

October 15, 2003

Legislative Audit Commission
622 Stratton Office Building
Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the lapse period of Fiscal Year 2003 ending August 31, 2003 and the first quarter of Fiscal Year 2004 ending September 30, 2003.

FISCAL MATTERS

<i>FY 2003 – FINAL</i>			
	<i>Appropriation</i>	<i>Expended</i>	<i>Balance</i>
Personal Services	\$ 3,775,000	\$ 3,519,438	\$ 255,562
Employee Retire. (Employer)	151,000	134,707	
16,293			
State Retirement	389,600	361,458	
28,142			
Social Security	284,392	258,025	
26,367			
Contractual Services	500,000	490,926	9,074
Travel	24,600	18,342	6,258
Commodities	10,612	6,779	
3,833			
Printing	15,000	14,765	235
Equipment	16,296	15,425	
871			
EDP	26,500	26,143	
357			
Telecommunications	70,000	59,483	
10,517			
Oper. of Auto. Equip.	4,000	2,212	
1,788			
ROE Audits	701,800	668,135	33,665
Audits/Studies/Invest.*	<u>13,472,300</u>	<u>11,768,818</u>	<u>1,703,482</u>

TOTAL	<u>\$19,441,100</u>	<u>\$17,344,656</u>	<u>\$2,096,444</u>
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*Audit Expense Fund

FISCAL MATTERS

FY 2004 – FIRST QUARTER

	<i>Appropriation</i>	<i>Expended</i>	<i>Obligated</i>	<i>Balance</i>
Personal Services	\$ 3,976,000	\$ 890,691	\$ 0	\$ 3,085,309
Employee Retire. (Employer)	159,000	32,920	0	126,080
State Retirement	534,300	118,738	0	415,562
Social Security	304,200	65,853	0	238,347
Contractual Services	653,300	129,514	302,724	221,062
Travel	95,000	15,019	0	79,981
Commodities	20,000	955	0	19,045
Printing	22,000	6,902	0	15,098
Equipment	50,000	3,048	0	46,952
EDP	75,000	9,026	6,050	59,924
Telecommunications	75,000	8,456	0	66,544
Oper. of Auto. Equip.	5,000	1,156	0	3,844
Audits/Studies/Invest.*	<u>14,123,715</u>	<u>914,416</u>	<u>7,924,969</u>	<u>5,284,330</u>
TOTAL	<u>\$20,092,515</u>	<u>\$2,196,694</u>	<u>\$8,233,743</u>	<u>\$9,662,078</u>

*Audit Expense Fund

PERSONNEL

PERSONNEL

	<u>07-01-03</u>	<u>Appointments</u>	<u>Separations</u>	<u>Transfers</u>	<u>09-30-03</u>
Springfield	65	2	4	0	63
Chicago	<u>07</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>06</u>
TOTAL	<u>72</u>	<u>2</u>	<u>5</u>	<u>0</u>	<u>69</u>

CONTRACTS

During the first quarter of Fiscal Year 2004 the Office of the Auditor General entered into one hundred twenty-three financial/compliance audit contracts, forty-nine performance audit contracts, ten information systems audit contracts and sixteen administrative contracts.

TRAINING

Internal training for the first quarter of 2004 included:

- Revisions to the Yellow Book
- The CPE Network (Volume 11, Issue 2) and The CPA Report (Volume 2003, #1)
- Crucial Conversations
- Unique OAG Audits
- RFP & Contracting for ROE Audits
- New Employee Orientation and Sponsor Program
- Digital Certificate Update and Uses for OAG Staff
- SAMS & Other Related Performance Issues
- Illinois' Appropriations Process and Legislative Issues

Additional external training in which staff participated included:

- NSAA Middle Management Conference
- NASACT Annual Conference
- HIPPA Security Rules
- Conflict Resolution
- Interpersonal Skills
- Illinois Digital Government Summit
- Sarbanes-Oxley and Its Impact on the IT Auditing Profession
- NSAA IT Conference
- The New Yellow Book: What Lies Ahead?
- Cyber Security Roadshow

PERFORMANCE AUDITS

<i>PERFORMANCE AUDITS IN PROGRESS</i>
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<i>AUDITS</i>	<i>ESTIMATED RELEASE DATE</i>
<ul style="list-style-type: none">• Management Audit: Grade Crossing Protection Fund (LAC No. 123)	Fall 2003
<ul style="list-style-type: none">• Management Audit: Regulation of Grain Dealers and Administration of Grain Insurance Fund (LAC No. 125)	Fall 2003
<ul style="list-style-type: none">• Management Audit: DCMS' Administration of the State's Space Utilization Program (LAC No. 126)	Winter 2003
<ul style="list-style-type: none">• Financial, Management, and Program Audit of Rend Lake Conservancy District (PA 93-275)	Summer 2004

REGIONAL OFFICES OF EDUCATION AUDITS

Public Act 92-544, effective June 12, 2002, gave the Office of the Auditor General the responsibility for the conduct of 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. Previously, these audits were the responsibility of the Illinois State Board of Education. There are 48 total audits to perform; 45 are of Regional Offices of Education and 3 are of Intermediate Service Centers. The Office of the Auditor General contracted with 11 public accounting firms to perform these audits, which began in July 2002. As of April 16, 2003, all forty-eight audits had been released.

FINANCIAL & COMPLIANCE AUDITS

The following is a listing of financial and compliance audits for the period(s) ending June 30, 2002 and December 31, 2002. As the year progresses the “date released” column will be completed.

***FINANCIAL & COMPLIANCE AUDITS
FOR THE PERIOD(S) ENDING JUNE 30, 2002
AND DECEMBER 31, 2002***

F = Financial

C = Compliance

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Attorney General	x	x	03-11-03
Capital Development Board	x	x	03-13-03
Chicago State University	x	x	06-12-03
Chicago State University Foundation	x		03-18-03
Comptroller – Fiscal Officer	x	x	06-19-03
Comptroller – Non-Fiscal Officer	x	x	06-19-03
Department on Aging		x	03-18-03
Department of Agriculture (DuQuoin Fair)		x	03-20-03
Department of Agriculture (IL State Fair)		x	03-20-03
Department of Central Management Services	x	x	03-13-03
Department of Central Management Services (Deferred Compensation Plan)	x		06-19-03
Department of Children and Family Services	x	x	04-29-03
Department of Commerce and Economic Opportunity	x	x	06-12-03
Department of Corrections – General Office	x	x	04-23-03
Dept.of Corrections, Correctional Center - <i>Big Muddy River</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Centralia</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Danville</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Decatur Womens</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Dixon</i>		x	04-23-03
Dept. of Corrections, Correctional Center - <i>Dwight</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>East Moline</i>		x	04-23-03

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Dept. of Corrections, Correctional Center – <i>Graham</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Hill</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>IL River (Canton)</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Jacksonville</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Joliet</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Lawrence</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Lincoln</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Logan</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Menard</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Pinckneyville</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Pontiac</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Robinson</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Shawnee</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Sheridan</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Southwestern IL</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Stateville</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Tamms</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Taylorville</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Vandalia</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Vienna</i>		x	04-23-03
Dept. of Corrections, Correctional Center – <i>Western Illinois</i>		x	04-23-03
Department of Corrections, Correctional Industries	x	x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Chicago</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Harrisburg</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Joliet</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Kewanee</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Murphysboro</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Pere Marquette</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>St. Charles</i>		x	04-23-03

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Dept. of Corrections, IL Youth Center – <i>Valley View</i>		x	04-23-03
Dept. of Corrections, IL Youth Center – <i>Warrenville</i>		x	04-23-03
Department of Employment Security	x		03-13-03
Department of Financial Institutions	x	x	02-25-03
Department of Human Services	x		04-03-03
Department of the Lottery	x	x	04-03-03
Department of Military Affairs		x	04-03-03
Department of Natural Resources		x	03-27-03
Department of Public Aid	x	x	06-12-03
Department of Revenue	x		03-13-03
Department of State Police		x	03-06-03
Department of Transportation	x	x	06-19-03
Department of Veterans’ Affairs – General Office		x	04-03-03
Drycleaner Environmental Response Trust Fund Council		x	03-11-03
East St. Louis Financial Advisory Authority		x	03-11-03
Eastern Illinois University	x	x	04-16-03
Eastern Illinois University Alumni Association	x		04-03-03
Eastern Illinois University Foundation	x		04-03-03
Environmental Protection Agency	x	x	03-20-03
EPA – Trust Fund Commission	x	x	03-20-03
General Assembly – Retirement Systems	x		01-15-03
General Assembly – Retirement System		x	03-18-03
Governors State University	x	x	03-04-03
Governors State University Alumni Association	x		02-27-03
Governors State University Foundation	x		02-27-03
Health Care Cost Containment Council		x	02-20-03
Historic Preservation Agency	x	x	04-08-03
Illinois Community College Board	x	x	03-04-03
Illinois Conservation Foundation	x	x	03-27-03

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Illinois Development Finance Authority	x	x	03-04-03
Illinois Farm Development Authority	x	X	04-03-03
Illinois Health Facilities Authority	x	x	02-25-03
Illinois Housing Development Authority	x	x	06-12-03
Illinois Mathematics and Science Academy	x	x	03-06-03
Illinois Mathematics and Science Academy Fund	x		03-06-03
Illinois Medical District Commission		x	03-13-03
Illinois Petroleum Resources Board		x	02-20-03
Illinois Racing Board		x	02-20-03
Illinois Rural Bond Bank	x	x	03-20-03
Illinois State Board of Investment	x		01-15-03
Illinois State Board of Investment		x	03-04-03
Illinois State Toll Highway Authority	x	x	07-15-03
Illinois State University	x	x	03-20-03
Illinois State University Foundation	x	x	03-20-03
Illinois Student Assistance Commission	x		06-12-03
Illinois Student Assistance Commission Designated Account Purchase	x		03-06-03
Illinois Student Assistance Commission – Prepaid Tuition	x		03-06-03
Illinois Veterans’ Home – Anna		x	03-27-03
Illinois Veterans’ Home – LaSalle		x	03-04-03
Illinois Veterans’ Home – Manteno		x	03-04-03
Illinois Veterans’ Home – Quincy		x	03-04-03
Illinois Violence Prevention Authority		x	02-25-03
Industrial Commission – Self Insurer’s Fund	x		03-11-03
Joint Committee on Administrative Rules		x	02-25-03
Judges Retirement System	x		01-15-03
Judges Retirement System		x	03-18-03
Judicial Inquiry Board		x	02-25-03
Kankakee River Valley Area Airport Authority	x	x	02-20-03

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Law Enforcement Training Standards Board		x	03-06-03
Legislative Information Systems		x	02-25-03
Liquor Control Commission		x	02-25-03
Northeastern Illinois University	x	x	03-04-03
Northeastern Illinois University Foundation	x		02-27-03
Northern Illinois University	x	x	02-25-03
Northern Illinois University Alumni Association	x	x	02-25-03
Northern Illinois University Foundation	x	x	02-25-03
Office of Banks and Real Estate		x	03-11-03
Pollution Control Board		x	02-20-03
Prairie State 2000 Authority	x		02-25-03
Prisoner Review Board		x	02-20-03
Property Tax Appeal Board		x	03-11-03
Secretary of State	x		03-13-03
Sex Offender Management Board		x	02-25-03
Southern IL University	x	x	04-08-03
Southern IL University – Carbondale Alumni Association	x		02-27-03
Southern IL University – Carbondale Foundation	x		02-27-03
Southern IL University – Edwardsville Alumni Association	x		02-27-03
Southern IL University – Evergreen Terrace	x		02-27-03
Southern IL University – Edwardsville Foundation	x		02-27-03
Southern IL University – Physicians & Surgeons, Inc.	x		02-27-03
Southern IL University – University Park	x		02-27-03
Southwestern Illinois Development Authority		x	04-08-03
State Appellate Defender		x	04-08-03
State Board of Education	x	x	04-08-03
State Employees’ Retirement System	x		01-15-03
State Employees’ Retirement System		x	03-18-03
State Fire Marshal		x	04-16-03

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
State Police Merit Board		x	02-20-03
State Universities Retirement System	x		01-15-03
State Universities Retirement System		x	03-18-03
State's Attorney's Appellate Prosecutor		x	02-20-03
Statewide Single Audit	x	x	07-23-03
Teachers' Retirement System	x		01-15-03
Teachers' Retirement System		x	03-13-03
Treasurer – Bright Start College Savings Program	x		03-27-03
Treasurer – Fiscal Officer	x	x	03-27-03
Treasurer – Illinois Funds	x	x	03-27-03
University of Illinois	x	x	03-27-03
University of Illinois Alumni Association	x	x	02-27-03
University of Illinois Foundation	x	x	02-27-03
University of Illinois – Prairieland Energy, Inc.	x	x	03-27-03
University of Illinois – Research Park, LLC	x	x	03-27-03
University of Illinois – Ventures, LLC	x	x	03-27-03
University of Illinois – Wolcott, Wood & Taylor, Inc.	x	x	02-27-03
Western Illinois University	x	x	03-27-03
Western Illinois University Foundation		x	03-18-03

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FINANCIAL & COMPLIANCE AUDITS

***FINANCIAL & COMPLIANCE AUDITS
FOR THE PERIOD(S) ENDING JUNE 30, 2003
AND DECEMBER 31, 2003***

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<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Alton Mental Health Center			
Arts Council and Foundation			
Attorney Registration and Disciplinary Commission			
Board of Admissions to the Bar			
Board of Higher Education			
Bureau of the Budget			
Capital Development Board			
Center for Rehabilitation and Education			
Chester Mental Health Center			
Chicago Read Mental Health Center			
Chicago State University			
Chicago State University Foundation			
Choate Mental Health Center			
Civil Service Commission			
Commission on Intergovernmental Cooperation			
Comptroller – Fiscal Officer			
Correctional Industries			
Court of Claims			
Criminal Justice Information Authority			
DCMS – Deferred Compensation Plan – 12/31/03			
Deaf and Hard of Hearing Commission			
Department of Agriculture			
Department of Central Management Services			
Department of Children and Family Services			

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Department of Employment Security			
Department of Human Rights			
Department of Human Services – Central Office			
Department of Insurance			
Department of Labor			
Department of Lottery			
Department of Nuclear Safety			
Department of Professional Regulation			
Department of Public Aid			
Department of Public Health			
Department of Revenue			
Department of Transportation			
Distance Learning Foundation			
Drycleaner Environmental Restoration Trust Fund Council			
DuPage Water Commission (12/31/03)			
DuQuoin State Fair			
Eastern Illinois University			
Eastern Illinois University Alumni Association			
Eastern Illinois University Foundation			
Economic and Fiscal Commission			
Educational Labor Relations Board			
Elgin Mental Health Center			
Emergency Management Agency			
Fox Developmental Center			
General Assembly			
General Assembly Retirement System			
Governors Commission on the Status of Women			
Governors State University			
Governors State University Alumni Association			

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Governors State University Foundation			
Guardianship and Advocacy Commission			
High School Association			
Housing Development Authority			
Howe Developmental Center			
Human Rights Commission			
Illinois Building Commission			
Illinois Commerce Commission			
Illinois Conservation Foundation			
Illinois Council on Developmental Disabilities			
Illinois Developmental Finance Authority (12/31/03)			
Illinois Educational Facilities Authority (12/31/03)			
Illinois Environmental Protection Agency			
Illinois Farm Development Authority (12/31/03)			
Illinois Grain Insurance Corporation			
Illinois Health Facilities Authority (12/31/03)			
Illinois Labor Relations Board			
Illinois Liquor Control Commission			
Illinois Math and Science Academy and Fund			
Illinois Petroleum Resources Board			
Illinois Racing Board			
Illinois Rural Bond Bank (12/31/03)			
Illinois Sports Facilities Authority			
Illinois State Fair			
Illinois State University			
Illinois State University Foundation			
Illinois Student Assistance Commission			
Illinois Supreme Court			
Industrial Commission			

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Jacksonville Developmental Center			
Judges Retirement System			
Kankakee River Valley Area Airport Authority			
Kiley Developmental Center			
Legislative Audit Commission			
Legislative Printing Unit			
Legislative Reference Bureau			
Legislative Research Unit			
Lincoln Developmental Center			
Literacy Foundation			
Ludeman Developmental Center			
Mabley Developmental Center			
Madden Mental Health Center			
McFarland Mental Health Center			
Metro. Pier and Exposition Authority			
Murray Developmental Center			
Northeastern Illinois University			
Northeastern Illinois University Foundation			
Northern Illinois University			
Northern Illinois University Alumni Association			
Northern Illinois University Foundation			
Office of the Governor			
Office of the Lieutenant Governor			
Pension Laws Commission			
Prairie State 2000 Authority			
Rend Lake Conservancy District (12/31/03)			
School for the Deaf			
School for the Visually Impaired			
Secretary of State			

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Shapiro Developmental Center			
Singer Mental Health and Developmental Center			
Southern Illinois University			
Southern Illinois University Carbondale – Alumni Assoc.			
Southern Illinois University Carbondale – Foundation			
Southern Illinois Univ. Edwardsville – Alumni Assoc.			
Southern Illinois University Edwardsville – Foundation			
Southern Illinois University Physicians and Surgeons			
Southern Illinois University Research Park			
Southern Illinois University – University Park			
Space Needs Commission			
State Board of Education			
State Board of Elections			
State Board of Investment			
State Employees’ Retirement System			
State Universities Retirement System			
Statewide Single Audit			
Summer School for the Arts			
Teachers’ Retirement System			
Teachers’ Pension and Retirement System – Chicago			
Tinley Park Mental Health Center			
Toll Highway Authority			
Treasurer – Bright Start College Savings Pool			
Treasurer – Fiscal Officer			
Treasurer – Illinois Funds			
Treasurer – Non-fiscal officer			
Universities Civil Service Commission			
University of Illinois			
University of Illinois Alumni Association			

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
University of Illinois Foundation			
University of Illinois – Prairieland Energy, Inc.			
University of Illinois - -Research Park LLC			
University of Illinois – Ventures LLC			
University of Illinois – Wolcott Wood & Taylor, Inc.			
Western Illinois University			
Western Illinois University Foundation			
Zeller Mental Health Center			

INFORMATION SYSTEMS AUDITS

These audits are components of each agency's regularly scheduled financial and compliance audit for the period ending June 30, 2003.

<i>INFORMATION SYSTEMS AUDITS AUDITS INITIATED AND/OR COMPLETED IN FISCAL YEAR 2004</i>	
•	Department of Agriculture
•	Department of Central Management Services – BCCS 3 rd Party Review
•	Department of Employment Security
•	Department of Human Services
•	Department of Professional Regulation
•	Department of Public Aid
•	Department of Revenue
•	Department of Transportation
•	Governors State University
•	Illinois Commerce Commission
•	Illinois Criminal Justice Information Authority
•	Illinois Industrial Commission
•	Illinois State University
•	Illinois Student Assistance Commission
•	Illinois Supreme Court
•	Office of the Comptroller
•	State Board of Elections
•	State Universities Retirement System of Illinois
•	University of Illinois

EMERGENCY PURCHASES

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the first quarter of Fiscal Year 2004 and it contains fifty-six filings with this Office.

CONTRACTUAL SERVICES CERTIFICATIONS

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive prior to January 1, 1992. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the first quarter of Fiscal Year 2004, the Auditor General received one certification from the Legislative Reference Bureau indicating that an employee who retired in 1991 would be hired on contract due to his unique expertise.

Copies of this certification as well as certifications received in previous quarters are on file in our Office.

Yours truly,

WILLIAM G. HOLLAND
Auditor General