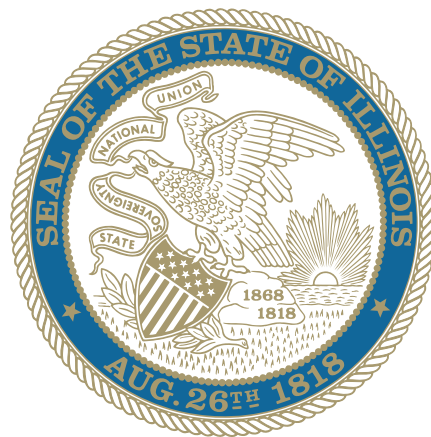


2015

ANNUAL REPORT

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL



Frank J. Mautino, Auditor General

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

March 1, 2016

The Honorable Members of the General Assembly
The Legislative Audit Commission
The Honorable Bruce Rauner, Governor
Citizens of Illinois

Ladies and Gentlemen:

Enclosed is the Annual Report of the Auditor General's Office, submitted in compliance with Section 3-15 of the Illinois State Auditing Act. This report reflects the Office's operations during calendar year 2015, while under the leadership of William G. Holland.

The mission of the Auditor General's Office has been, and will continue to be, to present objective, balanced and independent audits. I believe this Annual Report reflects the Office's success in fulfilling that goal during calendar year 2015.

I would like to thank William G. Holland, who retired on December 31, 2015, for his years of dedicated and effective service to the citizens of the State of Illinois. I would also like to thank the members of the General Assembly, members and staff of the Legislative Audit Commission, and the staff of the Auditor General's Office, through whose efforts the reported accomplishments were made possible.

Yours truly,

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO

Auditor General



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OVERVIEW

Frank J. Mautino became Auditor General of the State of Illinois on January 1, 2016. Prior to his appointment as Auditor General, Mr. Mautino served 24 years in the Illinois House of Representatives, including 15 years as a co-chairman of the Legislative Audit Commission.

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
- 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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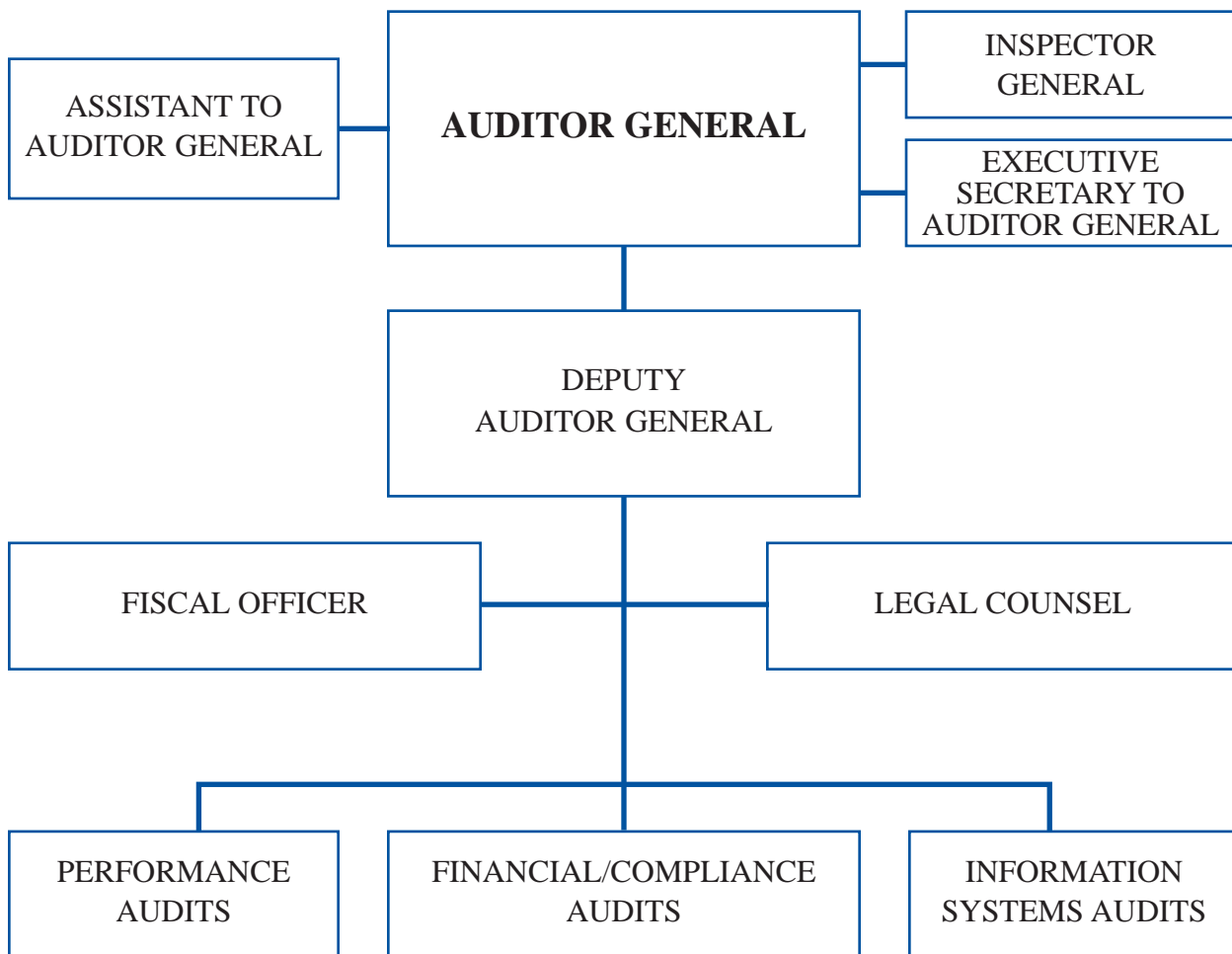
Visit our web site at www.auditor.illinois.gov for full details or for an on-line reporting form.

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PUBLIC INFO.

ORGANIZATIONAL CHART

As of December 31, 2015, there were 78 employees. Sixty-eight were located in the Springfield Office and ten in the Chicago Office.



ORGANIZATION

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.

For the FY 2014 audit cycle, the Compliance Audit Division conducted 90 engagements. These encompassed compliance examinations, financial audits, and federal audits or a combination thereof. Staff from the Office of the Auditor General conducted 30 of these engagements. The remaining engagements 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

ACCOUNTABILITY

A number of reports issued for FY 2014 had findings that were critically important from an accountability standpoint. A brief summary of some of these findings follows:

FAILURE TO COLLECT ENVIRONMENTAL CONSULTATION FEES

The Department of Natural Resources (Department) did not assess and collect fees for certain environmental consultations performed as required.

The Department of Natural Resources (Conservation) Law (20 ILCS 805/805-555(b)) requires the Department to assess a \$500 fee for consultations conducted pursuant to the Illinois Endangered Species Protection Act (520 ILCS 10/11) and the Illinois Natural Areas Preservation Act (525 ILCS 30/17), effective January 1, 2013.

We noted the Department did not collect the \$500 fee for consultations of this type performed during the examination period. Between July 5, 2013, and March 17, 2014, the Department performed 1,019 consultations of this type. As a result, the Department did not bill for or collect over \$500,000 in revenue to which it was entitled.

We recommended the Department proceed with assessing and collecting fees for environmental consultations as required, or seek legislative remedy.

The Department agreed with the condition noted and reported they began collecting the consultation fees in October 2014.

INADEQUATE SECURITY CONTROLS OVER GENTAX

The Department of Revenue (Department) utilizes GenTax to carry out its mission as “chief tax collector for the State of Illinois.” GenTax maintains confidential and personal information on all individuals who pay taxes to the State of Illinois. During the current examination testing, the auditors noted:

- The Department did not have a documented process for the administration of access rights.
- Access rights for individuals who separated employment from the Department were not always timely deactivated. Auditors noted 9 (43%) of 21 separated individuals tested were deactivated from 9 to 969 days after separation.
- For 4 (13%) of 32 individuals with access to GenTax, the Department did not provide documentation to support the required background checks had been completed. Additionally, 3 of these 4 individuals had administrative access right to the computer servers in which the GenTax System and data reside.
- The Department could not provide an explanation as to why 29 (88%) of 33 individuals had access to GenTax and data.
- The Department could not provide documentation authorizing 4 (24%) of 17 individuals access to GenTax.

Department management stated the Department has a process for administration of access rights and deactivation of access to GenTax, but that process is not formally documented.

The Department has the responsibility to ensure only authorized individuals have access to taxpayer information. Failure to establish adequate security controls could result in taxpayer identity theft or unintended use.

We recommended that the Department should establish a documented process over the administration of GenTax users. Additionally, the Department should maintain documentation of the authorization of access, periodically review the access rights of all users, and timely deactivate separated employee accounts.

In addition, we also recommended the Department should ensure required background checks are properly and timely completed, including those for individuals with access to GenTax.

Department management accepted the recommendation and indicated they will develop and document procedures governing access rights to GenTax and other systems.

ACCOUNTABILITY (CONT.)

IMPROPER COMMUNITY CARE PROGRAM PAYMENTS

The Department on Aging (Department) paid almost \$360,000 in Fiscal Year 2014 for Community Care Program (CCP) services charged for individuals who were deceased or incarcerated. The Department lacked sufficient controls to ensure timely identification of these changes in eligibility and to prevent expenditures for ineligible individuals. The auditors compared clients receiving CCP services to records of deaths and incarcerations and noted:

- \$321,668 was paid in Fiscal Year 2014 for services for individuals listed as deceased by the Social Security Administration.
- The Department paid \$38,309 to service providers for services charged for nine clients while they were incarcerated.

We recommended the Department implement additional internal controls to ensure timely identification of changes in CCP eligibility, including client death and incarceration, to prevent expenditures for ineligible individuals. We also recommended the Department implement edit checks or other controls to prevent and detect provider billings charged to the wrong individual.

Department officials agreed with the recommendation and stated they implemented changes whereby federal and state databases are used to verify the eligibility of client billings based on reported deaths and incarcerations.

INADEQUATE CONTROLS OVER HISTORICAL ARTIFACTS

The Historic Preservation Agency (Agency) failed to maintain adequate internal controls over historical artifacts.

The Agency used an electronic catalog system to track historical artifacts. No independent review of items added to or removed from the system was performed. In addition, we noted approximately 500 rare coins were not cataloged in the system. The

number of all historical items not cataloged could not be determined.

We recommended the Agency perform an inventory of all historical artifacts maintained and ensure each artifact is cataloged in the electronic catalog system. In addition, the Agency should implement internal controls requiring additions and deletions to the artifacts catalog be independently reviewed and approved.

Agency management concurred, and stated they will request that the currently vacant curator position be filled to implement the recommendation.

NEED TO PERFORM BRIDGE INSPECTIONS TIMELY

The Department of Transportation (Department) did not timely perform inspections of bridges.

During testing we noted the following:

- Using the intervals established by the Department and allowing for the data entry period, according to the Department's Illinois Structure Information System (ISIS) data, as of May 1, 2014, 46 local bridges were overdue for a routine inspection. One local bridge was due for inspection in 2003, but never received an inspection (more than 10.5 years overdue) and was rated as structurally deficient. The remainder of local bridge overdue inspections ranged from 2 months to 2.5 years overdue. While all State bridges appeared to be timely inspected, we did note, as of May 1, 2014, that inspection data for 25 bridges was not entered into ISIS within timeframes required by Federal Regulations.
- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 1,073 were slated for a special inspection totaling 1,131 special inspections. Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 69 bridges were overdue for a special inspection. These 69 bridges required 71 total inspections. Two bridges required 2 separate inspections each. Of the 71 total inspections, 5 were of State bridges

ACCOUNTABILITY (CONT.)

and 66 were of local bridges. One State bridge was less than 1 month overdue, 3 were about 6 months overdue and 1 was 5 years overdue and rated as structurally deficient. Sixteen of the 66 local bridge inspections were less than 3 months overdue; however, the remaining 50 inspections were overdue by more than 3 months with 18 inspections being 1 or more years overdue. Thirteen of these 18 inspections were of bridges rated as structurally deficient. According to the Department, some of the bridges have been repaired or replaced eliminating the need for the special inspection; however, the data we were provided showed these bridges as being delinquent for inspection.

- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 484 were slated for an underwater inspection. Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 12 bridges were overdue for an underwater inspection, all of which were local. The bridges were between 1 month and 15 years overdue with 5 being approximately 2 years or less overdue and 7 being over 7 years overdue. Three of the 12 were rated as structurally deficient. According to the Department, the inspection responsibility for many of these bridges rested with an adjacent State. However, when the Department does not receive a report from the adjacent State with the inspection/maintenance responsibility, it is not known whether the inspection is delinquent or if a report was simply never sent.
- Of the total 26,365 open bridges that the Department is required to inspect or cause to be inspected (i.e. locals), 411 were slated for a Fracture Critical inspection. We could not make a determination about the timeliness of 303 Fracture Critical inspections for 124 bridges. For these 303 inspections, the inspection date indicated that no Fracture Critical Inspections had been completed yet. The Department's bridge database did not capture a date to indicate when the bridge's fracture critical status was identified; therefore, we could not determine if the inspection should have already been conducted or if it was just recently identified. However, as of June 16, 2014, (prior to our inquiry on this matter) the Department began

collecting this information for all new Fracture Critical inventory records added.

Using the intervals established by the Department and allowing for the data entry period, according to the Department's ISIS data, as of May 1, 2014, 14 bridges were overdue for inspection, consisting of 37 total components. All bridges with overdue Fracture Critical inspections were local bridges. Six of the 14 bridges were less than 2 months overdue. However, the remaining 8 ranged from 1 to 18 years overdue. Of these 8, 3 were designated as structurally deficient.

- There were 10,869 bridges with a routine inspection interval of greater than 24 months. We found 127 bridges which violated 1 or more of these criteria and therefore should be inspected on a 24 month interval instead of the interval listed by the Department of 36 or 48 months. The majority of the bridges violated the bridge condition criteria by having a rating that was not high enough to allow for less frequent inspection. Ten of these 127 bridges are listed as the Department's maintenance responsibility.
- We identified 58 bridges (14 State, 44 local) which were constructed at least 4 years ago (and going back as far as 1900) which show only one recent inspection, indicating there should be inspection data for the years in between. For example, a bridge constructed in 1998 should have had at least 4 routine inspections; however, the data provided by the Department shows only 1 inspection.

We recommended the Department ensure bridge inspections are conducted within allowable intervals established by Federal regulations and Department policy and ensure inspection data is timely entered into ISIS. The Department should also review the inspection intervals being applied to ensure they are in conformance with Department policy as approved by the Federal Highway Administration.

Department officials agreed with the recommendations and stated the Bureau of Bridges and Structures continues to work with FHWA, Districts and Local Agencies to emphasize the importance of timely inspections. In addition, BB&S is stressing the importance of identifying valid reasons for delinquencies and the need to minimize occurrences.

ACCOUNTABILITY (CONT.)

Department officials also stated efforts to reduce delinquencies and ensure compliance with all inspection policies have recently been implemented. These include centralization of inspection oversight with the Bureau of Bridges and Structures through the formation of the Bridge Management Unit, increased communication with local agencies on the importance of timely inspections, monthly notifications to local agencies of delinquencies and upcoming delinquencies, more frequent communication with all program managers and team leaders regarding inspection policy through the Bureau of Bridges and Structures subscription service, and ISIS database enhancement and Structural Services Manual policy updates.

OVERTIME WORKED ON SAME DAY AS PAID LEAVE WAS TAKEN

In our review of timesheets at the Department of Corrections (Department), we noted Department employees used leave time (i.e., sick, vacation, personal leave, and accumulated holiday time) for their regular shift, but then worked another shift at the overtime rate the same day. While there may be instances where this would be a needed solution to a difficult staff coverage scenario, it could be a sign of abuse of overtime and may be against Department policy.

According to data provided by the Department, for fiscal year 2014 there was a total of 1,009,115 hours of overtime paid at a cost of \$49,119,780. There were also 661,753 hours of compensatory time used at a cost of \$21,818,872. Two facilities reported having over 100,000 hours of overtime during fiscal year 2014. Stateville Correctional Center reported 166,423 hours of overtime at a cost of \$8,268,978. Logan Correctional Center reported 101,033 hours of overtime at a cost of \$4,538,955. In addition to overtime, Stateville Correctional Center also reported 96,114 hours of compensatory time at a cost of \$3,265,667.

We reviewed fiscal year 2014 overtime payments for 20 employees for selected months. We judgmentally selected 10 employees at Logan Correctional Center with the highest amount of overtime pay and 10

employees at Stateville Correctional Center (the five employees with the highest amount of overtime pay and the five employees with the highest amount of compensatory time pay). As part of our review we obtained employee annual timesheets, shift logs, and approval slips for overtime and compensatory time as well as payroll reports for each pay period.

In our review of these 20 employee timesheets for fiscal year 2014, 10 employees (50%) had used a full day of leave time at least once during the fiscal year on the same day that they had worked overtime. For the 20 employees reviewed, we identified a total of 57 instances during fiscal year 2014 in which employees used a full day of leave time (7.5 hours) the same day that they also worked overtime. An employee at Stateville Correctional Center used leave time the same day in which they worked an overtime shift on 19 different occasions during fiscal year 2014. An employee at Logan Correctional Center used leave time the same day in which they worked an overtime shift on 13 different occasions during fiscal year 2014.

The Department's Overtime Equalization Training Manual requires the Department to not consider employees on benefit time for Master Overtime Equalization if the overtime is occurring during the time of the employee's absence.

The financial advantage of this practice from the employee's perspective is that the employee is paid for the leave time shift at the usual rate for that day and then also paid for the overtime shift at 1.5 times the usual rate of pay on the same day. The financial effect on the State, however, is that not only does the State pay the employee at the overtime rate for the shift worked in addition to the regular rate for the leave time taken, but the State must also pay another employee overtime to cover the shift for which the leave time was used. This type of abuse of leave time may be an example of "shift swapping" in which employees knowingly use leave time and swap shifts in order to gain a financial advantage.

We requested any union agreements that allow overtime pay on the same day that leave time is taken; however, the Department could not provide any.

We recommended the Department monitor the use of

ACCOUNTABILITY (CONT.)

leave time being used on the same day as overtime is worked and comply with its training manual by not allowing employees to work overtime on the same day that a full day of leave time is also used.

Department officials accepted the recommendation and stated they will make every effort to ensure employee overtime worked complies with the Department's Overtime Equalization Training Manual by not allowing employees to work overtime the same day leave time is also used.

NEED TO IMPROVE CONTROLS OVER PROPERTY AND EQUIPMENT

The Department of State Police (Department) did not exercise adequate control over the recording and reporting of its State property and equipment. We noted the following:

- 39 of 57 (68%) items listed as lost or missing could possibly have confidential information stored on them.
- The Department was unable to reconcile differences totaling \$1,287,199 in Fiscal Year 2013 and \$675,853 in Fiscal Year 2014.
- 40 of 60 (67%) items, totaling \$189,282, were added to the Department's inventory records between 2 and 674 days late.
- 15 of 60 (25%) items, totaling \$17,233, were deleted from the Department's inventory records between 31 and 255 days late.
- 8 of 66 (12%) vouchers, totaling \$148,822, included items that were not added to the Department's inventory records.
- 2 of 60 (3%) items, totaling \$1,167, were deleted from Department records; however, the Department did not maintain documentation to support the date items were deleted.
- 2 of 60 (3%) purchases, totaling \$4,908, did not include documentation of date received.
- 5 of 60 (8%) equipment items, totaling \$4,092 were not reported with an accurate value on the deletion/transfer document.
- 3 of 30 (10%) items were found in a different location than indicated on the equipment listing.

We recommended the Department develop procedures to immediately assess if a computer may have contained confidential information whenever it is reported lost, stolen, or missing during the annual physical inventory, and document the results of the assessment.

We also recommended the Department ensure all equipment is accurately and timely recorded or removed from the Department's property records. Lastly, we recommended the Department continue to strengthen controls over the recording and reporting of its State property and equipment by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements.

Department management concurred and stated the Department continues to struggle with the effects of the central property control unit being located outside of the agency within the Public Safety Shared Services Center (PSSSC) therefore delaying processing of paperwork as well as removing property control subject matter experts from the agency.

CONTRACTS AND REAL ESTATE LEASES NOT PROPERLY EXECUTED

The University of Illinois (University) has not established adequate internal controls over contracts and leases to ensure they received all necessary approvals, are executed prior to performance, and are filed with the Office of the Comptroller on a timely basis.

Some of the conditions noted during our review of 67 contracts, including purchase orders, executed during the year ended June 30, 2014, follow:

- Nine contracts did not contain the signature of the employee signing on behalf of the University Comptroller.
- Nineteen contracts were not signed by University's Chief Executive Officer or Chief Legal Counsel out of 59 contracts sampled requiring this level of approval.
- Six contracts were executed subsequent to the start date on the contracts. The contract execution dates

ACCOUNTABILITY (CONT.)

ranged from 9 to 45 days from commencement of service.

- Two contracts were not timely approved by the University Board of Trustees. Late approval ranged from 54 to 77 days late.
- One procurement reviewed had errors on average evaluation scores. Errors noted did not affect results of the procurement process.
- Thirty-four contracts were not submitted to the Comptroller's Office, as required. Thirteen of the 34 contracts were filed 2 to 310 days late and 21 contracts were not submitted at all.

Some of the conditions noted during our review of 25 real estate leases follow:

- Eight leases were executed after the lease began. The lease execution dates ranged from 30 days to 240 days after the beginning of the lease.
- Seven lease contracts were not timely submitted to the Comptroller's Office, as required. Six of the seven lease contracts were filed 50 to 209 days late and one lease contract was not filed at all.

Some of the conditions noted during our review of 31 emergency purchases follow:

- Five emergency purchases were not published in the Illinois Procurement Bulletin within the required time frames. Delays in publishing these purchases ranged from 4 to 9 days after the required timeframe.
- Six emergency purchases were not filed timely with the Office of the Auditor General, as required. Four of the six emergency purchases were filed 11 to 14 days late and two emergency purchases filing dates cannot be determined.

We recommended the University establish appropriate procedures to ensure all contracts and leases are completed, approved, and properly executed prior to the start of the services and lease term and to ensure that evaluation scores are accurate.

Further, the University should review procedures to ensure all appropriate signatures, clauses and certifications are obtained prior to execution for their contracts and lease agreements, all applicable contracts, real estate leases and emergency purchases

are filed with the Office of the Comptroller and the Auditor General in accordance with State statutes and related guidelines.

University officials accepted the recommendation and stated that they will continue to review requirements related to contractual services, establish any new procedures that may be required, and continue to enforce current policies and practices.

NEED TO IMPROVE FINANCIAL REPORTING

The Department of the Lottery's (Department or Lottery) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained errors in certain accounts.

During the audit of the June 30, 2014, Department financial statements, auditors noted errors in the Department's GAAP Reporting forms submitted to the Office of the Comptroller and Department financial statements and deficiencies in internal controls over financial reporting. Some of the specific issues noted by the auditors are as follows:

- Manual errors and inaccuracies in the calculation of the estimate of the Prizes payable liability for Instant games were identified. The inaccuracies resulted in Prize expense and the associated liability being overstated by \$7.314 million. These inaccuracies were discussed with Department management at which time they made an adjusting entry to their accounting records.
- An unreconciled difference was identified in the Department's Accounts Receivable. Upon further research, Department management determined that this difference was the result of an error. The error resulted in Accounts Receivable being overstated by \$4.901 million. This inaccuracy was discussed with Department management at which time they made an adjusting entry to ticket expense for \$1.220 million and other income for \$3.681 million.
- Auditors identified that the Department recorded an annuity in error. The error resulted in current annuity prizes payable and long-term annuity

ACCOUNTABILITY (CONT.)

prizes payable being overstated by \$244 thousand and \$4.494 million, respectively, and investment income and interest expense being overstated and understated by \$4.798 million and \$60 thousand, respectively. This error was discussed with Department management at which time they made an adjusting entry to their accounting records.

The errors and inaccuracies noted, if not detected and corrected, could materially misstate the Lottery's financial statements and negatively impact the Statewide financial statements. Accurate preparation of the Lottery's financial information for GAAP reporting purposes is important due to the impact Lottery adjustments have on the Statewide financial statements.

We recommended the Lottery implement procedures to ensure GAAP Reporting Packages and financial statements are prepared in an accurate and complete manner.

Lottery Management agreed and indicated they will continue to review current procedures to ensure they are up-to-date and implement any additional procedures, as necessary, to ensure GAAP financial reporting and the financial statements are prepared completely, accurately and timely with appropriate supporting documentation. The Lottery will also ensure sufficient staff resources are allocated to this process.

NEED TO IMPROVE REPORTING FOR ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Department of Human Services (Department) overstated the allowance for doubtful accounts and did not utilize all information available.

The DHS Recoveries Trust Fund accounts for approximately \$462 million in receivables (gross) for overpayments to program recipients for things such as food stamps and grants. The Department initially recorded an allowance for doubtful accounts for these receivables of approximately \$430 million, resulting in a net receivable of \$32 million. The Department calculated the allowance amount by dividing the FY 2014 collections amount by the

receivable balance at June 30, resulting in a collection rate of 7%. The remaining 93% was considered uncollectable, which was applied to the gross receivable balance at June 30, 2014, to estimate the \$430 million allowance amount. An analysis by the auditors of collections information dating back to 1986 determined an average collection rate of 32.37%.

In discussing the actual collection rate with the Department, they determined a revision to their estimate of the collection methodology was necessary. The revised calculation prepared by the Department considered a ten-year-average collection period and the allowance was recorded at 68.75% or \$317.5 million. As a result, the initial allowance for doubtful accounts was overstated by approximately \$112 million.

We recommended the Department analyze all available collection data annually and adjust the methodology for calculating the allowance for doubtful accounts as necessary.

Department officials agreed with the recommendation and stated they developed a new methodology for calculating the allowance for doubtful accounts and will analyze all collection data annually to recalculate the allowance for doubtful accounts.

NEED TO IMPROVE CONTROLS OVER THE ALLOWANCE FOR LOAN LOSS

The Illinois Housing Development Authority (Authority) was unable to support the historical detail assumptions used in its allowance for loan loss calculation for both the single family loan programs and the multi-family loans programs. Additionally, the Authority has not established adequate internal controls over updating loan ratings with current information, documenting the rationale for certain loan ratings, and ensuring the allowance for loan loss is properly calculated and presented in its financial statements.

During our audit, we reviewed the allowance for loan loss methodology for the single family loan program and the multi-family loan programs and

ACCOUNTABILITY (CONT.)

noted the Authority could not produce an analysis supporting the rationale for its calculation of the loan loss reserve factors (probability of default and expected loss) that are used in its allowance for loan loss calculation and has not recently performed an analysis to further substantiate the ongoing appropriateness of the metrics used in the allowance for loan loss estimate.

The Authority has not documented how the loan loss reserve factors have been historically calculated and over what period the probability of default is measured. Further, the Authority did not perform back-testing (typically performed on an annual basis) on its allowance for loan loss estimates to determine whether the allowance for loan loss estimates that have been historically sufficient to cover incurred losses over a period of time that aligns with the period used to estimate the probability of default.

Some of the problems we noted during our detailed testing are as follows:

- We tested 40 multi-family loan relationships risk ratings (61 loans) as of June 30, 2014. We found that 11 of 40 (15 of the 61 loans) relationships had risk ratings that were not reasonable.
- During the testing of the multi-family loan testing, we became aware that the Authority was not using in all cases the most recent financial statements of the borrower when evaluating the risk rate rating. This practice results in a timing lag between when updated financial statement information is received and when the associated impact to the risk rating is reflected.
- As a result of the timing lag noted above, two differences in home loan ratings resulted in an under reserve of \$633,445 and four differences in home loan ratings resulted in an over reserve of \$306,997 for the Home Program Fund. A proposed adjustment for these differences was not recorded by the Authority.
- Three differences in Housing Trust Fund loan ratings resulted in an over reserve of \$456,625 and one difference in a Housing Trust Fund loan rating resulted in an under reserve of \$161,283 for the Illinois Affordable Housing Trust Fund. A proposed adjustment for these differences was not recorded by the Authority.

Furthermore, the Authority is not consistently applying the allowance for loan loss methodology for the Build Illinois Bond Program Fund, the Hardest Hit Fund, the Administrative Fund, and the Single Family Program Fund as noted below:

- The Build Illinois Bond Program Fund had a net program loans receivable balance at June 30, 2014, of \$2,717,000; however, the Authority did not record an allowance for loan loss related to these loans, as these loans were initially funded in the second half of the Authority's 2014 fiscal year. An adjustment was not recorded in the Authority's financial statements.
- The Authority's reserving methodology for the Hardest Hit Fund is to reserve 50% of outstanding program loans receivable; however, during fiscal year 2014 the percentage of the allowance for loan loss (\$17,304,094) to the outstanding program loans receivable balance (\$26,653,653) was calculated at 65%. An adjustment was not recorded in the Authority's financial statements.
- The Authority erroneously included twenty-two Section 1602 grants totaling \$75,185,477 in its calculation of the loan reserve for the Administrative Fund; however, these amounts were properly excluded from the Authority's outstanding loan receivable balance at June 30, 2014. This resulted in an over reserve of \$1,576,023. The difference was adjusted and corrected in the Authority's financial statements.
- The allowance for loan losses for the programs loan receivable within the Single Family Program Fund were incorrectly calculated at June 30, 2014, resulting in an over reserve of \$802,111. A proposed adjustment was not recorded by the Authority.

We recommended the Authority review its current policies and procedures to ensure the assumptions used in the allowance for loan loss calculation are appropriate, loan rating assessments are performed timely based on available financial information, and that loan ratings are adequately documented.

Authority management agreed with our finding. ❖

STATEWIDE SINGLE AUDIT UPDATE

The purpose of the Statewide Single Audit is to fulfill the State mandate in accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 44 Illinois State agencies expended federal financial assistance in FY 14.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$23.6 billion for the year ended June 30, 2014. Overall, the State participated in 384 different federal programs; however, 12 of these programs or program clusters accounted for approximately 86.8% of the total federal award expenditures.

| FEDERAL AGENCIES PROVIDING FEDERAL FUNDING For the year ended June 30, 2014 | |
|--|--------------------|
| U.S. Department | Millions |
| Health & Human Services | \$ 11,686.7 |
| Agriculture | 4,375.7 |
| Labor | 3,111.7 |
| Education | 1,962.8 |
| Transportation | 1,737.1 |
| All Others | 747.4 |
| Total Federal Award Expenditures | \$ 23,621.4 |

Source: FY 2014 State of Illinois Single Audit Report

Overall, 11 State agencies accounted for approximately 98.5% of all federal dollars spent during FY 2014.

Our audit testing focused primarily on the 33 major programs expending about \$22.56 billion in federal awards.

Our report contained 69 findings related to 14 State agencies.

| SUMMARY OF FEDERAL SPENDING BY STATE AGENCY For the year ended June 30, 2014 | |
|---|--------------------|
| Agency | Millions |
| Healthcare and Family Services | \$ 9,419.9 |
| Human Services | 5,096.6 |
| Employment Security | 2,977.1 |
| Board of Education | 2,364.9 |
| Transportation | 1,731.5 |
| Commerce & Economic Opportunity | 475.4 |
| Children & Family Services | 398.7 |
| Public Health | 264.3 |
| Student Assistance Commission | 206.0 |
| Environmental Protection Agency | 191.5 |
| Emergency Management Agency | 133.4 |
| All Others | 362.1 |
| Total Federal Spending | \$ 23,621.4 |

*Source: FY 2014 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.
(Amounts may not add exactly due to rounding.)*



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. For example, our 2015 audit of the *Department of Children and Family Services' Search for Missing Children* identified several problems with the Department's administration of its efforts to search for and locate missing children. Legislation was passed in the Spring of 2015 which addressed some issues raised in our audit.

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 2015, our 2014 *Neighborhood Recovery Initiative* audit received an Honorable Mention from the National State Auditors Association (NSAA) in its Excellence in Accountability Awards program. NSAA established the Excellence in Accountability Awards Program in 2003 to recognize outstanding performance audits and special projects. Office of the Auditor General performance audits have received four other Excellence in Accountability Awards over the past 12 years:

- *Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act in 2013;*
- *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.*

In addition, our 2014 *Neighborhood Recovery Initiative* audit received a Recognition of Impact Award from the National Legislative Program Evaluation Society (NLPES) in 2015. 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:

- *2012 Management Audit of the College Illinois! Prepaid Tuition Program's Administrative Operations;*
- *2012 Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act;*
- *2011 Management Audit of the State's Financial Reporting System;*
- *2010 Program Audit of the Covering ALL KIDS Health Insurance Program;*
- *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;*

(continued)

THE PERFORMANCE AUDIT PROGRAM

- 1999 Management Audit of the Pilsen Little Village Community Mental Health Center; and
- 1998 Management Audit of Tuition and Fee Waivers.

Performance audits directly impact and improve agency operations. The Auditor General released one

performance audit and two reviews in 2015. In addition, the Performance Audit Program had the responsibility for Fiscal Year 2014 audits of 44 Regional Offices of Education (ROEs) and three Intermediate Service Centers (ISCs). FY14 audits released in 2015 included a total of 76 recommendations for improvement. ❖

PERFORMANCE AUDITS COMPLETED IN 2015

APPROPRIATIONS FROM THE GENERAL PROFESSIONS DEDICATED FUND FOR PHARMACY PROGRAMS AT STATE UNIVERSITIES

House Resolution Number 204 directed the Office of the Auditor General to conduct a program audit of appropriations from the General Professions Dedicated Fund for costs associated with pharmacy practice education and training at Chicago State University (CSU), Southern Illinois University Edwardsville (SIUE), and the University of Illinois at Chicago (UIC). Specifically, the resolution asked about the purposes for which the appropriations were used in fiscal years 2012, 2013, and 2014, and whether each university has performed any study or analysis of the need for pharmacists.

Illinois has three public universities that offer a pharmacy education program. They received a combined total of approximately \$2 million per year from the General Professions Dedicated Fund (GPD Fund) in fiscal years 2012, 2013, and 2014.

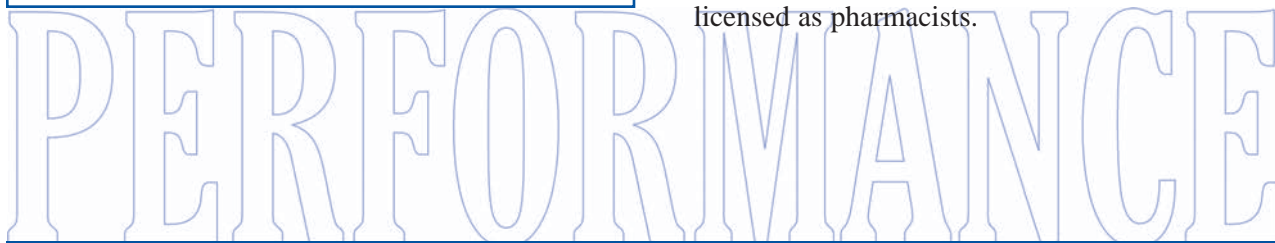
SIUE and UIC mainly used the appropriations for pharmacy program salaries. CSU used the appropriations for pharmacy program salaries in fiscal year 2013 and for pharmacy program operations in fiscal years 2012 and 2014.

We requested any studies that the universities had performed of the need for pharmacists. The universities said they had performed the following studies or analyses:

- CSU’s analysis, conducted in April 2015, reported that its pharmacy program helps to meet the needs that their research found, namely that over one-third of pharmacists were age 55 and will be retiring, the racial diversity of licensed pharmacists does not represent the U.S. population, and there was a need for pharmacists in underserved areas.
- SIU said the need for a pharmacy program was identified by a consultant in 2000. Up to 25 percent of its pharmacy graduates from each class reside in rural counties in Illinois and are licensed as pharmacists.

| ANNUAL APPROPRIATIONS Pharmacy Programs (GPD Fund) | |
|---|--------------------|
| Fiscal Years 2012-2014 | |
| Chicago State University..... | \$307,000 |
| Southern Illinois University | \$1,250,000 |
| University of Illinois | \$500,000 |
| Total | \$2,057,000 |

Source: University data and Illinois Appropriations.



PERFORMANCE AUDITS COMPLETED IN 2015 (CONT.)

- UIC's analysis, submitted in July 2015, reported that it created a concentration in rural pharmacy services because the demand for pharmacists is often high in rural communities where access to medical services may be limited.

2015 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 to the Office of the Auditor General (OAG) an audit, an annual statement, and an actuarial statement by September 30 of each year. The OAG reviewed the documents submitted by the Retirement Plan and concluded that they met the requirements of the Auditing Act.

The Illinois Pension Code (40 ILCS 5/22-101(e)(3)) requires the Retirement Plan to determine, based on a report prepared by an enrolled actuary, the estimated funded ratio of the Retirement Plan's total assets to its total actuarially determined liabilities. The Plan is also required to determine the employee and employer contribution rates needed to meet funding requirements established by the Pension Code. The Auditor General is required to review the determination and the assumptions on which it is based and 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 and our consultants, Aon Hewitt, reviewed the Retirement Plan's assumptions contained in the January 1, 2015 Actuarial Valuation and concluded that they were not unreasonable in the aggregate. However, we believe that three of the assumptions should continue to be monitored and justified on an annual basis.

- Investment return assumption: The 8.25 percent investment return assumption used by the Plan remains at the upper end of investment return assumptions used by other plans. Both the Plan's actuary and Investment Consultant conducted projections that concluded the Plan's investments

have a reasonable likelihood of achieving an investment return of 8.25 percent over a 10 to 20 year period. We recommend that the Plan continue to annually review the reasonableness of its investment return assumption.

- Mortality assumption: The mortality assumptions used by the Plan were chosen before final 2014 mortality tables were issued by the Society of Actuaries. We recommend that a new mortality analysis be conducted for the Plan, on a benefits-weighted basis, in time to reflect the results in the assumptions that are adopted and used for next year's valuation.
- Active participant assumption: For the first time in four years, the active participant headcount increased slightly. However, the ratio of actives to annuitants continued to decrease. Given the impact such a decline can have on future contribution levels, we recommend that the Plan continue to monitor the use of a constant headcount assumption.

The funded ratio of the Retirement Plan decreased from 60.9 percent in the January 1, 2014 Valuation to 58.2 percent in the January 1, 2015 Valuation. When the funded ratio declines below 60 percent, the Pension Code requires that contribution rates be increased so that the funded ratio is projected to reach 60 percent within 10 years. The contribution rates adopted by the Retirement Plan Board for 2016 remained unchanged from the 2015 contribution rates, as the January 1, 2015 Actuarial Valuation concluded that the contribution rates should result in the Plan's funded ratio reaching the statutorily required 60 percent level within 10 years.

2015 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.

PERFORMANCE AUDITS COMPLETED IN 2015 (CONT.)

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. 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 Actuarial Valuation Report as of January 1, 2015 to the Office of the Auditor General on October 1, 2015.
- 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 Actuarial Valuation Report and found that they were not unreasonable in the aggregate.

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. There were a total of 47 Fiscal Year 2014 audits to be conducted: 44 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. The FY14 ROE audits released in 2015 contained a total of 76 recommendations for improvement. Most of the recommendations dealt with the Regional Offices not having sufficient internal controls including controls over their financial reporting processes. ❖

PERFORMANCE

PERFORMANCE AUDITS IN PROGRESS

CRIMINAL JUSTICE INFORMATION AUTHORITY'S VIOLENCE PREVENTION PROGRAMS

House Resolution 888 directs the Auditor General to conduct a performance audit of the State moneys provided by or through the Illinois Criminal Justice Information Authority to all community based violence prevention programs, the After-School program, and the Chicago Area Project, under contracts or grant agreements in Fiscal Year 2013 and Fiscal Year 2014. The audit is to determine:

- The purposes for which State moneys were provided to the Authority for the community based violence prevention programs, the After-School program, and the Chicago Area Project;
- The nature and extent of monitoring by the Illinois Criminal Justice Information Authority of how the programs used the State-provided moneys and whether certain residential communities of similar crime rates were excluded;
- The actual use of State moneys by the Authority, including the identity of any sub-recipients and the amounts and purposes for employment;
- The number of positions paid through the programs by organizational unit, job title, function, and salary and whether employees completed and filled out appropriate time sheets;
- 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;
- Whether, through a review of available documentation, the programs have met or are meeting the purposes for which the State moneys were provided, with specific information concerning the programs staffing levels, hiring procedures, and its compensation of employees; and,
- Whether the programs are in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the program's receipt of State moneys.

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.

PERFORMANCE AUDIT OF THE COLLEGE OF DUPAGE

On May 14, 2015, the Illinois House of Representatives adopted House Resolution No. 55 directing the Auditor General to conduct a performance audit of the College of DuPage by entering into an intergovernmental agreement with the College of DuPage that sets forth the scope of the audit. The Resolution requires that the audit include, but not be limited to, the following determinations:

- The College of DuPage's sources of revenues during Fiscal Years 2011 through 2014;
- The College of DuPage's expenditures, by broad category, during Fiscal Years 2011 through 2014;
- The amount, purpose, and uses of General Obligation Bonds issued by the College of DuPage in 2007, 2009, 2011, and 2013;
- Whether, during Fiscal Years 2011 through 2014, the Board met its fiduciary responsibilities required by Board policy, including annually evaluating the College President; annually reviewing the financial performance of the College and causing an audit to be made; adopting the annual financial plan of the College; adopting a comprehensive Strategic Long Range Plan; and reviewing the President's annual report on the outcomes of the College;
- Whether the Board is meeting its fiduciary responsibilities and ensuring compliance with the Public Community College Act and Board policies, including those related to the investment of

PERFORMANCE AUDITS IN PROGRESS (CONT.)

College funds, procurements and contracts, construction activities, and budget transfers;

- Whether the compensation and severance packages provided to the College of DuPage President are comparable to compensation and severance packages provided to Presidents of other Illinois community colleges, and whether changes to the College President's compensation package are properly approved; and
- Based on records obtained from the College of DuPage, the amount and purposes of all transactions occurring in Fiscal Years 2009 and 2010 between the College of DuPage and the College of DuPage Foundation and whether those transactions followed all applicable laws, policies, and procedures.

ELGIN MENTAL HEALTH CENTER PRISONER ESCAPE PROCEDURES

House Resolution Number 199 directed the Auditor General to conduct an audit of the circumstances surrounding a prisoner's escape from Elgin Mental Health Center and evaluate whether prisoner transport procedures need to be improved at Elgin Mental Health Center or other State facilities.

PERFORMANCE AUDIT OF THE KENWOOD OAKLAND COMMUNITY ORGANIZATION

House Resolution Number 324 directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization under contracts or grant agreements in Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015. The audit is to

include the following determinations:

- the purposes for which State moneys were provided to the Kenwood Oakland Community Organization, for each State agency and for each amount transferred;
- the nature and extent of monitoring by State agencies of how the Kenwood Oakland Community Organization used the State-provided moneys;
- the actual use of State moneys by the Kenwood Oakland Community Organization;
- whether, through a review of available documentation, the Kenwood Oakland Community Organization has met or is meeting the purposes for which the State moneys were provided, with specific information concerning the Organization's staffing levels and its compensation of management employees; and
- whether the Kenwood Oakland Community Organization is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Organization's receipt of State moneys.

PERFORMANCE AUDIT OF THE PLACEMENT OF DCFS WARDS

Senate Resolution Number 140 directed the Auditor General to conduct a performance audit of the Department of Children and Family Services' compliance with its obligations to place children in its care in placements consistent with their best interests. The audit is to include the following determinations as they pertain to children (up to the age of 21) in the care of the Department of Children and Family Services in calendar years 2014 and 2015:

1. The number of children who remain psychiatrically hospitalized beyond the time when they are

PERFORMANCE

PERFORMANCE AUDITS IN PROGRESS (CONT.)

- clinically ready for discharge or beyond medical necessity for hospitalization, whichever is sooner, the reason they remain hospitalized, the length of time they remain hospitalized, the type of recommended placement, the barriers to timely placement, and whether they were placed in the recommended placement type after leaving the hospital;
2. The number of children who remain in emergency shelters beyond 30 days, the reason they remain in an emergency shelter, the length of time they remain in an emergency shelter, the type of recommended placement, the barriers to timely placement, and whether they were placed in the recommended placement type after they were moved from the shelter;
 3. The number of children who remain in a detention center or Department of Juvenile Justice (DJJ) facility solely because the Department cannot locate a placement for the child, the length of time they remain in a detention center or DJJ facility, the type of recommended placement, the barriers to timely placement, and whether they were placed in the recommended placement type after being released from detention or from the DJJ facility; and
 4. For each child meeting the criteria in subsection (1), (2), or (3) the following information: who was subsequently placed, how long it took the child to be placed, and whether the child was placed consistent with clinical recommendations.

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 2015, a total of 47 audits are to be performed. ❖



THE INFORMATION SYSTEMS AUDIT PROGRAM

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

TESTING CONTROLS AND SYSTEMS

The Auditor General's Office plans to continue to emphasize the review of information system controls at State agencies. In 2015, we reviewed the following agencies:

Capital Development Board, Department on Aging, Department of Central Management Services, Department of Corrections, Department of Healthcare and Family Services, Department of Human Services, Department of Insurance, Department of Juvenile Justice, Department of Natural Resources, Department of Revenue, Department of State Police, Department of Veterans' Affairs, Eastern Illinois University, Environmental Protection Agency, Governors State University, Illinois Community College Board, Illinois Gaming Board, Illinois Housing Development Authority, Illinois Racing Board, Illinois Student Assistance Commission, Office of the Comptroller, Southern Illinois University, and State Employees' Retirement System.

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, performing comprehensive risk assessments, 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 106 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.



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 TSP Section 100, Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality, and Privacy (AICPA, Technical Practice Aids).

We identified the following control deficiencies:

- Controls over verifying the identity of an individual prior to resetting their password had not been effectively implemented.
- Controls over the monitoring of noncompliance with security policies were not operating effectively.
- Control over the performance of risk assessments and implementation of mitigation strategies were not operating effectively.
- Documentation to support the approved process for staff to notify the Help Desk and supervisors of security, availability, and processing issues was not provided.
- Information on the tools to monitor the network was not provided.

No other significant issues were identified; however, several control deficiencies were identified and appeared in the body of the report. ❖

INFO. SYSTEMS

Seven agencies – **Department on Aging, Department of Corrections, Department of Juvenile Justice, Department of Natural Resources, Department of Revenue, Illinois Gaming Board, and Northeastern 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.

Four agencies – **Department of Corrections, Department of Lottery, Department of Revenue, and Correctional Industries** – had not established adequate controls for securing their 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 – **Department of Juvenile Justice, Department of Natural Resources, Department of Revenue, Department of State Police, Illinois Gaming Board, Illinois Racing Board, and Illinois State University** – had not ensured the adequate security of confidential information. Confidential and personally 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. We recommended these agencies assess their procedures for safe-guarding confidential information.

Three agencies – **Department of Military Affairs, Department of Transportation, and Illinois Historic Preservation Agency** – failed to implement the provisions of the Identity Protection Act to draft and approve an identity-protection policy. We recommended that these agencies develop and approve an identity protection policy as required in the Act.

Three agencies – **Department of Corrections, Department of State Police, and Illinois Health Information Exchange Authority** – had weaknesses in project management for computer system developments. Projects were not effectively managed to ensure they were properly controlled and documented. We recommended that these agencies develop and implement a project management framework to ensure projects are adequately monitored and documented.

Four agencies – **Department of Corrections, Department of Revenue, Department of State Police, and Illinois Gaming Board** – had not implemented an effective change management process to ensure changes to computer applications were properly approved, tested, and documented. We recommended that these agencies develop and implement a structured change management standard to ensure adequate oversight of all changes to computer applications.

The **Department of Central Management Services** had security weaknesses in its midrange computing environment. 20 ILCS 405/405-410 mandated the Department to consolidate Information Technology functions of State government. Due to the consolidation, several agencies’ IT functions were consolidated into the Department. As a result of the consolidation, the Department became responsible for the security and control of midrange computer systems for consolidated agencies. We recommended the Department ensure standards to secure and control the environment are implemented across the midrange environment.

Agency officials generally concurred with our recommendations concerning these issues.

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



OTHER OFFICE RESPONSIBILITIES

TAXPAYER ACCOUNTABILITY REPORTS

The Taxpayer Accountability and Budget Stabilization Act (P.A. 96-1496), which was effective January 2011, increased the income tax rates imposed on individuals, trusts, estates, and corporations. The Act also established State spending limitations for Fiscal Years 2012 through 2015 and required the Auditor General to examine each Public Act authorizing State spending from State general funds and prepare a report indicating:

- i. The amount of State spending set forth in the applicable Public Act;
- ii. The total amount of State spending authorized by law for the applicable fiscal year as of the date of the report; and
- iii. Whether State spending exceeds the State spending limitation.

During Fiscal Year 2015, the Auditor General's Office reviewed new Public Acts as they were filed with our Office by the Secretary of State. We also reviewed fund transfer notifications provided by the State Comptroller's Office. The purpose of our reviews was to identify all appropriations, supplemental appropriations, continuing appropriations and statutory transfers constituting "State spending" from "State general funds" (as those terms are defined in P.A. 96-1496) and to issue a report within 30 days as required by the Act.

We issued a total of 16 reports covering Fiscal Year 2015 spending. The State Spending cap in FY15 was \$39,072,000,000. Cumulative "state spending" from "general funds" for Fiscal Year 2015 was \$36,350,902,644.99 and the balance of the Fiscal Year 2015 State Spending cap remaining was \$2,721,097,355.01.

SMALL BUSINESS CONTRACTS ACT FISCAL YEAR 2015 ANNUAL REPORT

Public Act 97-307 created the Small Business Contract Act, effective August 11, 2011. The Act requires every State agency to establish as a goal "not less than 10% of the total dollar amount of state contracts" for award to small businesses. In addition

to developing an annual compliance plan and filing a mid-year report, the Act requires each Chief Procurement Office to file an annual report by March 1 of each year detailing the agency's level of achievement towards the goals specified in the Act over the three most recent fiscal years.

FY13 actual expenditures as of 9/13/13 were \$28,109,438. After subtracting out personal services and fringe benefits (which are not subject to competitive procurement), remaining FY13 expenditures were \$20,903,330. Applying the 10% small business contracting goal, our FY13 end-of-year goal was \$2,090,333.

Actual expenditures for certified small businesses during FY13 (for the period 7/1/12 through 8/31/13) totaled \$3,478,479 or 16.6% of non-salary expenditures. For those purchases with contracts (37), the average contract amount was approximately \$94,000. Overall, agency spending with registered small businesses in FY13 was 166% of our goal.

FY14 actual expenditures as of 8/26/14 were \$27,677,578. After subtracting out personal services and fringe benefits (which are not subject to competitive procurement), remaining FY14 expenditures were \$20,689,752. Applying the 10% small business contracting goal, our FY14 end-of-year goal was \$2,068,975.

Actual expenditures for certified small businesses during FY14 (for the period 7/1/13 through 8/25/14) totaled \$2,974,012 or 14.4% of non-salary expenditures. For those purchases with contracts (26), the average contract amount was approximately \$114,400. Overall, agency spending with registered small businesses in FY14 was 144% of our goal.

FY15 actual expenditures as of 8/31/15 were \$29,573,625. After subtracting out personnel services and fringe benefits (which are not subject to competitive procurement), remaining FY15 expenditures were \$22,745,210. Applying the 10% small business contracting goal, our FY15 end-of-year goal was \$2,274,521.

Actual expenditures for certified small businesses during FY15 (for the period 7/1/14 through 8/31/15) totaled \$3,555,202 or 15.6% of non-salary

OTHER OFFICE RESPONSIBILITIES (CONT.)

expenditures. For those purchases with contracts (32), the average contract payment amount in FY15 was \$109,791. Overall, agency spending with registered small business in FY15 was 156% of our goal.

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.

COMPTROLLER'S ACCOUNTING SYSTEM REVIEW

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.

STATE ACTUARY

Public Act 97-694, effective June 18, 2012, directed the Auditor General to "contract with or hire an actuary to serve as the State Actuary." Among its duties, the State Actuary is required to "review assumptions and valuations prepared by actuaries retained by the boards of trustees of the State-funded retirement systems" and "issue preliminary reports...

concerning proposed certifications of required State contributions submitted to the State Actuary by those boards." [30 ILCS 5/2-8.1 (a) and (b)]

Through a competitive proposal process, the Auditor General awarded a contract in August 2012 to Cheiron, a full-service actuarial and consulting firm. Cheiron issued its preliminary reports to the five public retirement systems in December 2015. As required by statute, the Auditor General submitted a written report to the General Assembly and Governor on December 30, 2015, documenting the initial assumptions and valuations prepared by the actuaries retained by the boards of trustees of the State-funded retirement systems, the State Actuary's preliminary reports, and the responses of each board to the State Actuary's recommendations. The report is available in its entirety on our website at www.auditor.illinois.gov.

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 2014 peer review of the Auditor General's audit processes resulted in an unmodified (clean) opinion. Additionally, the peer review team did not note any deviations from professional standards that would have required a written letter of comments. Our prior peer reviews, conducted in 1996, 1999 and 2002, 2005, 2008 and 2011 likewise resulted in unmodified opinions. Our next peer review is slated for 2017. ❖

CONTINUING PROFESSIONAL EDUCATION AND TRAINING REQUIREMENTS

The U.S. Government Accountability Office established Government Auditing Standards (the Yellow Book) for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services.

The general standard relating to competence specifies that auditors assigned to perform the audit must collectively possess the adequate professional competence needed to address the audit objectives and perform the work in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The Yellow Book also requires that auditors performing work in accordance with GAGAS, including planning, directing, and performing audit procedures or reporting on an audit, should maintain their professional competence through continuing professional education (CPE).

Specifically, each auditor performing work in accordance with GAGAS should complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. Auditors who are involved in any amount of planning, directing,

or reporting on GAGAS audits and auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS audits should also obtain at

least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2-year period) that enhances the auditor's professional proficiency to perform audits. Auditors should complete at least 20 hours of CPE in each year of the 2-year period. Auditors hired or initially assigned to GAGAS audits after the beginning of the 2-year CPE period should complete a prorated number of CPE hours.

The most recently completed 2-year period for CPE requirements as measured by the Office of the Auditor General was January 1, 2013, through December 31, 2014. All auditors, audit directors, and information specialists required to meet the CPE standards 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 Illinois Department of Financial and Professional Regulation, and complies with the rules of the Illinois Public Accounting Act.



TRAINING

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 2015. ❖

OAG FRAUD HOTLINE

The Auditor General's Office is required by law [30 ILCS 5/2-15, added by P.A. 97-261, effective August 5, 2011] to operate a toll-free fraud hotline for the public to report allegations of fraud in the executive branch of State government. The hotline went into operation at the beginning of January 2012.

The toll free number is 1-855-217-1895. The hotline is available 24 hours a day, 7 days a week. Live operators are generally available Monday-Friday from 8:00 a.m. to 4:00 p.m. (CST).

In addition to calling the toll-free number, other options have been established for the public to report allegations of fraud. The public may also:

- Complete the Fraud Reporting Form on-line located on the OAG web-site (www.auditor.illinois.gov);
- E-mail a description of the allegation to: OAG.Hotline@illinois.gov;
- Contact the Auditor General via telecommunications device for the disabled (TTY) at 1-888-261-2887; or

- Send a written report via the U.S. Postal Service to the following address:
Fraud Hotline, Auditor General's Office,
740 E. Ash St., Springfield, IL 62703.

Individuals reporting alleged fraud to the hotline may remain anonymous. However, if the individual chooses not to be identified, the Office's ability to follow up on the allegation may be limited.

More information regarding the reporting of fraud allegations can be found at the Fraud Hotline section of the OAG website. Jurisdiction of the Fraud Hotline does not include the legislative or judicial branches of government or units of local government. Other resources the public may use to report fraud if it is outside of the jurisdiction of the OAG can also be found on the website. Even if the Auditor General's Office does not have jurisdiction over the allegation, our hotline manager will try to direct the caller to another State, federal, or local agency that may be able to help. ❖

CLAIMS DUE THE STATE AND METHODS OF COLLECTION

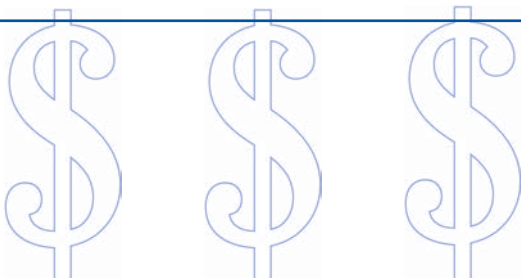
As required by law [30 ILCS 205/2 (k)], the Office of the Auditor General is reporting that there were no outstanding claims administered by the Office that were due and payable to the State as of December 31, 2015. The accounts receivables generated by our Office primarily represent billings to other 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 2015 (July 1, 2014 to August 31, 2015, including lapse period).

| <i>FY 2015 - FINAL</i> | | | |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <i>Appropriation</i> | <i>Expended</i> | <i>Balance</i> |
| GRF Operations: | | | |
| Personal Services | \$5,616,300 | \$5,615,959 | \$341 |
| Social Security | \$404,200 | \$404,160 | \$40 |
| Contractual Services | \$596,000 | \$591,742 | \$4,258 |
| Commodities | \$7,000 | \$4,593 | \$2,407 |
| Paper and Printing | \$6,500 | \$5,758 | \$742 |
| Equipment | \$25,000 | \$14,629 | \$10,371 |
| EDP | \$88,500 | \$88,470 | \$30 |
| Telecommunications | \$60,000 | \$59,171 | \$829 |
| Operation of Automotive Eqpt.. | \$3,500 | \$1,834 | \$1,666 |
| | <u> </u> | <u> </u> | <u> </u> |
| GRF Operations Total | <u>\$6,807,000</u> | <u>\$6,786,316</u> | <u>\$20,684</u> |
| Audit Expense Fund: | | | |
| Audits/Studies/Invest. | <u>\$23,947,191</u> | <u>\$22,787,309</u> | <u>\$1,159,882</u> |





FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
JUNE 30, 2014, AND DECEMBER 31, 2014.

(Released on or before December 31, 2015)

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

| AGENCY | F | C | S | DATE RELEASED |
|---|---|---|---|------------------|
| Attorney General | | X | | 01-15-15 |
| Capital Development Board | X | X | | 02-19-15 |
| Chicago State University | X | | | 01-29-15 |
| Chicago State University | | X | X | 03-18-15 |
| Comptroller - Fiscal Officer | X | X | | 12-18-14 |
| Comptroller - Non-Fiscal Officer | | X | | 04-30-15 |
| Correctional Industries (within Department of Corrections) | X | X | | 01-29-15 |
| Department on Aging | | X | | 05-14-15 |
| Department of Central Management Services | X | | | 02-19-15 |
| Department of Central Management Service - Teacher Health Insurance Security Fund | X | | | 02-19-15 |
| Department of Central Management Services - Local Government Health Insurance Reserve Fund | X | | | 02-19-15 |
| Department of Central Management Services - Community College Health Insurance Security Fund | X | | | 02-19-15 |
| Department of Central Management Services - (Deferred Compensation Plan) | X | | | 06-30-15 |
| Department of Children and Family Services | X | X | | 04-02-15 |
| Department of Commerce and Economic Opportunity | | X | | 04-16-15 |
| Department of Corrections | X | X | | 04-30-15 |
| Department of Employment Security | X | | | 02-05-15 |
| Department of Financial and Professional Regulation | | X | | 02-26-15 |
| Department of Healthcare and Family Services | X | | | 02-05-15 |
| Department of Human Services | X | | | 02-11-15 |
| Department of Insurance | | X | | 03-26-15 |
| Department of Juvenile Justice | | X | | 04-30-15 |
| Department of Military Affairs | | X | | 02-19-15 |
| Department of Natural Resources | X | X | | 06-30-15 |
| Department of Revenue | X | X | | 05-28-15 |
| Department of State Police | | X | | 04-16-15 |
| Department of Transportation | X | X | | 04-30-15 |
| Department of Veterans' Affairs | | X | | 04-30-15 |
| Drycleaner Environmental Response Trust Fund Council | | X | | 02-11-15 |
| Eastern Illinois University | X | | | 01-29-15 |
| Eastern Illinois University | | X | X | 03-05-15 |
| Environmental Protection Agency | X | X | | 06-23-15 |
| Environmental Protection Trust Fund Commission | | X | | 06-23-15 |
| Executive Ethics Commission | | X | | 05-14-15 |
| General Assembly Retirement System | X | | | 01-22-15 |
| General Assembly Retirement System | | X | | 05-07-15 |
| Governors State University | X | | | 01-08-15 |
| Governors State University | | X | X | 02-26-15 |

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

| <i>AGENCY</i> | <i>F</i> | <i>C</i> | <i>S</i> | <i>DATE RELEASED</i> |
|---|----------|----------|----------|--------------------------|
| Health Information Exchange Authority | | X | | 06-23-15 |
| Historic Preservation Agency | | X | | 05-14-15 |
| Illinois Commerce Commission - WETSA | | X | | 04-16-15 |
| Illinois Community College Board | | X | | 06-30-15 |
| Illinois Conservation Foundation | X | X | | 02-11-15 |
| Illinois Finance Authority | X | | | 01-15-15 |
| Illinois Gaming Board | X | X | | 05-28-15 |
| Illinois Housing Development Authority | X | | | 12-04-14 |
| Illinois Housing Development Authority | | X | X | 03-26-15 |
| Illinois Mathematics and Science Academy | | X | | 02-05-15 |
| Illinois Mathematics and Science Academy Fund | X | | | 12-18-14 |
| Illinois Power Agency | X | X | | 03-12-15 |
| Illinois Racing Board | | X | | 09-10-15 |
| Illinois State Board of Investments | X | | | 12-18-14 |
| Illinois State Board of Investments | | X | | 02-05-15 |
| Illinois State Toll Highway Authority | X | X | | 06-30-15 |
| Illinois State University | X | X | X | 01-15-15 |
| Illinois Student Assistance Commission (Including Golden Apple Scholars of Illinois) | X | | | 02-11-15 |
| Illinois Student Assistance Commission (Including Golden Apple Scholars of Illinois) | | X | | 04-02-15 |
| Illinois Student Assistance Commission – Designated Account Purchase Program | X | | | 02-11-15 |
| Illinois Student Assistance Commission - Prepaid Tuition | X | | | 02-11-15 |
| Illinois Workers' Comp. Comm. - Self Insurer's Fund | X | | | 01-08-15 |
| Joint Committee on Administrative Rules | | X | | 03-18-15 |
| Judges' Retirement System | X | | | 01-22-15 |
| Judges' Retirement System | | X | | 05-07-15 |
| Judicial Inquiry Board | | X | | 05-21-15 |
| Law Enforcement Training Standards Board | | X | | 02-19-15 |
| Legislative Ethics Commission | | X | | 10-15-15 |
| Legislative Information System | | X | | 10-23-14 |
| Lottery | X | | | 03-18-15 |
| Metro East Police District | | X | | 09-30-15 |
| Mid-America Medical District Commission | | X | | 02-19-15 |
| Northeastern Illinois University | X | | | 01-29-15 |
| Northeastern Illinois University | | X | X | 03-26-15 |
| Northern Illinois University | X | | | 02-11-15 |
| Northern Illinois University | | X | X | 03-26-15 |
| Office of the Legislative Inspector General | | | | * |
| Pollution Control Board | | X | | 05-21-15 |
| Prisoner Review Board | | X | | 01-08-15 |
| Procurement Policy Board | | X | | 10-23-14 |
| Property Tax Appeal Board | | X | | 12-04-14 |
| Railsplitter Tobacco Settlement Authority | X | X | | 02-05-15 |
| Secretary of State | X | | | 01-29-15 |

* Report not released as of December 31, 2015.

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

| <i>AGENCY</i> | <i>F</i> | <i>C</i> | <i>S</i> | <i>DATE RELEASED</i> |
|---|----------|----------|----------|--------------------------|
| Sex Offender Management Board | | X | | 11-20-14 |
| Southern Illinois University | X | | | 01-15-15 |
| Southern Illinois University | | X | X | 03-12-15 |
| Southwestern Illinois Development Authority | | X | | 02-19-15 |
| State Appellate Defender | | X | | 04-30-15 |
| State Board of Education | X | X | | 03-12-15 |
| State Employees' Retirement System | X | | | 01-22-15 |
| State Employees' Retirement System | | X | | 05-07-15 |
| State Employee's Retirement System – Special Purpose Report | X | | | 08-13-15 |
| State Fire Marshal | | X | | 03-05-15 |
| State Police Merit Board | | X | | 02-19-15 |
| State Universities Retirement System | X | | | 01-22-15 |
| State Universities Retirement System | | X | | 05-07-15 |
| State Universities Retirement System – Special Purpose Report | X | | | 08-13-15 |
| State's Attorneys' Appellate Prosecutor | | X | | 04-16-15 |
| Statewide Financial Statement Audit | X | | | 03-18-15 |
| Statewide Single Audit - (Federal Funds) | | | X | 03-31-15 |
| Teachers' Retirement System | X | | | 01-22-15 |
| Teachers' Retirement System | | X | | 05-07-15 |
| Teachers' Retirement System – Special Purpose Report | X | | | 08-13-15 |
| Treasurer - College Savings Program | X | | | 01-22-15 |
| Treasurer - Fiscal Officer | X | X | | 01-08-15 |
| Treasurer - Illinois Funds | X | | | 01-22-15 |
| Treasurer – Turn over audit (1-12-15) | X | | | 05-21-15 |
| University of Illinois | X | | | 01-15-15 |
| University of Illinois | | X | X | 03-26-15 |
| Western Illinois University | X | | | 01-15-15 |
| Western Illinois University | | X | X | 03-12-15 |

AUDITS

REGIONAL OFFICE OF EDUCATION AND INTERMEDIATE SERVICE CENTER FINANCIAL AUDITS

FOR THE PERIOD ENDING JUNE 30, 2014

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 | | 4/16/2015 |
| ROE #2: Alexander, Johnson, Massac, Pulaski, Union Counties | x | | 3/26/2015 |
| ROE #3: Bond, Fayette, Effingham Counties | x | | 1/15/2015 |
| ROE #4: Boone, Winnebago Counties | x | x | 2/11/2015 |
| ROE #8: Carroll, Jo Daviess, Stephenson Counties | x | | 5/7/2015 |
| ROE #9: Champaign, Ford Counties | x | x | 2/26/2015 |
| ROE #10: Christian, Montgomery Counties | x | | 5/21/2015 |
| ROE #11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Counties | x | | 3/18/2015 |
| ROE #12: Clay, Crawford, Jasper, Lawrence, Richland Counties | x | | 2/26/2015 |
| ROE #13: Clinton, Marion, Washington Counties | x | x | 1/29/2015 |
| ROE #16: DeKalb County | x | | 9/30/2015 |
| ROE #17: Dewitt, Livingston, McLean Counties | x | | 2/26/2015 |
| ROE #19: DuPage County | x | | 11/10/2015 |
| ROE #20: Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne, White Counties | x | | 5/7/2015 |
| ROE #21: Franklin, Williamson Counties | x | x | 3/5/2015 |
| ROE #22: Fulton, Schuyler Counties | x | | 3/26/2015 |
| ROE #24: Grundy, Kendall Counties | x | | 6/23/2015 |
| ROE #25: Hamilton, Jefferson Counties | x | | 2/11/2015 |
| ROE #26: Hancock, McDonough Counties | x | | 8/4/2015 |
| ROE #27: Henderson, Mercer, Warren Counties | x | x | 3/26/2015 |
| ROE #28: Bureau, Henry, Stark Counties | x | x | 12/30/2015 |
| ROE #30: Jackson, Perry Counties | x | | 6/23/2015 |
| ROE #31: Kane County | x | | 1/29/2015 |
| ROE #32: Iroquois, Kankakee Counties | x | x | 4/30/2015 |
| ROE #33: Knox County | x | | 4/30/2015 |
| ROE #34: Lake County | x | | 5/21/2015 |
| ROE #35: LaSalle County | x | | 3/18/2015 |
| ROE #38: Logan, Mason, Menard Counties | x | | 2/26/2015 |
| ROE #39: Macon, Piatt Counties | x | | 1/22/2015 |
| ROE #40: Calhoun, Greene, Jersey, Macoupin Counties | x | | 6/23/2015 |
| ROE #41: Madison County | x | | 5/7/2015 |
| ROE #43: Marshall, Putnam, Woodford Counties | x | | 4/30/2015 |
| ROE #44: McHenry County | x | | 8/4/2015 |
| ROE #45: Monroe, Randolph Counties | x | | 6/23/2015 |
| ROE #46: Brown, Cass, Morgan, Scott Counties | x | | 2/19/2015 |
| ROE #47: Lee, Ogle Counties | x | x | 3/27/2015 |
| ROE #48: Peoria County | x | | 4/30/2015 |
| ROE #49: Rock Island County | x | x | 8/4/2015 |
| ROE #50: St. Clair County | x | x | 1/15/2015 |
| ROE #51: Sangamon County | x | x | 9/10/2015 |
| ROE #53: Tazewell County | x | | 2/11/2015 |
| ROE #54: Vermilion County | x | | 4/16/2015 |
| ROE #55: Whiteside County | x | | 4/16/2015 |
| ROE #56: Will County | x | x | 3/26/2015 |
| Intermediate Service Center #1: North Cook | x | | 6/23/2015 |
| Intermediate Service Center #2: West Cook | | | * |
| Intermediate Service Center #4: South Cook | x | | 8/13/2015 |

* Report not released as of December 31, 2015.

PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

| | | |
|---|-------|---|
| <ul style="list-style-type: none"> • Criminal Justice Information Authority's Violence Prevention Programs • Covering All Kids Health Insurance Program • Performance Audit of the College of DuPage • Elgin Mental Health Center Prisoner Escape Procedures • Performance Audit of the Placement of DCFS Wards • Performance Audit of the Kenwood Oakland Community Organization • 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 | 2/14 | Performance Audit of the State Moneys Provided to the Illinois Violence Prevention Authority for the Neighborhood Recovery Initiative |
| | 1/14 | Village of Robbins Use of Municipal Economic Development Funds |
| | 12/13 | Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust |
| | 12/13 | The Covering ALL KIDS Health Insurance Program |
| | 11/13 | Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees |
| | 10/13 | Management Audit of the Department of Central Management Services' Administration of the State's Space Utilization Program |
| | 7/13 | Management Audit of the Illinois International Port District |
| 12/15 | 5/13 | Management Audit of Illinois Public Universities |
| | 5/13 | Management Audit of Road Fund Revenue and Expenditures |
| 12/15 | 4/13 | Management Audit of Management Positions in the Executive Branch |
| 11/15 | 4/13 | Review of the Department of Healthcare and Family Services' SMART Act Implementation Report |
| 12/14 | 12/12 | The Village of Robbins' Use of Municipal Economic Development Funds |
| 12/14 | 12/12 | Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust |
| 11/14 | 11/12 | Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees |
| 11/14 | 10/12 | The Covering ALL KIDS Health Insurance Program |
| 8/14 | 5/12 | College Illinois! Prepaid Tuition Program |
| 8/14 | 5/12 | Department of Transportation's Implementation of Life-Cycle Cost Analysis |
| 7/14 | 4/12 | The Workers' Compensation Program for State Employees |
| 5/14 | 4/12 | Illinois State Police's Administration of the Firearm Owners Identification Card Act |
| 4/14 | 3/12 | State's Procurement of Health Insurance Vendors |
| | 3/12 | The Village of Robbins' Use of Municipal Economic Development Funds |
| 3/14 | 1/12 | Certain Financial and Business Processes of the University of Illinois Board of Trustees |
| | 12/11 | Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust |

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

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

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

| | | | |
|-------|--|-------|--|
| 9/04 | Illinois Aquaculture Development Fund | 9/98 | Comptroller's Offset System |
| 8/04 | Village of Robbins' Use of Municipal Economic Development Funds | 6/98 | Nursing Home Prescreening |
| 2/04 | Department of Central Management Services' Administration of the State's Space Utilization Program | 5/98 | IDOT's Road Construction Program |
| 12/03 | Regulation of Grain Dealers and the Grain Insurance Fund | 4/98 | Tuition & Fee Waivers |
| 11/03 | Grade Crossing Protection Fund | 5/97 | Professional Regulation – Physicians Regulated Under the Medical Practices Act |
| 9/03 | Village of Robbins' Use of Municipal Economic Development Funds | 12/96 | DMHDD – Office of the Inspector General |
| 5/03 | Illinois State Toll Highway Authority | 6/96 | IHSA – Site Selection for Boys Basketball Finals |
| 4/03 | Teachers Academy for Mathematics and Science | 4/96 | DMHDD – Reporting of Resident Abuse & Neglect |
| 1/03 | Group Workers Compensation Self-Insured Pools | 5/95 | Summer Unemployment at State Universities |
| 12/02 | DHS Office of the Inspector General | 2/95 | Laws Considered Obsolete |
| 8/02 | Village of Robbins' Use of Municipal Economic Development funds | 1/95 | Public Aid's Child Support Program |
| 8/02 | Department of Human Services' Early Intervention Program | 12/94 | Office of the Inspector General |
| 7/02 | Department of Public Aid's KidCare Program | 6/94 | Toll Highway: Helicopters |
| 4/02 | Department of Human Services Early Intervention Program Follow-up | 6/94 | DMHDD: Abuse & Neglect |
| 4/02 | States Construction Contracting Methods | 5/94 | Correctional Industries |
| 1/02 | Agency Use of Internet User Technology | 5/94 | Central Management Services: Telecommunications |
| 10/01 | EPA's Vehicle Emissions Testing Program | 3/94 | Collection of Money from Circuit Clerks |
| 9/01 | Illinois Health Facilities Planning Board | 1/94 | State Housing Benefits |
| 8/01 | Board of Education and Other State Agencies Providing Funding to Regional Offices of Education | 5/93 | Public Aid: Property Transfers |
| 6/01 | Village of Robbins' Use of Municipal Economic Development Funds | 4/93 | Office of the Inspector General |
| 5/01 | Tuition & Fee Waivers Follow-up | 4/93 | Early Intervention Services System |
| 12/00 | DHS Office of the Inspector General | 4/93 | User Fees |
| 6/00 | Municipal Economic Development Fund Distributions: Village of Robbins | 11/92 | DMHDD: Abuse & Neglect |
| 3/00 | Department of Public Aid: Child Support State Disbursement Unit | 7/92 | St. Anne's Lease |
| 11/99 | Illinois Math & Science Academy | 6/92 | State Police I-SEARCH Program |
| 9/99 | Department of Public Aid's Contracts with Delta Dental | 5/92 | Privatizing Weigh Stations |
| 8/99 | Pilsen-Little Village Community Mental Health Center | 4/92 | Henry Horner's Children's Care |
| 7/99 | Medicaid Home Health Care & Regulation of Home Health Agencies | 3/92 | Governor's Council on Health & Physical Fitness |
| 6/99 | State Fire Marshal's Fire Investigations | 3/92 | Case Management Practices |
| 5/99 | Illinois Health & Human Service Providers | 1/92 | State Legal Services |
| 12/98 | DHS: Inspector General | 11/91 | State Regulation of Insurer Solvency |
| | | 8/91 | Higher Education "Systems of Systems" |
| | | 7/91 | Eastern Illinois University Coal Conversion Project |
| | | 6/91 | Special Analysis: Build Illinois |
| | | 5/91 | Availability of Obstetric Care |
| | | 5/91 | Collection of Sales & Taxes Receivable |
| | | 5/91 | Property Forfeited Under the Illinois Controlled Substances Act |
| | | 3/91 | Illinois Competitive Access & Reimbursement Equity Program |

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

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| 3/91 | Nutritional Services Paid by the Department of Children & Family Services | 5/86 | Illinois Preferential Procurement Programs |
| 2/91 | Illinois Multi-Year Fixed Contractual Obligations | 4/86 | State Toxicology Lab |
| 2/91 | Administrative Citations: Environmental Protection Agency | 4/86 | Legislative Printing Unit |
| 10/90 | Project Chance Evaluation Contract | 4/86 | Engineering Programs in Illinois – NIU |
| 10/90 | Frequent Flyer Programs | 3/86 | Claims & Accounts Receivable |
| 8/90 | Parents Too Soon Program | 3/86 | Capital Development Board: Construction of the State of Illinois Center |
| 7/90 | State University Tuition & Fee Policies & Practices | 2/86 | Illinois Commerce Commission |
| 7/90 | Debt Collection Practices of Illinois & Other States | 2/86 | Advisory Boards & Commissions |
| 5/90 | DMHDD: Abuse & Neglect | 11/85 | Data Security Practices |
| 4/90 | Veterans' Affairs Field Office Closures | 11/85 | Hazardous Waste Management |
| 3/90 | Illinois Competitive Access & Reimbursement Equity Program | 9/85 | Management & Collection of Claims Receivable |
| 1/90 | Public Aid's Delta Dental | 3/85 | Perinatal Medical Care |
| 12/89 | Regional Transportation Authority | 10/84 | State Employee Travel |
| 11/89 | Illinois Sports Facilities Authority & the Chicago White Sox | 1 0/84 | Feasibility Study: Rock Island Co. Facility |
| 11/89 | Five State Retirement Systems' Financial Status | 9/84 | Employment Security Unemployment Insurance |
| 10/89 | Feasibility of Consolidating State Revenue Bond Agencies | 8/84 | Salaried Non-working Time Benefits |
| 7/89 | Commerce & Community Affairs' Economic Development Programs | 8/84 | Responsible Relative Requirements |
| 5/89 | EPA's Hazardous Waste Mgmt. Program | 5/84 | Board of Investment: Five State Retirement Sys. |
| 4/89 | Selected Auditor Comparability: Jobs & Pay | 10/83 | Commerce Comm.: Management Audits of Public Utilities |
| 2/89 | AIDS Testing: Statutory Requirements & Costs | 5/83 | Contractual Legal Services |
| 1/89 | Public Univ. Instructional Costs | 4/83 | Industrial Commission |
| 1/89 | Vehicle Emissions Testing Program | 12/82 | Procurement Policies & Procedures |
| 10/88 | U of I Athletic Association | 7/82 | Criminal History Components |
| 8/88 | JTPA | 4/82 | Financing of Improvements of Rock Island State Park |
| 7/88 | Audit Status of Circuit Courts | 1981 | Chicago Road Fund |
| 6/88 | Dept. of Revenue - Corporate Income Tax | 12/81 | DMHDD: Region 2 |
| 5/88 | State Program of Internal Auditing | 11/81 | Procurement of Real Property |
| 7/87 | Computer Acquisition & Use in Higher Education | 10/81 | Registration & Education: Investigation & Enforcement Functions |
| 6/87 | Chicago Housing Authority | 1/81 | Licensing & Regulation of Bingo |
| 6/87 | Cash Management Practices | 1/81 | Chicago Bd. of Education |
| 4/87 | State Laboratory Services | 12/80 | Nursing Home Reimbursement System |
| 4/87 | U of I Hospital & Affiliated Clinics | 12/80 | DCFS Day Care Activities |
| 4/87 | Chicago's Use of State Appropriated Funds | 11/80 | Dept. of Personnel Management |
| 10/86 | State Pensions Assets Investment Performance | 10/80 | Public Aid's Local Office Management |
| 10/86 | CMS – Lottery Building Lease | 9/80 | Licensing of Grain Dealers |
| 10/86 | Property Management Problems – Mental Health Centers | 7/80 | Illinois Fair Employment Practices Commission |
| | | 6/80 | Secretary of State Vending Services |
| | | 5/80 | Coastal Zone Management |
| | | 1/80 | Court of Claims |
| | | 1/80 | Cook Co. Health & Hospitals |



