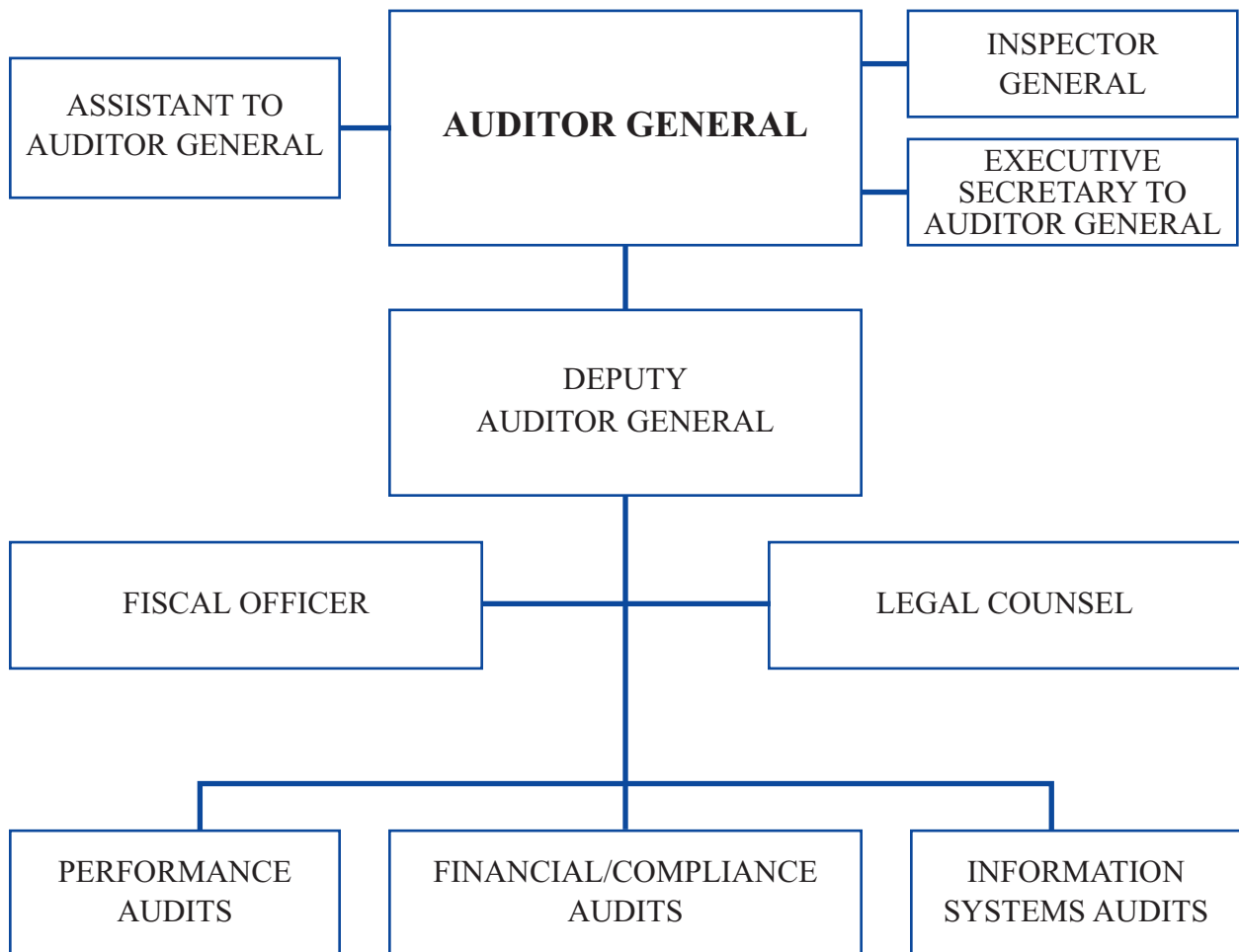
Agency officials generally concurred with our recommendations concerning these issues.

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



ORGANIZATIONAL CHART

As of December 31, 2011, there were 90 employees. Seventy-eight were located in the Springfield Office and twelve 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, 2011. 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 2011 (July 1, 2010 to December 31, 2011, including lapse period).

<i>FY 2011 - FINAL</i>			
	<i>Appropriation</i>	<i>Expended</i>	<i>Balance</i>
GRF Operations:			
Operations	\$ 6,807,000	\$ 6,793,643	\$ 13,357
GRF Operations Total	<u>6,807,000</u>	<u>6,793,643</u>	<u>13,357</u>
Audit Expense Fund:			
Audits/Studies/Invest.	\$ <u>20,031,800</u>	\$ <u>18,032,319</u>	\$ <u>1,999,481</u>



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.). OAG policies on confidentiality were strengthened and reinforced during the year for both employees and contractors. No known breaches of security of system data or written materials containing personal information under the Act occurred during calendar year 2011. ❖

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
SEPTEMBER 30, 2010 AND DECEMBER 31, 2010.

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		02-10-11
Capital Development Board	X	X		03-17-11
Chicago State University	X	X	X	03-30-11
Comptroller – Fiscal Officer	X	X		05-19-11
Comptroller – Non-Fiscal Officer		X		05-19-11
Correctional Industries (within Department of Corrections)	X	X		05-05-11
Department on Aging		X		05-26-11
Department of Central Management Services	X			04-07-11
Department of Central Management Services – (Deferred Compensation Plan)	X			06-28-11
Department of Children and Family Services	X	X		6-28-11
Department of Commerce and Economic Opportunity		X		04-21-11
Department of Corrections	X	X		07-28-11
Department of Employment Security	X			02-10-11
Department of Financial and Professional Regulation		X		05-12-11
Department of Healthcare and Family Services	X			05-12-11
Department of Healthcare and Family Services – Teacher Health Insurance Security Fund	X			05-12-11
Department of Healthcare and Family Services – Local Government Health Insurance Reserve Fund	X			05-12-11
Department of Healthcare and Family Services – Community College Health Insurance Reserve Fund	X			05-12-11
Department of Human Services	X			04-28-11
Department of Insurance		X		05-12-11
Department of Juvenile Justice		X		08-18-11
Department of Military Affairs		X		06-28-11
Department of Natural Resources	X	X		05-19-11
Department of Revenue	X	X		06-28-11
Department of State Police		X		04-07-11
Department of Transportation	X	X		06-09-11
Department of Veterans’ Affairs		X		09-22-11
Drycleaner Environmental Response Trust Fund Council		X		07-28-11
East St. Louis Financial Advisory Authority	X	X		02-24-11
Eastern Illinois University	X	X	X	04-28-11
Environmental Protection Agency	X	X		02-24-11
Environmental Protection Trust Fund Commission		X		02-24-11
Executive Ethics Commission		X		02-10-11
General Assembly – Retirement System	X			03-03-11
General Assembly – Retirement System		X		04-14-11
Governors State University	X	X	X	03-22-11
Historic Preservation Agency		X		07-14-11
Illinois Commerce Commission		X		07-14-11
Illinois Community College Board		X		05-12-11

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Illinois Conservation Foundation	X	X	X	01-27-11
Illinois Finance Authority	X	X	X	05-26-11
Illinois Gaming Board	X	X		06-28-11
Illinois Housing Development Authority	X			12-02-10
Illinois Housing Development Authority		X	X	02-16-11
Illinois Mathematics and Science Academy		X		02-24-11
Illinois Mathematics and Science Academy Fund	X			01-27-11
Illinois Medical District Commission	X	X		03-17-11
Illinois Power Agency	X	X		03-24-11
Illinois Racing Board		X		09-22-11
Illinois State Board of Investments	X			01-27-11
Illinois State Board of Investments		X		03-24-11
Illinois State Toll Highway Authority	X	X		07-14-11
Illinois State University	X	X	X	04-14-11
Illinois Student Assistance Commission	X			04-07-11
Illinois Student Assistance Commission		X		06-09-11
Illinois Student Assistance Commission – Designated Account Purchase Program	X			04-07-11
Illinois Student Assistance Commission – Prepaid Tuition	X			04-07-11
Illinois Violence Prevention Authority		X		08-18-11
Illinois Workers’ Comp. Comm. – Self Insurer’s Fund	X			01-12-11
Joint Committee on Administrative Rules		X		12-02-10
Judges’ Retirement System	X			03-03-11
Judges’ Retirement System		X		04-14-11
Judicial Inquiry Board		X		06-23-11
Kankakee River Valley Area Airport Authority	X	X		07-21-11
Law Enforcement Training Standards Board		X		06-28-11
Legislative Ethics Commission		X		01-20-11
Legislative Information System		X		11-18-10
Legislative Inspector General		X		01-20-10
Mid-America Medical District Commission		X		07-28-11
Northeastern Illinois University	X			01-27-11
Northeastern Illinois University		X	X	03-10-11
Northern Illinois University	X			12-16-10
Northern Illinois University		X	X	03-30-11
Pollution Control Board		X		02-24-11
Prisoner Review Board		X		07-14-11
Procurement Policy Board		X		12-16-10
Property Tax Appeal Board		X		05-12-11
Secretary of State	X			03-10-11
Sex Offender Management Board		X		05-26-11
Southern Illinois University	X	X	X	03-10-11
Southwestern Illinois Development Authority		X		05-26-11
State Appellate Defender		X		05-19-11
State Board of Education	X	X		04-14-11
State Employees’ Retirement System	X			03-03-11
State Employees’ Retirement System		X		04-14-11

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
State Fire Marshal		X		07-21-11
State Police Merit Board		X		12-16-10
State Universities Retirement System	X			01-12-11
State Universities Retirement System		X		02-10-11
State's Attorneys Appellate Prosecutor		X		03-22-11
Statewide Financial Statement Audit	X			07-21-11
Statewide Single Audit – (Federal Funds)			X	07-28-11
Teachers' Retirement System	X			01-12-11
Teachers' Retirement System		X		03-24-11
Treasurer – Bright Start College Savings Program	X			01-20-11
Treasurer – Fiscal Officer	X	X		04-21-11
Treasurer – Change Over Audit	X			06-09-11
Treasurer – Illinois Funds	X			01-20-11
University of Illinois	X			01-12-11
University of Illinois		X	X	04-07-11
Western Illinois University	X			02-16-11
Western Illinois University		X	X	03-22-11



AUDITS

REGIONAL OFFICE OF EDUCATION AND INTERMEDIATE SERVICE CENTER FINANCIAL AUDITS

FOR THE PERIOD ENDING JUNE 30, 2010

F = Financial Audits S = Single Audits

<i>AGENCY</i>	<i>F</i>	<i>S</i>	<i>DATE RELEASED</i>
ROE #1: Adams, Pike Counties	x		01-20-11
ROE #2: Alexander, Johnson, Massac, Pulaski, Union Counties	x	x	05-19-11
ROE #3: Bond, Fayette, Effingham Counties	x	x	03-10-11
ROE #4: Boone, Winnebago Counties	x	x	06-28-11
ROE #8: Carroll, Jo Daviess, Stephenson Counties	x		06-28-11
ROE #9: Champaign, Ford Counties	x	x	04-14-11
ROE #10: Christian, Montgomery Counties	x		07-14-11
ROE #11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Counties	x	x	06-23-11
ROE #12: Clay, Crawford, Jasper, Lawrence, Richland Counties	x		03-22-11
ROE #13: Clinton, Marion, Washington Counties	x	x	07-14-11
ROE #14: Suburban Cook County	x		03-30-11
ROE #16: DeKalb County	x		09-01-11
ROE #17: Dewitt, Livingston, McLean Counties	x	x	05-05-11
ROE #19: DuPage County	x	x	07-21-11
ROE #20: Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne, White Counties	x	x	03-22-11
ROE #21: Franklin, Williamson Counties	x	x	03-17-11
ROE #22: Fulton, Schuyler Counties	x		06-28-11
ROE #24: Grundy, Kendall Counties	x	x	07-14-11
ROE #25: Hamilton, Jefferson Counties	x	x	03-30-11
ROE #26: Hancock, McDonough Counties	x	x	06-23-11
ROE #27: Henderson, Mercer, Warren Counties	x	x	05-05-11
ROE #28: Bureau, Henry, Stark Counties	x	x	08-18-11
ROE #30: Jackson, Perry Counties	x		07-14-11
ROE #31: Kane County	x	x	06-28-11
ROE #32: Iroquois, Kankakee Counties	x	x	09-22-11
ROE #33: Knox County	x		06-09-11
ROE #34: Lake County	x	x	09-01-11
ROE #35: LaSalle County	x		05-12-11
ROE #38: Logan, Mason, Menard Counties	x		08-18-11
ROE #39: Macon, Piatt Counties	x	x	06-28-11
ROE #40: Calhoun, Greene, Jersey, Macoupin Counties	x		09-22-11
ROE #41: Madison County	x	x	05-05-11
ROE #43: Marshall, Putnam, Woodford Counties	x		06-09-11
ROE #44: McHenry County	x		09-22-11
ROE #45: Monroe, Randolph Counties	x	x	05-05-11
ROE #46: Brown, Cass, Morgan, Scott Counties	x		12-21-11
ROE #47: Lee, Ogle Counties	x	x	07-14-11
ROE #48: Peoria County	x	x	02-10-11
ROE #49: Rock Island County	x	x	09-22-11
ROE #50: St. Clair County	x	x	03-17-11
ROE #51: Sangamon County	x	x	06-23-11
ROE #53: Tazewell County	x		07-14-11
ROE #54: Vermilion County	x		03-30-11
ROE #55: Whiteside County	x		07-14-11
ROE #56: Will County	x	x	05-19-11
Intermediate Service Center #1: North Cook	x	x	03-30-11
Intermediate Service Center #2: West Cook	x	x	05-19-11
Intermediate Service Center #4: South Cook	x	x	04-07-11



PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

<ul style="list-style-type: none"> • Management Audit of the Workers' Compensation Program for State Employees • Certain Financial and Business Processes of the University of Illinois Board of Trustees • Management Positions in the Executive Branch • Illinois State Police's Administration of the Firearm Owners Identification Card Act • College Illinois! Prepaid Tuition Program • State's Procurement of Health Insurance Vendors • Department of Transportation's Implementation of Life-Cycle Cost Analysis • Performance Audit of the Covering ALL KIDS Health Insurance Program • Management Audit of the State's Nine Public Universities • The Village of Robbins' Use of Municipal Economic Development Funds • Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees • Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust 	6/10 Exemptions Granted by the Civil Service Commission
	5/10 Covering All Kids Health Insurance Program
	1/10 Village of Robbins' Use of Municipal Economic Development Fund
	12/09 Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust
	12/09 Regional Transportation Authority Follow Up
	11/09 Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan
	9/09 Medical Assistance Program – Long Term Care Eligibility Determination
	7/09 Grant to the Loop Lab School
	6/09 Department of Central Management Services' 2008 Joint Procurements of Bulk Rock Salt
	5/09 Funding Provided by State Agencies to Heartland Human Services
	3/09 Illinois State Police's Division of Forensic Services
	3/09 Multi-Year Beverage Vending and Pouring Contract
	2/09 Coal Development Fund
12/11 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust	12/08 Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan and Retiree Health Care Trust
11/11 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees	12/08 Department of Human Services Office of the Inspector General
11/11 Department of Central Management Service's Operation of the State's Vehicle Fleet	11/08 Village of Robbins' Use of Municipal Economic Development Funds
9/11 Management Audit of the State's Boards and Commissions	7/08 Review of Documents Related to the Proposed Sale of Bonds for the Chicago Transit Authority Retirement Plan and Retiree Health Care Trust
4/11 Program Audit of the Covering ALL KIDS Health Insurance Program	5/08 The Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process
2/11 State's Financial Reporting System	2/08 Pilsen-Little Village Community Mental Health Center, Inc.
12/10 Village of Robbins' Use of Municipal Economic Development Fund	10/07 Inventory of State Programs
12/10 Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust	8/07 Funding Provided by or through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program
12/10 Department of Human Services – Office of the Inspector General	8/07 Payments to the Illinois Hispanic Chamber of Commerce by State Agencies
12/10 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

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

4/07	Rend Lake Conserv. District Follow-up Report	12/02	DHS Office of the Inspector General
3/07	Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace	8/02	Village of Robbins' Use of Municipal Economic Development funds
1/07	Department of Transportation's Aeronautics Operations	8/02	Department of Human Services' Early Intervention Program
12/06	Department of Human Services' Office of the Inspector General	7/02	Department of Public Aid's KidCare Program
9/06	Flu Vaccine Procurement and I-SaveRx Program	4/02	Department of Human Services Early Intervention Program Follow-up
9/06	Village of Robbins' Use of Municipal Economic Development Funds	4/02	States Construction Contracting Methods
8/06	Department of Financial and Professional Regulation's Disciplining of Physicians	1/02	Agency Use of Internet User Technology
6/06	Department of Central Management Services' Business Enterprise Program and Department of Transportation's Disadvantaged Business Enterprise Program	10/01	EPA's Vehicle Emissions Testing Program
3/06	Department of Transportation's Traffic Safety Programs	9/01	Illinois Health Facilities Planning Board
2/06	Department of Commerce and Economic Opportunity's Administration of Its Economic Development Programs	8/01	Board of Education and Other State Agencies Providing Funding to Regional Offices of Education
2/06	State Employee Travel - Modes of Transportation between Chicago and: Bloomington, Carbondale, Champaign-Urbana, Macomb, and Springfield	6/01	Village of Robbins' Use of Municipal Economic Development Funds
7/05	Village of Robbins' Use of Municipal Economic Development Funds	5/01	Tuition & Fee Waivers Follow-up
5/05	The Illinois School District Liquid Asset Fund Plus	12/00	DHS Office of the Inspector General
12/04	Department of Human Services' Office of the Inspector General	6/00	Municipal Economic Development Fund Distributions: Village of Robbins
9/04	Rend Lake Conservancy District	3/00	Department of Public Aid: Child Support State Disbursement Unit
9/04	Illinois Aquaculture Development Fund	11/99	Illinois Math & Science Academy
8/04	Village of Robbins' Use of Municipal Economic Development Funds	9/99	Department of Public Aid's Contracts with Delta Dental
2/04	Department of Central Management Services' Administration of the State's Space Utilization Program	8/99	Pilsen-Little Village Community Mental Health Center
12/03	Regulation of Grain Dealers and the Grain Insurance Fund	7/99	Medicaid Home Health Care & Regulation of Home Health Agencies
11/03	Grade Crossing Protection Fund	6/99	State Fire Marshal's Fire Investigations
9/03	Village of Robbins' Use of Municipal Economic Development Funds	5/99	Illinois Health & Human Service Providers
5/03	Illinois State Toll Highway Authority	12/98	DHS: Inspector General
4/03	Teachers Academy for Mathematics and Science	9/98	Comptroller's Offset System
1/03	Group Workers Compensation Self-Insured Pools	6/98	Nursing Home Prescreening
		5/98	IDOT's Road Construction Program
		4/98	Tuition & Fee Waivers
		5/97	Professional Regulation – Physicians Regulated Under the Medical Practices Act
		12/96	DMHDD – Office of the Inspector General
		6/96	IHSA – Site Selection for Boys Basketball Finals
		4/96	DMHDD – Reporting of Resident Abuse & Neglect
		5/95	Summer Unemployment at State Universities

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

2/95	Laws Considered Obsolete	7/90	State University Tuition & Fee Policies & Practices
1/95	Public Aid's Child Support Program	7/90	Debt Collection Practices of Illinois & Other States
12/94	Office of the Inspector General	5/90	DMHDD: Abuse & Neglect
6/94	Toll Highway: Helicopters	4/90	Veterans' Affairs Field Office Closures
6/94	DMHDD: Abuse & Neglect	3/90	Illinois Competitive Access & Reimbursement Equity Program
5/94	Correctional Industries	1/90	Public Aid's Delta Dental
5/94	Central Management Services: Telecommunications	12/89	Regional Transportation Authority
3/94	Collection of Money from Circuit Clerks	11/89	Illinois Sports Facilities Authority & the Chicago White Sox
1/94	State Housing Benefits	11/89	Five State Retirement Systems' Financial Status
5/93	Public Aid: Property Transfers	10/89	Feasibility of Consolidating State Revenue Bond Agencies
4/93	Office of the Inspector General	7/89	Commerce & Community Affairs' Economic Development Programs
4/93	Early Intervention Services System	5/89	EPA's Hazardous Waste Mgmt. Program
4/93	User Fees	4/89	Selected Auditor Comparability: Jobs & Pay
11/92	DMHDD: Abuse & Neglect	2/89	AIDS Testing: Statutory Requirements & Costs
7/92	St. Anne's Lease	1/89	Public Univ. Instructional Costs
6/92	State Police I-SEARCH Program	1/89	Vehicle Emissions Testing Program
5/92	Privatizing Weigh Stations	10/88	U of I Athletic Association
4/92	Henry Horner's Children's Care	8/88	JTPA
3/92	Governor's Council on Health & Physical Fitness	7/88	Audit Status of Circuit Courts
3/92	Case Management Practices	6/88	Dept. of Revenue - Corporate Income Tax
1/92	State Legal Services	5/88	State Program of Internal Auditing
11/91	State Regulation of Insurer Solvency	7/87	Computer Acquisition & Use in Higher Education
8/91	Higher Education "Systems of Systems"	6/87	Chicago Housing Authority
7/91	Eastern Illinois University Coal Conversion Project	6/87	Cash Management Practices
6/91	Special Analysis: Build Illinois	4/87	State Laboratory Services
5/91	Availability of Obstetric Care	4/87	U of I Hospital & Affiliated Clinics
5/91	Collection of Sales & Taxes Receivable	4/87	Chicago's Use of State Appropriated Funds
5/91	Property Forfeited Under the Illinois Controlled Substances Act	10/86	State Pensions Assets Investment Performance
3/91	Illinois Competitive Access & Reimbursement Equity Program	10/86	CMS - Lottery Building Lease
3/91	Nutritional Services Paid by the Department of Children & Family Services	10/86	Property Management Problems - Mental Health Centers
2/91	Illinois Multi-Year Fixed Contractual Obligations	5/86	Illinois Preferential Procurement Programs
2/91	Administrative Citations: Environmental Protection Agency	4/86	State Toxicology Lab
10/90	Project Chance Evaluation Contract	4/86	Legislative Printing Unit
10/90	Frequent Flyer Programs	4/86	Engineering Programs in Illinois - NIU
8/90	Parents Too Soon Program	3/86	Claims & Accounts Receivable

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

3/86	Capital Development Board:Construction of the State of Illinois Center	7/82	Criminal History Components
2/86	Illinois Commerce Commission	4/82	Financing of Improvements of Rock Island State Park
2/86	Advisory Boards & Commissions	1981	Chicago Road Fund
11/85	Data Security Practices	12/81	DMHDD: Region 2
11/85	Hazardous Waste Management	11/81	Procurement of Real Property
9/85	Management & Collection of Claims Receivable	10/81	Registration & Education: Investigation & Enforcement Functions
3/85	Perinatal Medical Care	1/81	Licensing & Regulation of Bingo
10/84	State Employee Travel	1/81	Chicago Bd. of Education
1 0/84	Feasibility Study: Rock Island Co. Facility	12/80	Nursing Home Reimbursement System
9/84	Employment Security Unemployment Insurance	12/80	DCFS Day Care Activities
8/84	Salaried Non-working Time Benefits	11/80	Dept. of Personnel Management
8/84	Responsible Relative Requirements	10/80	Public Aid's Local Office Management
5/84	Board of Investment: Five State Retirement Systems	9/80	Licensing of Grain Dealers
10/83	Commerce Comm.: Management Audits of Public Utilities	7/80	Illinois Fair Employment Practices Commission
5/83	Contractual Legal Services	6/80	Secretary of State Vending Services
4/83	Industrial Commission	5/80	Coastal Zone Management
12/82	Procurement Policies & Procedures	1/80	Court of Claims
		1/80	Cook Co. Health & Hospitals 