

2010

ANNUAL REPORT

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL



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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

March 1, 2011

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

Ladies and Gentlemen:

Enclosed is the Annual Report of the Auditor General's Office for the year ended December 31, 2010, submitted in compliance with Section 3-15 of the Illinois State Auditing Act.

Since assuming this position in 1992, my consistent commitment has been to present objective, balanced and independent audits. I believe this annual report reflects the success of my office in meeting that goal during 2010. It will continue to be my goal during the coming year.

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

Yours truly,

A handwritten signature in blue ink, appearing to read "William G. Holland". The signature is stylized and includes a long, sweeping line that extends upwards and to the right.

WILLIAM G. HOLLAND
Auditor General



TABLE OF CONTENTS



- Overview 1
- Public Information 2
- Continuing Professional Education and Training Requirements. 3
- Compliance Examination Program 5
 - Accountability 6
 - Federal Auditing/Statewide Single Audit Update 16
 - Peer Review/Annual Audit Advisory/Other Audit Responsibilities . . . 17
- Performance Audit Program 19
 - Performance Audits Completed in 2010 20
 - Performance Audits in Progress. 24
- Information Systems Audit Program 27
 - ISA Findings 28
- Organizational Chart 29
- Claims Due the State and Methods of Collection 30
- Summary of Appropriations and Expenditures 30
- Personal Information Protection Act Compliance. 31
- Financial Audits and Compliance Examinations Completed in 2010 32
- Regional Office of Education and Intermediate Service Center
Financial Audits Completed in 2010 35
- Performance Audits 1980-2010 37

CONTENTS



OVERVIEW

Since August 1992, William G. Holland has served as Auditor General of the State of Illinois. He was appointed by the General Assembly to a ten-year term effective August 1, 1992, and unanimously appointed to a second ten-year term, effective August 1, 2002.

As a constitutional officer, the Auditor General audits public funds of the State and reports findings and recommendations to the General Assembly and to the Governor. The establishment of the Auditor General under the Legislature is important. It ensures that the Legislature, which grants funds and sets program goals, will ultimately review program expenditures and results. Thus, agencies are accountable to the people through their elected representatives.

The Auditor General's Office performs several types of audits to review State agencies. Financial audits and Compliance examinations are mandated by law. They disclose the obligation, expenditure, receipt, and use of public funds. They also provide agencies with specific recommendations to help ensure compliance with State and federal statutes, rules and regulations.

Performance audits are conducted at the request of legislators to assist them in overseeing government. Programs, functions, and activities are reviewed according to the direction of the audit resolution or law directing the audit. The General Assembly

may then use the audit recommendations to develop legislation for the improvement of government.

Information Systems audits are performed on the State's computer networks. They determine whether appropriate controls and recovery procedures exist to manage and protect the State's financial and confidential information.

Copies of all audits are made available to members of the Legislature, the Governor, the media, and the public. Findings include areas such as accounts receivable, computer security, contracts, expenditure control, leases, misappropriation of funds, personnel and payroll, property control, purchasing, reimbursements, telecommunications, and travel.

Audit reports are reviewed by the Legislative Audit Commission in a public hearing attended by agency officials. Testimony is taken from the agency regarding the audit findings and the plans the agency has for corrective action. In some cases, the Commission may decide to sponsor legislation to correct troublesome fiscal problems brought to light by an audit. All outstanding recommendations are reviewed during the next regularly scheduled audit of an agency; or, if the Commission requests, a special interim audit may be conducted. ❖



OVERVIEW

PUBLIC INFORMATION

An audit and its supporting workpapers, unless confidential by, or pursuant to, law or regulation, are public documents once the report has been officially released to the Legislature, the public, and the press. These documents are available for review in our Springfield and Chicago offices.



The following information is also available by request:

- Late Filing Affidavits
- Emergency Purchase Affidavits
- Professional or Artistic Services Affidavits
- Contractual Services Certifications

Information about the Auditor General is available on the Internet. This information includes report summaries and full report texts.

PUBLIC INFORMATION IS AVAILABLE BY WRITING:

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PUBLIC INFO.

CONTINUING PROFESSIONAL EDUCATION AND TRAINING REQUIREMENTS

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



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

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

The most recently completed 2-year period for CPE requirements as measured by the Office of the Auditor General was January 1, 2009, through December 31, 2010. All auditors, audit directors, and information specialists required to meet the CPE standard were in compliance for this 2-year period.

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



TRAINING



THE COMPLIANCE EXAMINATION PROGRAM

The Auditor General is required by the Illinois State Auditing Act to conduct, as is appropriate to the agency's operations, a financial audit and/or compliance examination of every State agency at least once every two years. These audits and examinations inform the public, the Legislature, and State officers about the obligation, expenditure, receipt, and use of public funds, and provide State agencies with specific recommendation to help ensure compliance with State and federal statutes, rules, and regulations.



The Compliance Audit Division conducted 121 engagements. These encompassed compliance examinations, financial audits, and federal audits. Staff auditors conducted 45 of these audits. The remainder were performed by public accounting firms under the general direction and management of the Auditor General's audit managers.

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

The compliance program has a positive impact on the operations of State government because agencies implement many of the recommendations made in these reports. Compliance reports are also reviewed by the Legislative Audit Commission, where legislators question agency directors about audit findings and the corrective action they plan to take. Legislators and their staffs also use compliance reports during appropriation hearings in the spring legislative session. To maximize the usefulness of audit information, the Office attempts to deliver audits as early as possible in the legislative session.

COMPLIANCE

ACCOUNTABILITY

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

FINANCIAL REPORTING WEAKNESSES

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

- The beginning balances in the financial statements were restated to correct a prior reporting error related to an understatement of claims by the Department of Central Management Services for the State's workers' compensation program.
- Material misstatements were identified by the auditors. The errors occurred across several State agencies and required adjustments ranging from \$1.7 million to \$114 million.

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

Department of Revenue

Department of Central Management Services

Illinois Student Assistance Commission

Department of Human Services

Department of Transportation

Secretary of State's Office

State Universities Retirement System

In discussing this condition with the Office of the Governor, they stated that the weakness is due to separation in the responsibility for the State's internal control procedures among agencies and component units. The IOC has the statutory authority to develop and prescribe accounting policy for the State, but the State lacks an enterprise accounting system to capture all items necessary to provide underlying support to review agency

financial transactions. In addition, there is a shortage of qualified individuals in the State to ensure that all transactions are recorded in accordance with governmental accounting standards.

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

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

The Governor's Office responded it is conducting an evaluation that includes prior year adjustments, staffing, and implementation of new accounting standards to determine the additional internal control procedures necessary to reduce the risk of material misstatements during the financial statement preparation process. In addition, the Governor's Office and the Illinois Office of the Comptroller have agreed to increase communications and work closely throughout the financial statement preparation and GAAP package review process.

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

SIGNIFICANT DELAYS IN FINANCIAL REPORTING

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

statements which did not occur until June of the subsequent year for the past three fiscal years.

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

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

The Governor's Office response stated that as noted in the discussion, the root cause of the finding is the State of Illinois' highly decentralized financial reporting process, reliant on over 100 separate agency financial accounting and reporting systems. While the most effective long-term solution will be to replace these systems with a single entity-wide accounting system, the State's resources do not currently permit an investment of this size.

The Office of the Governor will work with the Illinois General Assembly and the Office of the State Comptroller to establish the business case for procuring and implementing a statewide accounting system with all of the necessary components including general ledger, accounts payable, procurement, inventory, grants management, and payroll.

The Governor's Office response also detailed short-to-medium term measures it is taking to address this issue prior to replacing the State's legacy financial systems.

The IOC's response indicated it will continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information in a timely manner. The IOC also stated that it will continue to support legislation, as was introduced in the past two legislative sessions, that provides it with enforcement tools to

compel State agencies to comply with necessary reporting deadlines.

USE OF OUTSIDE LEGAL COUNSEL

The Office of the Governor (Office) made extensive use of outside legal counsel during the audit period. These legal services were not competitively procured, the Office had other State agencies pay for the services with no documentation to support payment percentages or benefits to the agencies, and the use of these outside attorneys was not as cost effective as using the Attorney General.

During the engagement period, the Office executed 62 contracts with outside legal counsel for over \$7.2 million. Hourly rates ranged from \$75 to \$425 per hour. Our classification of these contracts showed 29 of the 62 contracts (47%) were for general legal representation while the rest were for legal work as appointed Special Assistant Attorneys General. None of the 29 general legal representation contracts, totaling \$5.2 million, were competitively bid.

Of the \$7.2 million in legal contracts, the Office of the Governor paid a total of \$21,775 over the two years examined. Eighteen other State agencies via interagency agreements paid the rest, ranging from \$1.5 million and \$1.2 million for Central Management Services and Healthcare and Family Services, respectively, to \$3,078 and \$2,164 for State Board of Education and Capital Development Board. There was no documentation to show how payment percentages by agency for individual contracts were determined or what benefits agencies received.

Of the 33 contracts executed by the Office for Special Assistant Attorneys General to represent the Governor, 12 (36%) were executed prior to the Office receiving a formal appointment from the Attorney General. In two other contracts, the Attorney General denied appointments of the attorneys as Special Assistants, but the Office still executed the contracts. While Special Assistant Attorneys were compensated at \$200 per hour, the same work potentially could have been performed internally by the Attorney General for less.

We recommended that when the Office procures

outside counsel, it should document any instances of why competitive procurement is not in the best interest of the State; that the Office formally document how any agency required to make payments under interagency agreements benefits from the work performed; that the Office not use attorneys to represent the State in court unless approved by the Attorney General; and that the Office document that the use of external legal services versus using the Attorney General is in the best financial interests of the State.

Officials in the Office of the Governor agreed with our recommendations and stated that the matters are largely, if not entirely, attributed to the previous administration. The Office has created policies and procedures regarding the retention of outside counsel and, since Governor Quinn took office, has made the use of outside counsel the option of last resort – reserved for only those occasions when the Office of the Attorney General has a conflict, lacks the resources, or lacks the particular expertise to represent the Office in a matter. The Office consults with the Office of the Attorney General regarding the applicability of these exceptions. When at all practicable, the Office will secure Special Assistant Attorneys General approval prior to letting outside counsel represent the Office in court. In those few instances when a time-sensitive matter (e.g. the seeking of a temporary restraining order) does not allow formal approval prior to going to court, the Office will contact the Office of the Attorney General ahead of time and seek short-term, informal approval. On the rare occasions when the Office seeks to use outside counsel, the Office will consider the legal interests, short-term financial interests, and long-term financial interests of the State.

MONITORING OF OUTSIDE LEGAL COUNSEL WORK

The Office of the Governor (Office) lacked policies and procedures for monitoring outside legal contracts. We identified significant control issues, including payments for legal work performed by individuals who had yet to be licensed to practice law, and paying expenses by attorneys when they had not charged work hours on those same days.

The Office is identified in interagency agreements as the “Coordinating Agency responsible for the preparation of the underlying contract and administrative functions in connection with these services.” Billings for these outside legal contracts showed that the Office received them and approved them for payment. After approval, they were sent to the State agencies for payment.

We reviewed all billings submitted for outside legal service providers for fiscal years 2008 and 2009. In total, we questioned \$1.1 million (15%) of the total \$7.2 million in expenditures for the 62 contracts. Specifically, we noted:

- In 14 contracts (23%) State agencies paid for services of attorneys who had not been specifically appointed by the Attorney General.
- In 13 contracts (21%) firms billed individuals as attorneys who had not yet been licensed.
- In 16 contracts (26%) State agencies paid for services that occurred prior to the execution of the contract or prior to a specific appointment by the Attorney General.
- In 15 contracts (24%) billing rates were either not specified or higher than contract rates.
- In 9 contracts (15%) firms billed for legal research on days when the individual had either not charged any time to the State contract or the time had been denied by the Office.

We recommended the Office develop policies and procedures to monitor the work of outside legal contracts, which should include all the areas noted in this finding.

Officials in the Office of the Governor agreed with our recommendation and stated that the Office is currently developing Outside Counsel Guidelines for both the Office and agencies that report directly to the Governor. With respect to legal research the Office will ensure that research and attorney work are done on the same day, or that there is an adequate explanation why they were not (e.g. attorney time was written off, legal research billing is delayed from the actual date of research). The Office will also ensure that rates billed and paid are equal to or less than those contained in the legal contracts.

INACCURATE CALCULATION OF YEAR-END LIABILITY

During our testing of the draft financial statements, we noted that the Department of Revenue (Department) overstated its liability to local governments for Personal Property Replacement Tax collections that were received and deposited, but not earned as of year-end.

At year-end, the Department recorded a transfer of \$85 million from the Income Tax Refund Fund (Fund 278) to the Personal Property Tax Replacement Fund (Fund 802). Fund 802 reported this amount as a receivable from Fund 278, a transfer in from Fund 278, and as a liability to the local governments and intergovernmental expenditures (all entries were for \$85 million). The end result in the Department's financial statements was to overstate expenditures, overstate the liability to local governments, and understate fund balance by approximately \$84 million.

The amount of the overstatement pertained to approved refunds that were being held at year-end due to cash shortages in Fund 278. In determining the amount to be reported as a transfer at June 30, 2009, from the Income Tax Refund Fund to the Personal Property Tax Replacement Fund, the Department did not initially include the refunds approved for payment but held at year-end in the calculation. Once the overstatement was discovered during the audit process, the Department recorded adjustments to correct both funds. The corrected amounts are reflected in the final financial statements.

We recommended the Department update its policies for measuring and recording transfers between the Income Tax Refund Fund and Personal Property Tax Replacement Fund at year-end. In addition, we recommended that the Department may want to pursue changing the legislation which governs the transfer of amounts between these funds to align it with accrual basis accounting.

Department officials accepted the recommendation that for financial reporting purposes, the associated accounting liability needs to be made on an accrual basis.

INADEQUATE CONTROLS OVER REFUNDS

The Department of Revenue (Department) failed to exercise adequate controls over recording, reporting, and distributing income tax refunds due to taxpayers. During testing, we noted the following:

- Three of 13 (23%) of the refund liability accounts tested were understated by \$1,284,209. Based on the errors detected in the sample, the error was projected to the total population and the projected understatement of refunds payable at June 30, 2009, was approximately \$13.5 million. This amount was deemed immaterial and was not recorded by the Department.
- Two of 41 (5%) of the refund expenditure accounts tested, totaling \$6,271,995, included erroneously issued refunds. The Auditors noted that one of the erroneously issued refunds was due to a problem with foreign insurers.
- One of 41 (2%) of the refund expenditure accounts tested, totaling \$2,815,471, contained a "Money Saved" indicator. The indicator shown indicates the amount denied for refund; however, the refund was paid and the indicator was not removed. Department personnel stated that failure to remove the indicator was an oversight.

The lack of adequate controls resulted in refund liabilities being understated at fiscal year-end for financial reporting purposes. Additionally, the lack of controls resulted in refunds being improperly paid to taxpayers. This could result in the Department's inability to recoup the inappropriate amounts and make payment on legitimate refunds.

We recommended the Department implement controls over refunds to prevent unnecessary or unintended refunds. Further, we recommended the Department review and approve refunds for accuracy and appropriateness.

Department officials agreed that the Department should have adequate controls to prevent unnecessary refunds and will emphasize to appropriate personnel the need to adequately review and approve refunds that are due to taxpayers.

PAYMENT OF COMMISSIONS NONCOMPLIANT WITH GRANT AGREEMENTS

The Southeastern Illinois Economic Development Authority (Authority) paid a commission of \$20,000 to the Executive Director for grants received in non-compliance with the grant agreements.

A component of the Executive Director's contract states he will receive a Success Fee of one-third of any fee income received by the Authority, contingent upon the successful receipt of that fee income and attributable to the Executive Director. In Fiscal Year 2007, the Authority received three grants from the Illinois Department of Commerce and Economic Opportunity (DCEO) totaling \$600,000. The administration portion of the grants totaled 10% or \$60,000.

The Authority paid a Success Fee to the Executive Director of one-third of the grant administration total or \$20,000.

Each of the three DCEO grant agreements states the grantee shall not pay any bonus or commission for the purpose of obtaining the grant awarded under the agreement.

We recommended the Authority seek repayment of the \$20,000 paid to the Executive Director in violation of the terms of the grant agreement.

Authority officials disagreed with the Auditor General's conclusion that the Authority paid its Executive Director a "commission for the purpose of obtaining" the grants and stated that the records maintained by the Authority clearly indicate that the Executive Director was paid compensation for the administration of the grants. Further, to resolve this issue, Authority officials indicated they would amend the agreement with the Executive Director to clearly delineate that compensation arising from receipt of the grants is payable only for grant administration and that no compensation is payable for the purpose of obtaining the grants.

In an Auditors' Comment we were encouraged that the Authority stated that it would take steps to

resolve the condition described in the finding. In its response the Authority characterizes the Success fee payments as compensation to the Executive Director for administering the grant and not for the purpose of obtaining the grant. The payment was paid by the terms of the Executive Director's contract as a type of "commission" called a Success fee for receipt of fee income "attributable to the Executive Director." Given the two agreements as they were written, we stand by our conclusion that the Authority paid the Executive Director a \$20,000 commission in violation of the terms of the grant agreement.

INADEQUATE DOCUMENTATION FOR PAYROLL AND FRINGE BENEFIT EXPENDITURES

The University of Illinois (University) does not have adequate documentation of payroll and fringe benefit expenditures for certain nonacademic and hourly employees at the Chicago campus.

Bi-weekly time reports are prepared by the Chicago campus for non-academic and hourly personnel. These bi-weekly time reports, which are prepared on both a positive and negative (exception) basis depending on the type of employee, are intended to meet the effort reporting requirements of OMB Circular A-21, Cost Principles for Higher Education Institutions (OMB Circular A-21). However, the bi-weekly time reports for certain departments do not include the activities of the employee on the time report as required by OMB Circular A-21.

Specifically, the University uses two different methods for the recording and approving time for non-academic and hourly employees. The first method, Web Entry, is designed so that employees directly enter their own total hours worked. Payroll costs are allocated to federal and nonfederal projects (funds) based on the initial appointments (budgeted allocation percentages).

For the Web Entry method, a supervisor reviews and approves the time and the respective federal and nonfederal project (fund) allocations. The second method, Department Time, is designed so that time is entered centrally by a designated employee.

Similar to the Web Entry method, time is allocated to federal and nonfederal projects (funds) based on the initial appointments (budgeted allocation percentages). For these employees, a supervisor reviews the total time reported by an employee; however, the electronic time reports reviewed do not directly contain the federal and nonfederal project (fund) allocations to substantiate the allocations as required by OMB Circular A-21. The University estimates that approximately half of the departments on the Chicago campus use the Web Entry method and half use the Department Time method.

Our audit identified other controls and processes that the University has implemented to mitigate the risk that payroll costs are improperly charged to a federal program. These include required reviews and approvals of the initial appointments of employees (i.e. allocation to federal and nonfederal projects) and monthly reviews by principal investigators (PI's) of labor distribution reports and project ledgers. However, the monthly review by principal investigators is not documented.

Inadequate documentation and lack of required effort certifications may result in the federal funds being expended for unallowable purposes.

We recommended the University implement procedures to ensure documentation exists to substantiate the after-the-fact confirmation of activity allocable to each federal grant by the respective employee, principal investigator, or a responsible official.

University officials accepted the recommendation and stated that they will establish documentation to substantiate the after the fact attestation of time spent and fund allocations for bi-weekly employees.

WEAKNESSES IN GRANT DOCUMENTATION

The Department of Public Health (Department) did not adequately document its procedures and monitoring of its awards and grants programs.

The Department expended \$178,331,050 or 25%

of its total expenditures for awards and grants. We tested ten grant programs from four offices and noted the following weaknesses:

- The Department did not have written procedures established to guide its administration of the awards and grants programs tested.
- The Department did not ensure it adequately monitored and reviewed programmatic and financial reports for 72 of 91 (79%) of the grants tested totaling \$21,524,676. The Department did not follow up on missing reports, nor did the files contain documentation of any other monitoring activities. Two grants resulted in refunds of \$77,681 which were not collected timely due to poor grant monitoring.

We recommended the Department develop a comprehensive grant administration program that includes the development and implementation of written procedures over the awarding of all of the Department's grant awards; reviewing the programmatic and financial reports of grant recipients; scheduling, conducting, and documenting grantee site visits; and timely collecting refunds due the Department.

Department officials concurred in the finding and stated that grant monitoring compliance will be stressed to staff. Further, officials stated that a multi-agency grants management committee is also addressing general oversight and management of grants.

NO FINANCIAL STATEMENTS PREPARED FOR AUDIT

The Illinois Power Agency (Agency) did not prepare or submit financial information to the Governor, General Assembly, or the auditors.

During our examination, we requested from the Agency Director the Agency's financial statements and related note disclosures. However, such information was not provided.

According to the Illinois Power Agency Act, (20 ILCS 3855/1-125) the "Agency shall report

annually to the Governor and the General Assembly on the operations and transactions of the Agency. The annual report shall include, but not be limited to, each of the following... (10) Basic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis.”

We recommended the Agency obtain the expertise in order to complete the financial information as required by the Illinois Power Agency Act.

Agency management agreed with the finding and recommendation.

INADEQUATE CONTROLS OVER COMMODITIES

During testing at the Department of Human Services (Department) several exceptions and weaknesses were noted in the area of commodity inventories. The exceptions and weaknesses were noted at individual facilities, multiple warehouses, and Central Office locations. Following are some of the inventory problems noted during testing:

- Sixteen facilities failed to perform a complete year-end physical inventory count or the count was not conducted in close proximity to the end of the fiscal year.
- Weaknesses in segregation of duties for annual inventory counting were noted at four of twenty-two (18%) of the locations.
- At four facilities, the auditors were not able to reconcile counts to the inventory system.
- The Department had several errors on the Summary of Commodity Control System and Other Inventories, which was used to reconcile to the inventory balance reported for year end financial reporting purposes.

Similar exceptions were identified at the Department in previous reports. The Department stated that they have established a centralized oversight for commodities; however, staffing shortages and the

outdated system continue to contribute to the weaknesses noted for commodity inventories.

Strong internal controls require an improved oversight function related to commodities. This is important considering the Department made commodities expenditures of \$41.52 million during fiscal year 2009. In addition, the Department recorded ending commodities inventories of \$8.59 million at June 30, 2009. This finding was first reported in 1999.

We recommended the Department continue strengthening its oversight function related to commodities to allow for improved internal controls. Additionally the Department should implement a standardized system to perform periodic counts.

Department officials accepted the recommendation and noted that they will continue strengthening their oversight function related to commodities and the process of obtaining a new Asset Management System to allow for improved internal controls.

CONTRACTS WITH THE UNIVERSITY OF ILLINOIS TO HIRE SUBCONTRACTORS AND RETIRED STATE EMPLOYEES

During the audit period, the Department of Human Services (Department) entered into two contractual agreements and paid the University of Illinois (U of I) \$745,000 and \$1,749,000 in fiscal years 2008 and 2009, respectively, to hire twelve subcontractors to provide various services for the Department. Six of these subcontracts were with former Department personnel who had retired from the Department. As part of the contractual agreements the Department paid a 10% administrative fee (indirect cost) to the U of I to administer the contractual agreements. Weaknesses noted included the following:

- Because of the arrangement to hire retired Department employees, there is potential for the retired former employees to work more than the legislatively mandated 75 day maximum while receiving State pension benefits, as opposed to if the former employees had been directly contracted by the Department. Subcontracting with former retired Department employees appeared to be an important part of the purpose for utilizing the

U of I for these agreements.

- The Department incurred \$226,728 of indirect costs by utilizing the U of I for these agreements versus contracting directly with the subcontractors itself.
- By utilizing the U of I, the Department did not follow its normal contracting processes for competitive procurement of these types of services in accordance with the Illinois Procurement Code.

Department personnel stated that since contracting with state universities is exempt from the Illinois Procurement Code, the Department views these contracts as not circumventing the contracting process.

We recommended the Department discontinue the practice of contracting with the U of I, or any entity, to hire former retired Department employees and follow the Department's established contracting processes.

Department officials accepted the recommendation and noted that in the future, when the Department desires to hire retirees, the Department will use the established contracting procedures.

INADEQUATE CONTROL OVER PART-TIME EMPLOYEES

The Illinois Court of Claims (Court) did not have adequate controls over part-time employees designated to work from locations outside the Springfield and Chicago Offices. For fiscal years 2008 and 2009, the Court had an average of 31 part-time employees consisting of commissioners, commissioners' secretaries, judges' secretaries, and law clerks. During our review of internal controls we noted the following:

- There were no policies and procedures regarding flexible work schedules of part-time employees.
- There was no formal method to determine if part-time employees actually performed official State business during periods for which they were paid.
- There was minimal timekeeping documentation for part-time employees maintained. This finding has been repeated since 2005.

We recommended the Court establish formal, written policies and procedures for flexible work schedules of part-time employees. We further recommended the Court establish a monitoring system to keep track of the time worked by part-time employees, or amend the Court's Personnel Rules to require an alternative formal method to ensure employees worked the periods paid.

Court officials agreed with the recommendation and stated that changes have been made to some of the issues addressed in the finding. Court officials also stated that the Commissioners are now required to submit a monthly activity sheet itemizing their work with the Court and the Court is updating its personnel rules which will include a method to account for work performed by part-time employees.

PURCHASING CARD PROCESSING ERRORS

Chicago State University (University) did not process certain expenditures in compliance with Purchasing Card Policy and Procedures.

Some of the issues noted during our sample testing of 84 purchasing card transactions totaling \$66,809 follow:

- Fourteen transactions totaling \$40,031 exceeded the single transaction limit of \$1,000.
- Four transactions totaling \$11,873 were for purchases of services involving labor.
- There was no approval documented for ten transactions totaling \$2,930.
- There was no documentation provided to support five transactions totaling \$859.
- For two transactions totaling \$1,261, documentation was provided; however, not in enough detail to determine what was purchased.
- All 84 transactions tested were not coded to the general ledger in a timely manner. The transactions were coded to the accounting system between 19 and 71 days after the transaction was posted to the payment system.
- None of the fifteen employees that had purchasing cards had signed a purchasing card agreement as is required by policy.

We recommended the University adhere to its policies and procedures for purchasing card expenditures.

University officials agreed with our recommendation and stated that they will revise the Purchasing Card Agreement and that all fiscal year 2010 purchases will be reviewed and explanations for policy exceptions that occurred prior to the revised agreement will be documented prior to the next audit.

INADEQUATE FINANCIAL REPORTING

The Department of Human Rights (Department) did not maintain adequate financial records or prepare accurate accounting reports using Generally Accepted Accounting Principles (GAAP) for submission to the Illinois Office of the Comptroller. The Department did not keep adequate records or schedules to support grant/contract data, accounts receivables, and deferred revenues.

In our review of the GAAP Reporting Package submitted to the Comptroller's Office, we noted:

- As of June 30, 2008, accounts receivable were understated by \$106,860 and deferred revenues were overstated by \$1,240,000.
- As of June 30, 2009, accounts receivables and deferred revenues were overstated by \$712,700 and \$1,699,000, respectively.

The Department's books and records were maintained using the balances in the Comptroller's appropriation reports, which is on a cash basis method of accounting. As part of the year-end closing process, State Agencies are required to prepare adjustments to convert cash basis accounting information to the accrual basis of accounting and submit the reports to the State Comptroller's office. These accounting reports summarize yearly financial activities and the status of their funds at year-end on a GAAP basis. This finding, or variations thereof, has been repeated since 1997.

We recommended the Department keep adequate records or schedules to support grant/contract data,

accounts receivables, and deferred revenues so that accurate GAAP Reporting Packages can be prepared in the future.

Department officials stated that they will seek training from the Comptroller's office.

FAILURE TO PROVIDE REQUESTED ENGAGEMENT DOCUMENTATION IN A TIMELY MANNER

The Department of Healthcare and Family Services (Department) did not provide requested documentation to the auditors in a timely manner.

During the compliance examination and financial audit, the auditors made numerous requests from the Department during fieldwork. The auditors provided to the Department 277 specific written requests for documentation to perform our testing. These specific written requests could have had multiple items within the requests, such as samples of vouchers and receipts.

As requested by the Department, all of the documentation requests were to be routed through an audit liaison. It was established at the beginning of the audit engagement that a two-week turn-around period would be acceptable for most document requests.

Of the 277 requests, 128 (46%) of the requests were not fully completed by the Department within the two-week time frame. Of those 128 requests not fully completed within the two-week time frame, we received partial information for 17 (13%) of the requests within the two-week time frame.

We recommended the Department ensure audit documentation is provided to the auditors in a timely manner as required by the Illinois State Auditing Act.

Department officials disagreed with our finding and recommendation and stated that the auditors have shown no evidence that items provided after the two-week time frame caused any delay in

completing their audit timely. In addition, the Department stated that the auditor's chart of "days received after the due date of request" is misleading.

Department officials continued to state that they take the audit process very seriously and provide information to the auditors as quickly as possible, and they will continue to strive to meet the two-week turn around when feasible, and will continue to communicate with the auditors when they cannot meet the two-week time frame.

In an auditor's comment, we noted that the Department is not in a position to evaluate the effect the Department's delays may impose on an audit. The auditors concluded the Department did not provide timely information to the auditors, which is non-compliance with the Illinois State Auditing Act. The facts in the finding clearly demonstrate this non-compliance. Audit schedules are established on the premise that information requests will be completed in a reasonable time period. For the Department's audit, a two-week timeframe was established to complete audit requests. This is a generous time frame for a routine post audit.

As noted in the finding and the Department's

response, the Department exceeded this two-week time frame for 128 requests. Obviously, delays in receiving requested documents will cause a delay in audit completion.

The auditors disagree with the Department's conclusion that the auditors' chart, as presented in the finding, is misleading. The Department has simply taken the same data and displayed it in arbitrary increments of days in its response. The auditors reported that 46% of the documents were not provided within a two-week period. Therefore, the Department did complete 54% of the requests within two weeks. The auditors' chart indicates that the Department completed 82 of 277 (30%) of the requests two weeks after the due date (one month from the original request). As reflected in both the auditors' chart and the Department's chart, it took three weeks to three additional months after the two-week time frame had expired for the Department to complete the remaining 46 (16%) audit requests.

Both the finding and the Department's response demonstrate the difficulty the auditors experienced in obtaining timely information and cooperation during this post audit. ❖

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, 43 Illinois State agencies expended federal financial assistance in FY 09.

The schedule of expenditures of federal awards reflects total expenditures of \$23.7 billion for the year ended June 30, 2009. Overall, the State participated in 368 different federal programs, however, 11 of these programs or program clusters accounted for 86.3% of the total federal award expenditures.

Overall, ten State agencies accounted for approximately 98.3% of all federal dollars spent during FY 09.

FEDERAL AGENCIES PROVIDING FEDERAL FUNDING <i>For the year ended June 30, 2009</i>	
<i>U.S. Department</i>	<i>Millions</i>
Health & Human Services	\$ 10,246.0
Labor	5,353.5
Education	3,099.3
Agriculture	3,046.9
Transportation	1,378.6
All Others	555.8
Total Federal Award Expenditures	\$ <u>23,680.1</u>

Source: FY 2009 State of Illinois Single Audit Report

SUMMARY OF FEDERAL SPENDING BY STATE AGENCY <i>For the year ended June 30, 2009</i>	
<i>Agency</i>	<i>Millions</i>
Healthcare and Family Services	\$ 8,212.9
Employment Security	5,196.3
Human Services	3,756.1
Board of Education	3,246.6
Transportation	1,379.3
Commerce & Economic Opportunity	455.9
Children & Family Services	417.3
Student Assistance Commission	251.1
Public Health	214.2
Emergency Management Agency	156.0
All Others	394.4
Total Federal Spending	\$ <u>23,680.1</u>

Source: FY 2009 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.

Our audit testing focused primarily on the 54 major programs expending about \$22.8 billion in federal awards.

Our report contained 93 findings related to 18 State agencies.

FEDERAL

PEER REVIEW

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

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

ANNUAL AUDIT ADVISORY

Every year, the Auditor General's Office distributes an Illinois Audit Advisory to all State agencies for the purpose of sharing information that may make their operations more efficient and effective, and increase compliance with State law. Copies of this audit advisory are available on our website at: www.auditor.illinois.gov.

OTHER AUDIT RESPONSIBILITIES

The Auditor General is required by law to annually review the Comptroller's Statewide accounting system. This review is accomplished through the Office's audit of the State Comptroller, and by ensuring that all agency audits are performed in accordance with the Auditor General's Audit Guide.

In addition, the Auditor General annually reviews the State Comptroller's pre-audit function. Pre-audit is the primary control over expenditure voucher processing. The State Comptroller pre-audits financial transactions to determine if they are proper and legal. ❖

FEDERAL



THE PERFORMANCE AUDIT PROGRAM

Performance audits are conducted at the request of legislators to assist them in their oversight function. Based on the scope specified in the resolution or the law requesting the audit, State agencies' programs, functions, and activities are reviewed. The audits determine if resources are used efficiently, economically, and effectively to provide services which the General Assembly intended. Depending on the focus, they are generally referred to as program or management audits.

The General Assembly uses performance audit information to develop legislation, to deal with budgetary issues, and to direct agencies to change and improve programs. Some audits produce immediate changes. In other instances, significant changes may not be seen for several years. The length of time it takes to see changes is due to the process of transforming the audit findings and recommendations into legislative bills and converting bills into law; additionally, once a law is implemented, the effects may not be apparent for some time.

In July 2010, the *Management and Program Audit of the Illinois State Police's Division of Forensic Services* received a Recognition of Impact Award from the National Legislative Program Evaluation Society (NLPES). The award is given annually by NLPES for audit reports that demonstrate significant dollar savings, program improvements, or impact from a legislative and public perspective. The Office previously received the NLPES Certificate of Recognition of Impact for the following audits:

- 2008 *Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process;*
- 2007 *Performance Audit of the Mass Transit Agencies of Northeastern Illinois;*
- 2006 *Management Audit of the Flu Vaccine Procurement and the I-SaveRx Program;*
- 2004 *Management and Program Audit of the Rend Lake Conservancy District;*

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

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

Performance audits directly impact and improve agency operations. The Auditor General released five performance audits and two other annual reviews in 2010. The audits contained a total of 30 recommendations. State agencies generally accepted the audit recommendations to correct or improve operations.

In addition, the Performance Audit Program has the responsibility for annual audits of Regional Offices of Education (ROEs) and Intermediate Service Centers (ISCs). Audits released in 2010 included a total of 64 recommendations for improvement. ❖

PERFORMANCE

PERFORMANCE AUDITS COMPLETED IN 2010

FINANCIAL, COMPLIANCE AND PROGRAM AUDIT OF THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS FOR CALENDAR YEAR 2008

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

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the tenth audit conducted under this requirement. This audit covered distributions from the Fund during calendar year 2008. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2008, Robbins received \$376,520 in quarterly disbursements from the Fund. Robbins used these monies for specific disbursements such as Village payroll, employee insurance expenses, and general Village expenses.
- Robbins officials deposited a Department of Commerce and Economic Opportunity grant of \$1.6 million into the Village's MEDF account in April 2007, resulting in a commingling of the State MEDF and the grant funds for approximately one month. The Public Utilities Act requires that MEDF monies be held in a "separate account." As of December 2009, officials had not transferred the interest earned on those grant funds to the proper account.

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

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust is required by the Illinois Pension Code to submit a report to the Office of the Auditor General (OAG). The report is

intended to annually assess the funding level of the Retiree Health Care Trust.

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

The OAG is required to review the Retiree Health Care Trust's assumptions to ensure they are not unreasonable in the aggregate. Our review was limited to the specific conclusions required by the State Auditing Act. 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 Report to the Office of the Auditor General on September 30, 2010.
- 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 Retiree Health Care Trust's assumptions and found that they were not unreasonable in the aggregate

FINANCIAL, COMPLIANCE AND PROGRAM AUDIT OF THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS FOR CALENDAR YEAR 2009

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

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the eleventh audit conducted under this requirement.

PERFORMANCE AUDITS COMPLETED IN 2010 (CONT.)

This audit covers distributions from the Fund during calendar year 2009. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2009, Robbins received \$380,568.28 in quarterly disbursements from the Fund.
- Robbins used these monies for specific disbursements such as Village payroll, employee insurance expenses, and general Village expenses. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2009 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.
- Robbins officials have not yet calculated and transferred the interest earned on a \$1.6 million Department of Commerce and Economic Opportunity grant deposited into the Village's MEDF fund in April 2007. The Public Utilities Act requires that MEDF monies be held in a "separate account."

PROGRAM AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

Public Act 95-0985 amended the Covering ALL KIDS Health Insurance Act (215 ILCS 170/63) and directed the Auditor General to annually audit the ALL KIDS program. This first annual audit covered FY09. The focus of this audit is on "EXPANDED ALL KIDS," which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (i.e., those children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants). Our audit found that:

- In FY09, 94,525 children whose family income was greater than 200 percent of the federal poverty level or were classified as undocumented immigrants were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY09 for the EXPANDED ALL KIDS enrollees were \$79.1 million. HFS received approximately \$8.9 million in premiums from enrollees, thus making the net cost of the

ALL KIDS expansion approximately \$70.2 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.

- HFS and DHS misclassified documented immigrants who receive ALL KIDS services. In 9 of 48 (19%) "undocumented" immigrant files auditors reviewed, the enrollees were actually documented immigrants.
- Of the 98 cases sampled, 42 enrollees (43%) did not provide proof of birth (e.g., birth certificate). Auditors could not find documentation of identity in 6 cases reviewed (6%).
- HFS does not terminate ALL KIDS coverage when the enrollees fail to pay premiums as required by 89 Ill. Adm. Code 123.340(a).
- Annual reviews of ALL KIDS eligibility – also called redeterminations – required by the Illinois Administrative Code (89 Ill. Adm. Code 123.260) – were not being adequately implemented by HFS.
- DHS does not calculate family income for EXPANDED ALL KIDS eligibility as required by the Administrative Code. When determining family income when a stepparent is present, HFS counts the income of the stepparent; however, DHS does not.
- HFS had difficulty providing accurate data from its Data Warehouse in a timely manner for this audit.
- HFS utilized a pricing evaluation formula which was not published in the Request for Proposal (RFP), a formula which directly affected which bidder was awarded the contract.

DEPARTMENT OF HUMAN SERVICES OFFICE OF THE INSPECTOR GENERAL

The Department of Human Services Act (Act) requires the Auditor General to conduct a program audit of the Office of the Inspector General on an as-needed basis, as determined by the Auditor General. The audit shall include the Inspector General's compliance with the Act and effectiveness in investigating reports of allegations occurring in any facility or agency.

PERFORMANCE AUDITS COMPLETED IN 2010 (CONT.)

The Act requires the Office of the Inspector General (OIG) to investigate allegations of abuse and neglect that occur in mental health and developmental disability facilities operated by the Department of Human Services (DHS). The Act also authorizes the OIG to conduct investigations in community agencies. In this audit we reported that:

- Total allegations of abuse and neglect reported to the OIG increased 22 percent over the last two years. In FY10, 2,468 allegations were reported. This compares to 2,026 in FY08.
- The timeliness of OIG investigations continued to improve since our last audit. In FY10, 69 percent of investigations were completed within 60 calendar days. Using the more lenient working days standard, the OIG's timeliness of case completion reached its highest percent ever at 85 percent for FY10.
- Although there has been continued improvement in the overall timeliness of investigations, the timeliness of cases assigned to clinical coordinators (involving death or other medical issues) continues to be a problem. Of the 327 cases closed in FY10 that took more than 60 working days to complete, 98 were clinical.
- The timeliness of reporting allegations of abuse and neglect by community agencies improved substantially. For FY10, 13 percent of allegations were not reported within the required four hours, as compared to 25 percent in FY08. In FY10, 10 percent of State-operated facility incidents were not reported within the four-hour time requirement.
- In 18 percent (5 of 28) of the cases sampled, more than six months passed from the date the case was completed to the date when a written response delineating the corrective actions taken was submitted by the State facility or community agency and approved by DHS.
- Two facilities remained decertified from participation in Medicare and Medicaid (Howe Developmental Center and Tinley Park Mental Health Center). The U.S. Department of Justice released reports in 2009 with serious concerns about two facilities (Howe Developmental Center and Choate Developmental Center). Howe Developmental Center closed effective June 21, 2010.

- The Quality Care Board did not maintain the seven members that are required by statute. From November 2009, to May 2010, all of the members of the Board were serving under terms that had expired.

MANAGEMENT AUDIT OF EXEMPTIONS GRANTED BY THE CIVIL SERVICE COMMISSION

House Resolution Number 140 directed the Auditor General to determine whether the Civil Service Commission's granting of exemptions from the merit and fitness requirements (Jurisdiction B) of the Personnel Code was consistent with applicable State law and rules. The Personnel Code allows exemptions if the position involves principal administrative responsibility for the determination of policy or the way policies are carried out.

The Personnel Code allows the Commission to use its judgment in awarding exemptions. However, the administrative rules in place during the audit period required that the position meet certain reporting requirements before qualifying for an exemption. Our audit found that:

- For all 50 positions in our sample, the granting of the exemption was consistent with State law.
- For 20 of the 50 positions (40%) in our sample, however, the granting of exemptions was not consistent with the more restrictive administrative rule requirements.
- The Commission proposed new administrative rules which were initially published in the Illinois Register on April 10, 2009, and were adopted effective March 3, 2010. The new rules substantially change the requirements to qualify for an exemption, listing factors the Commission should consider when determining if a position qualifies for an exemption.
- A majority (341 or 61 percent) of the 559 exempt positions approved during the audit period were approved during the first two years (2003-2004) of the audit period. These included certain types of positions such as 25 human resource positions and 20 Chief Financial Officer positions.
- During the six-year audit period, the number of

PERFORMANCE AUDITS COMPLETED IN 2010 (CONT.)

exempt positions increased from 396 on December 31, 2002, to 840 exempt positions on December 31, 2008, an increase of 112 percent.

- As of December 31, 2008, 205 of the 840 (24%) exempt positions were vacant and as of March 1, 2010, 95 of the 205 (46%) vacant positions remained vacant.
- In recent years, the Commission has identified positions that were vacant for extended periods of time and has actively sought to rescind the exempt status of those positions.
- Once a position is approved for exempt status, neither the Commission nor Central Management Services monitors the exempt position to ensure that the duties performed match the job description and the positions are being used as presented at the time of approval.

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

The Auditing Act requires the Retirement Plan for Chicago Transit Authority Employees (Retirement Plan) to submit for review to the Auditor General its most recent audit, an annual statement, and an actuarial statement by September 30 of each year. The OAG reviewed documents submitted by the Retirement Plan and concluded that the Plan had complied with the requirements established in the Auditing Act.

The Illinois Pension Code 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 Auditor General is then required to review the determination and the assumptions on which it is based and determine whether they are "unreasonable in the aggregate".

The OAG reviewed the Retirement Plan's assumptions contained in the January 1, 2010 Actuarial Valuation submitted on October 14 and concluded that they were not unreasonable in the aggregate. However, the investment return assumption of 8.75 percent, while selected using established standards

for pension plans and not unreasonable in the aggregate, is an **optimistic** assumption and should be viewed as such.

Salary scale assumptions were revised in this year's Actuarial Valuation to reflect expectations based on current furlough and salary programs and collective bargaining agreements. However, when we requested the documentation to support these changes, the Plan's actuary stated that "the parameters used to develop the salary scale assumptions . . . were provided to us in a conference call with various CTA and Retirement Plan members." The Plan's actuary subsequently summarized these conversations which explained changes in the headcount growth and salary increase assumptions.

The January 1, 2010 Actuarial Valuation Report sets forth the statutory minimum contribution rates that are necessary to keep the projected funded ratio above 60 percent in all years through 2039, based on assumptions which are not unreasonable in the aggregate. The Retirement Plan Board voted to keep the Plan's 2010 employee and employer contribution rates in effect for plan year 2011. These rates are slightly higher than the statutorily minimum required contribution rates for 2011. The January 1, 2010 Actuarial Valuation noted that the "adoption of slightly higher rates by the Board will improve the funding of the Retirement Plan and reduce the fluctuation of the contribution rate in the future should the Plan incur actuarial losses."

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. For FY09, a total of 48 audits were conducted: 45 of Regional Offices of Education (ROEs) and 3 of Intermediate Service Centers (ISCs.) Our Office arranged for auditing firms to perform these audits under the general direction and management of the Auditor General's audit managers. In 2010, one audit was done by the staff of the Auditor General. The ROE audits released in 2010 contained a total of 64

PERFORMANCE AUDITS COMPLETED IN 2010 (CONT.)

recommendations for improvement. Many of the recommendations dealt with the Regional Offices

not having sufficient internal controls over their financial reporting processes. ❖

PERFORMANCE AUDITS IN PROGRESS

UNIVERSITY OF ILLINOIS BOARD OF TRUSTEES

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

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

House Resolution Number 658 directs the Auditor General to conduct an audit of the Department of Central Management Services' operation of the fleet of passenger cars used by State executive agencies and employees. The audit is to include a review and written assessment of the following:

- 1) the total number of passenger cars in the State fleet as well as the number of those cars that each executive agency operates;
- 2) the total number of passenger cars in the State fleet that employees in each executive agency may take to their homes;
- 3) whether it is necessary or advisable for State employees to take vehicles identified under paragraph (2) to their homes;
- 4) the total annual cost that the State, as a whole, and each executive agency spent in fiscal year

2009 on vehicles in the State fleet, including, but not limited to, any sums paid for purchasing, insuring, maintaining, and operating passenger cars in the State fleet;

- 5) the adequacy of the system used by the Department of Central Management Services to record the use and maintenance of passenger cars in the State fleet;
- 6) the adequacy of the system of checks used by the Department of Central Management Services to ensure that passenger vehicles in the State fleet are not used by State employees for non-official business; and
- 7) whether it is possible to implement a system that would allow the Department of Central Management Services to track vehicles and identify whether they are being used only for official business.

STATE'S FINANCIAL REPORTING SYSTEM

Senate Resolution 609 directs the Auditor General to conduct a management audit of the State's financial reporting system. The audit is to include an analysis of the State's current financial reporting procedures, practices, and systems, including the number of different systems used by the various State agencies, an estimate of the cost of maintaining those systems, and whether those systems are compliant with generally accepted accounting principles applicable to government. The audit also is to include a survey of other states to determine their methods of financial reporting and any advantages or disadvantages to those methods, with particular emphasis on those states, if any, with centralized automated reporting systems.

PERFORMANCE AUDITS IN PROGRESS (CONT.)

MANAGEMENT AUDIT OF THE STATE'S BOARDS AND COMMISSIONS

Senate Resolution Number 682 directs the Auditor General to conduct a management audit of the State's boards and commissions. The audit is to include, but not be limited to, the following for every State board and commission:

- 1) its name, authority, year of creation, and purpose;
- 2) the number of appointed members and their date of appointment, and the number of vacancies and length of vacancy;
- 3) costs of member stipends, salaries, and per diems and expense reimbursements to members and State officials and employees for attending board and commission meetings during fiscal years 2007, 2008, and 2009;
- 4) the date and place of each of the board and commission's meetings during fiscal years 2007, 2008, and 2009 and the number of members in attendance and the number of members absent;
- 5) identification of any report or work product prepared and made available by the board and commission during fiscal years 2007, 2008, and 2009; and
- 6) any other requirements applicable to the board and commission and whether those requirements were met during fiscal years 2007, 2008, and 2009.

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

Legislative Audit Commission Resolution Number 140 directs the Auditor General to conduct a management audit of the Illinois Department of Transportation's implementation of the life-cycle cost analysis required by section 2705-590 of the Department of Transportation Law (20 ILCS 2705/2705-590) for road construction contracts awarded in calendar year 2010. The audit is to include:

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

PERFORMANCE AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

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

THE VILLAGE OF ROBBINS' USE OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS

The Public Utilities Act (220 ILCS 5/8-403.1) requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund.

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

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

PERFORMANCE AUDITS IN PROGRESS (CONT.)

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 for each educational service region in the State. For fiscal year 2011, a total of 47 audits are to be performed. ❖

PERFORMANCE

THE INFORMATION SYSTEMS AUDIT PROGRAM

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

TESTING CONTROLS AND SYSTEMS

The Auditor General's office plans to continue to emphasize the review of information system controls at State agencies. In 2010, we reviewed the following agencies:

Department of Central Management Services, Department of Employment Security, Department of Healthcare and Family Services, Department of Human Services, Department of Public Health, Department of Revenue, Department of Transportation, Illinois State University, Illinois Worker's Compensation Commission, Northern Illinois University, Office of the Comptroller, Office of the State Treasurer, Secretary of State, Toll Highway Authority and University of Illinois.

As end-user computing and access to external entities proliferates in State government, the Auditor General has increased audit efforts in these areas. To enhance the control environment, the Auditor General has emphasized the review networks and the security and control of confidential information. These reviews have focused on the necessity of establishing consistent and effective security policies

and programs and implementing comprehensive security techniques on all computer systems.



The information systems audit staff also reviewed and tested the systems and procedures at the State's central computer facility operated by the **Department of Central Management Services**. Through its facilities, the Department provided data processing services to approximately 100 user entities throughout State of Illinois governmental agencies. Auditors tested the facility's controls and the application systems used by many State agencies, such as accounting, payroll, inventory, and timekeeping.

Additional emphasis was placed on the use of Computer Assisted Audit Techniques (CAATs) in the application reviews. Computer programs were developed and executed to verify the integrity and validity of data. No major problems were identified with the data.

We reviewed data processing general controls at the Department. We performed tests to determine compliance with policies and procedures, conducted interviews, performed observations, and identified specific control objectives and procedures we considered necessary in the circumstances to evaluate the controls. No issues were highlighted in the report summary; however, several control deficiencies were identified and appeared in the body of the report. ❖

INFO. SYSTEMS

Eleven agencies – **The Department of Agriculture, Department of Central Management Services, Department of Human Services, Department of Public Health, Department of Revenue, Department of Transportation, Eastern Illinois University, Illinois Criminal Justice Information Authority, Illinois Emergency Management Agency, Northern Illinois University and State Employees’ Retirement System** – had not adequately developed or tested recovery plans to provide for continuation of critical computer operations in the event of a disaster. We recommended that these agencies develop and test disaster contingency plans.

Eight agencies – **The Department of Central Management Services, Department of Employment Security, Department of Human Services, Department of Public Health, Illinois Worker’s Compensation Commission, Office of the State Treasurer, Secretary of State and University of Illinois** – had not established adequate controls for securing computer resources. We recommended that these agencies evaluate their computer environments and ensure adequate security controls and policies exist to safeguard computer resources.

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

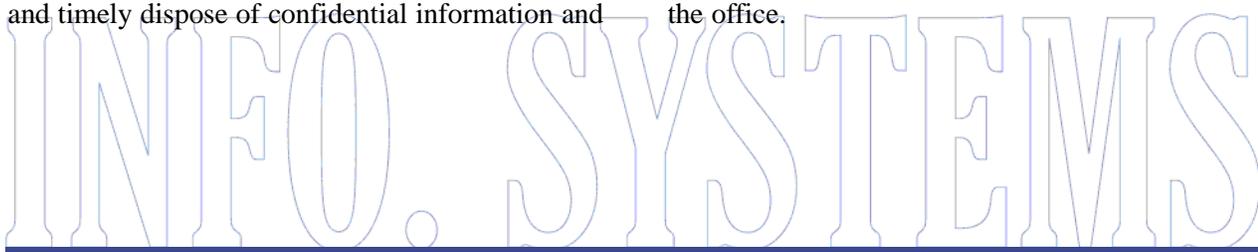
to enforce compliance with established procedures can lead to such information being compromised. We recommend these agencies assess their procedures for safeguarding and subsequent disposal of all confidential information. Procedures for properly disposing of confidential information should be established,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

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

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

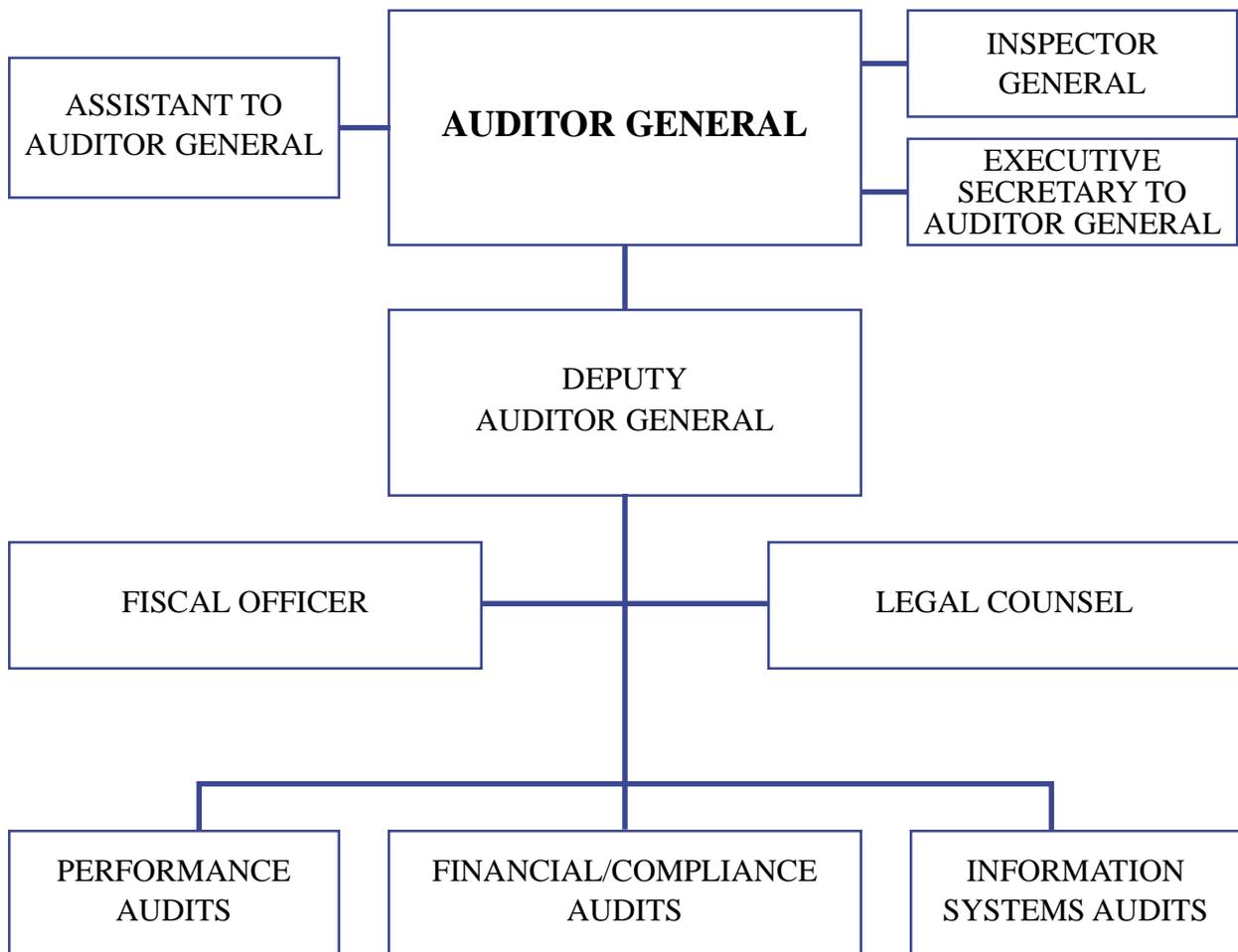
Agency officials generally concurred with our recommendations concerning these issues.

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



ORGANIZATIONAL CHART

As of December 31, 2010, there were 98 employees. Eighty-five were located in the Springfield Office and thirteen in the Chicago Office. ❖



ORGANIZATION

CLAIMS DUE THE STATE AND METHODS OF COLLECTION

As required by law [30 ILCS 205/2 (k)], the Office of the Auditor General is reporting that there were no outstanding claims administered by the Office that were due and payable to the State as of December 31, 2010. 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 2010 (July 1, 2009 to August 31, 2010, including lapse period).

<i>FY 2010 - FINAL</i>			
	<i>Appropriation</i>	<i>Expended</i>	<i>Balance</i>
GRF Operations:			
Personal Services	\$ 5,003,741	\$ 5,003,740	\$ 1
Social Security379,459368,51310,946
Operations	<u>1,423,800</u>	<u>.963,759</u>	<u>.460,041</u>
GRF Operations Total	<u>6,807,000</u>	<u>6,336,012</u>	<u>.470,988</u>
Audit Expense Fund:			
Audits/Studies/Invest.	<u>\$ 22,339,103</u>	<u>\$ 17,981,458</u>	<u>\$ 4,357,645</u>



PERSONAL INFORMATION PROTECTION ACT COMPLIANCE ---

The Auditor General’s Office has taken measures to comply with the requirements of the Personal Information Protection Act (815 ILCS 530 et seq.). OAG policies on confidentiality were strengthened and reinforced during the year for both employees and contractors. No known breaches of security of system data or written materials containing personal information under the Act occurred during calendar year 2010. ❖

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
 JUNE 30, 2009, SEPTEMBER 30, 2009 AND DECEMBER 31, 2009.

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

AGENCY	F	C	S	DATE RELEASED
Architect of the Capitol		X		03-03-10
Arts Council		X		03-09-10
Arts Council Foundation	X	X		03-09-10
Attorney Registration and Disciplinary Commission (12/31/09)	X	X		07-22-10
Board of Admissions to the Bar (9/30/09)	X	X		07-22-10
Board of Examiners		X		05-11-10
Board of Higher Education		X		04-20-10
Capital Development Board	X			05-18-10
Chicago State University	X	X	X	03-16-10
Chicago Technology Park	X	X		03-03-10
Civil Service Commission		X		05-13-10
Commission on Government Forecasting and Accountability		X		03-25-10
Comptroller - Fiscal Officer Responsibilities	X	X		03-16-10
Court of Claims		X		05-27-10
Criminal Justice Information Authority & IL Integrated Justice Information System		X		03-30-10
DCMS - Deferred Compensation Plan - (12/31/09)	X			07-08-10
Deaf and Hard of Hearing Commission		X		04-13-10
Department of Agriculture		X		06-03-10
Department of Central Management Services	X	X		04-13-10
Department of Employment Security	X	X		02-11-10
Department of Healthcare and Family Services	X	X		05-11-10
Department of Healthcare and Family Services - Local Government Health Insurance Reserve Fund	X			05-11-10
Department of Healthcare and Family Services - Teacher Health Insurance Security Fund	X			05-11-10
Department of Healthcare and Family Services - Community College Health Insurance Security Fund	X			05-11-10
Department of Human Rights		X		04-15-10
Department of Human Services - Central Office	X	X		06-29-10
Department of Human Services - Alton Mental Health Center		X		06-29-10
Department of Human Services - Center for Rehabilitation & Education		X		06-29-10
Department of Human Services - Chester Mental Health Center		X		06-29-10
Department of Human Services - Chgo Read Mental Health Center		X		06-29-10
Department of Human Services - Choate Mental Health Center		X		06-29-10
Department of Human Services - Elgin Mental Health Center		X		06-29-10
Department of Human Services - Fox Developmental Center		X		06-29-10
Department of Human Services - Howe Developmental Center		X		06-29-10
Department of Human Services - Jacksonville Mental Health Center		X		06-29-10
Department of Human Services - Kiley Developmental Center		X		06-29-10
Department of Human Services - Ludeman Developmental Center		X		06-29-10
Department of Human Services - Mabley Developmental Center		X		06-29-10

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Department of Human Services - Madden Mental Health Center		X		06-29-10
Department of Human Services - McFarland Mental Health Center		X		06-29-10
Department of Human Services - Murray Developmental Center		X		06-29-10
Department of Human Services - Rushville Treatment Detention Facility		X		06-29-10
Department of Human Services - School for the Deaf		X		06-29-10
Department of Human Services - School for the Visually Impaired		X		06-29-10
Department of Human Services - Shapiro Developmental Center		X		06-29-10
Department of Human Services - Singer Mental Health & Developmental Ctr.		X		06-29-10
Department of Human Services - Tinley Park Mental Health Center		X		06-29-10
Department of Labor		X		06-03-10
Department of Natural Resources (Capital Asset Account)	X			04-15-10
Department of Public Health		X		05-11-10
Department of Revenue	X	X		05-13-10
Department of Transportation	X	X		05-11-10
Drycleaner Environmental Response Trust Fund Council		X		05-18-10
DuQuoin State Fair (09/30/09)		X		06-03-10
Eastern Illinois University	X	X	X	03-16-10
Emergency Management Agency		X		03-25-10
Environmental Protection Agency (Water Revolving Fund)	X			01-14-10
Executive Office of Inspector General		X		05-25-10
General Assembly - Senate		X		02-11-10
General Assembly - House		X		02-11-10
General Assembly Retirement System	X			02-16-10
General Assembly Retirement System		X		04-20-10
Governor's Office of Management and Budget		X		09-16-10
Governors State University	X	X	X	02-11-10
Guardianship and Advocacy Commission		X		02-04-10
Human Rights Commission		X		05-25-10
Illinois Commerce Commission		X		06-03-10
Illinois Commerce Commission - WETSA		X		01-20-10
Illinois Conservation Foundation	X	X	X	01-20-10
Illinois Educational Labor Relations Board		X		05-25-10
Illinois Finance Authority	X			03-03-10
Illinois Finance Authority		X	X	03-30-10
Illinois Grain Insurance Corporation	X	X		04-15-10
Illinois High School Association		X		05-27-10
Illinois Housing Development Authority	X			11-12-09
Illinois Housing Development Authority		X	X	03-16-10
Illinois Labor Relations Board		X		05-18-10
Illinois Math and Science Academy		X		03-09-10
Illinois Math and Science Academy Fund	X	X		01-07-10
Illinois Council on Developmental Disabilities		X		01-07-10
Illinois Power Agency		X		03-03-10
Illinois State Fair (09/30/09)		X		06-03-10
Illinois State University	X	X	X	03-11-10
Illinois Student Assistance Commission	X			03-03-10

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Illinois Student Assistance Commission, IDAPP	X			03-03-10
Illinois Student Assistance Commission, Prepaid Tuition	X			03-03-10
Illinois Supreme Court		X		03-03-10
Judges Retirement System	X			02-16-10
Judges Retirement System		X		04-20-10
Kankakee River Valley Area Airport Authority	X	X		04-20-10
Legislative Audit Commission		X		01-14-10
Legislative Printing Unit		X		01-14-10
Legislative Reference Bureau		X		04-13-10
Legislative Research Unit		X		03-09-10
Literacy Foundation	X	X		05-13-10
Medical District Commission	X	X		03-03-10
Mid Illinois Medical District		X		05-18-10
Metro. Pier and Exposition Authority		X		05-18-10
Northeastern Illinois University	X	X	X	01-14-10
Northern Illinois University	X			03-03-10
Northern Illinois University		X	X	05-13-10
Office of the Governor		X		05-18-10
Office of the Lieutenant Governor		X		05-18-10
Secretary of State	X	X		05-13-10
Southern Illinois University	X	X	X	03-11-10
Southeastern Illinois Economic Development Authority	X			05-18-10
State Board of Education	X			02-04-10
State Board of Elections		X		03-25-10
State Board of Investment	X			02-16-10
State Board of Investment		X		04-13-10
State Employees' Retirement System	X			02-16-10
State Employees' Retirement System		X		04-20-10
State Universities Retirement System	X			02-16-10
State Universities Retirement System		X		03-03-10
Statewide Financial Statement Audit	X			07-14-10
Statewide Single Audit - Federal Funds			X	07-28-10
Supreme Court Historic Preservation Commission		X		05-27-10
Teachers' Retirement System	X			02-16-10
Teachers' Retirement System		X		04-15-10
Teachers' Pension and Retirement System - Chicago		X		05-25-10
Toll Highway Authority (12/31/09)	X	X		09-09-10
Treasurer - College Savings Plan	X			01-07-10
Treasurer - Fiscal Officer Responsibilities	X	X		05-13-10
Treasurer - Illinois Funds	X			04-15-10
Treasurer - Non-Fiscal Officer		X		06-03-10
Universities Civil Service Commission		X		05-18-10
University of Illinois	X			03-25-10
University of Illinois		X	X	05-13-10
Upper River Valley Development Authority		X		05-18-10
Western Illinois University	X	X	X	03-16-10
Workers Compensation Commission	X	X		03-30-10

REGIONAL OFFICE OF EDUCATION AND INTERMEDIATE SERVICE CENTER FINANCIAL AUDITS

FOR THE PERIOD ENDING JUNE 30, 2009

F = Financial Audits S = Single Audits

AGENCY	F	S	DATE RELEASED
ROE #1: Adams, Pike Counties	x		03-11-10
ROE #2: Alexander, Johnson, Massac, Pulaski, Union Counties	x	x	05-11-10
ROE #3: Bond, Fayette, Effingham Counties	x	x	02-04-10
ROE #4: Boone, Winnebago Counties	x	x	03-11-10
ROE #8: Carroll, Jo Daviess, Stephenson Counties	x		08-25-10
ROE #9: Champaign, Ford Counties	x	x	03-11-10
ROE #10: Christian, Montgomery Counties	x		04-20-10
ROE #11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Counties	x	x	02-11-10
ROE #12: Clay, Crawford, Jasper, Lawrence, Richland Counties	x	x	03-30-10
ROE #13: Clinton, Marion, Washington Counties	x		02-11-10
ROE #16: DeKalb County	x		08-25-10
ROE #17: Dewitt, Livingston, McLean Counties	x	x	05-18-10
ROE #19: DuPage County	x	x	12-16-10
ROE #20: Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne, White Counties	x	x	03-25-10
ROE #21: Franklin, Williamson Counties	x	x	03-16-10
ROE #22: Fulton, Schuyler Counties	x		02-11-10
ROE #24: Grundy, Kendall Counties	x	x	05-11-10
ROE #25: Hamilton, Jefferson Counties	x	x	07-22-10
ROE #26: Hancock, McDonough Counties	x	x	02-11-10
ROE #27: Henderson, Mercer, Warren Counties	x		03-03-10
ROE #28: Bureau, Henry, Stark Counties	x	x	06-24-10
ROE #30: Jackson, Perry Counties	x		07-08-10
ROE #31: Kane County	x	x	03-09-10
ROE #32: Iroquois, Kankakee Counties	x	x	03-30-10
ROE #33: Knox County	x		05-11-10
ROE #34: Lake County	x	x	11-18-10
ROE #35: LaSalle County	x		03-25-10
ROE #38: Logan, Mason, Menard Counties	x		03-30-10
ROE #39: Macon, Piatt Counties	x	x	02-04-10
ROE #40: Calhoun, Greene, Jersey, Macoupin Counties	x		06-24-10
ROE #41: Madison County	x	x	02-04-10
ROE #43: Marshall, Putnam, Woodford Counties	x		09-09-10
ROE #44: McHenry County	x		06-24-10
ROE #45: Monroe, Randolph Counties	x		05-18-10
ROE #46: Brown, Cass, Morgan, Scott Counties	x		11-18-10
ROE #47: Lee, Ogle Counties	x	x	07-15-10
ROE #48: Peoria County	x	x	01-14-10
ROE #49: Rock Island County	x	x	07-15-10
ROE #50: St. Clair County	x	x	02-11-10
ROE #51: Sangamon County	x	x	03-03-10
ROE #53: Tazewell County	x		07-15-10
ROE #54: Vermilion County	x		03-30-10
ROE #55: Whiteside County	x		07-15-10
ROE #56: Will County	x	x	03-30-10
Intermediate Service Center #1: North Cook	x	x	02-04-10
Intermediate Service Center #2: West Cook	x	x	03-16-10
Intermediate Service Center #4: South Cook	x	x	06-03-10



PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

<ul style="list-style-type: none"> • University of Illinois Board of Trustees • State's Financial Reporting System • Department of Central Management Service's Operation of the State's Passenger Car Fleet • Management Audit of the State's Boards and Commissions • Department of Transportation's Implementation of Life-Cycle Cost Analysis • Performance Audit of the Covering ALL KIDS Health Insurance Program • The Village of Robbins' Use of Municipal Economic Development Funds • Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan • Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust 	<p>7/09 Grant to the Loop Lab School</p> <p>6/09 Department of Central Management Services' 2008 Joint Procurements of Bulk Rock Salt</p> <p>5/09 Funding Provided by State Agencies to Heartland Human Services</p> <p>3/09 Illinois State Police's Division of Forensic Services</p> <p>3/09 Multi-Year Beverage Vending and Pouring Contract</p> <p>2/09 Coal Development Fund</p> <p>12/08 Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan and Retiree Health Care Trust</p> <p>12/08 Department of Human Services Office of the Inspector General</p> <p>11/08 Village of Robbins' Use of Municipal Economic Development Funds</p> <p>7/08 Review of Documents Related to the Proposed Sale of Bonds for the Chicago Transit Authority Retirement Plan and Retiree Health Care Trust</p> <p>5/08 The Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process</p>
<p>12/10 Village of Robbins' Use of Municipal Economic Development Fund</p> <p>12/10 Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust</p> <p>12/10 Department of Human Services – Office of the Inspector General</p> <p>12/10 Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan</p> <p>6/10 Exemptions Granted by the Civil Service Commission</p> <p>5/10 Covering All Kids Health Insurance Program</p> <p>1/10 Village of Robbins' Use of Municipal Economic Development Fund</p> <p>12/09 Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust</p> <p>12/09 Regional Transportation Authority Follow Up</p> <p>11/09 Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan</p> <p>9/09 Medical Assistance Program – Long Term Care Eligibility Determination</p>	<p>2/08 Pilsen-Little Village Community Mental Health Center, Inc.</p> <p>10/07 Inventory of State Programs</p> <p>8/07 Funding Provided by or through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program</p> <p>8/07 Payments to the Illinois Hispanic Chamber of Commerce by State Agencies</p> <p>7/07 Village of Robbins' Use of Municipal Economic Development Funds</p> <p>4/07 Rend Lake Conservancy District Follow-up Report</p> <p>3/07 Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace</p> <p>1/07 Department of Transportation's Aeronautics Operations</p> <p>12/06 Department of Human Services' Office of the Inspector General</p> <p>9/06 Flu Vaccine Procurement and I-SaveRx Program</p> <p>9/06 Village of Robbins' Use of Municipal Economic Development Funds</p> <p>8/06 Department of Financial and Professional Regulation's Disciplining of Physicians</p>

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

6/06	Department of Central Management Services' Business Enterprise Program and Department of Transportation's Disadvantaged Business Enterprise Program	9/01	Illinois Health Facilities Planning Board
3/06	Department of Transportation's Traffic Safety Programs	8/01	Board of Education and Other State Agencies Providing Funding to Regional Offices of Education
2/06	Department of Commerce and Economic Opportunity's Administration of Its Economic Development Programs	6/01	Village of Robbins' Use of Municipal Economic Development Funds
2/06	State Employee Travel - Modes of Transportation between Chicago and: Bloomington, Carbondale, Champaign-Urbana, Macomb, and Springfield	5/01	Tuition & Fee Waivers Follow-up
7/05	Village of Robbins' Use of Municipal Economic Development Funds	12/00	DHS Office of the Inspector General
5/05	The Illinois School District Liquid Asset Fund Plus	6/00	Municipal Economic Development Fund Distributions: Village of Robbins
12/04	Department of Human Services' Office of the Inspector General	3/00	Department of Public Aid: Child Support State Disbursement Unit
9/04	Rend Lake Conservancy District	11/99	Illinois Math & Science Academy
9/04	Illinois Aquaculture Development Fund	9/99	Department of Public Aid's Contracts with Delta Dental
8/04	Village of Robbins' Use of Municipal Economic Development Funds	8/99	Pilsen-Little Village Community Mental Health Center
2/04	Department of Central Management Services' Administration of the State's Space Utilization Program	7/99	Medicaid Home Health Care & Regulation of Home Health Agencies
12/03	Regulation of Grain Dealers and the Grain Insurance Fund	6/99	State Fire Marshal's Fire Investigations
11/03	Grade Crossing Protection Fund	5/99	Illinois Health & Human Service Providers
9/03	Village of Robbins' Use of Municipal Economic Development Funds	12/98	DHS: Inspector General
5/03	Illinois State Toll Highway Authority	9/98	Comptroller's Offset System
4/03	Teachers Academy for Mathematics and Science	6/98	Nursing Home Prescreening
1/03	Group Workers Compensation Self-Insured Pools	5/98	IDOT's Road Construction Program
12/02	DHS Office of the Inspector General	4/98	Tuition & Fee Waivers
8/02	Village of Robbins' Use of Municipal Economic Development funds	5/97	Professional Regulation – Physicians Regulated Under the Medical Practices Act
8/02	Department of Human Services' Early Intervention Program	12/96	DMHDD – Office of the Inspector General
7/02	Department of Public Aid's KidCare Program	6/96	IHSA – Site Selection for Boys Basketball Finals
4/02	Department of Human Services Early Intervention Program Follow-up	4/96	DMHDD – Reporting of Resident Abuse & Neglect
4/02	States Construction Contracting Methods	5/95	Summer Unemployment at State Universities
1/02	Agency Use of Internet User Technology	2/95	Laws Considered Obsolete
10/01	EPA's Vehicle Emissions Testing Program	1/95	Public Aid's Child Support Program
		12/94	Office of the Inspector General
		6/94	Toll Highway: Helicopters
		6/94	DMHDD: Abuse & Neglect
		5/94	Correctional Industries
		5/94	Central Management Services: Telecommunications
		3/94	Collection of Money from Circuit Clerks
		1/94	State Housing Benefits

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

5/93	Public Aid: Property Transfers	11/89	Illinois Sports Facilities Authority & the Chicago White Sox
4/93	Office of the Inspector General	11/89	Five State Retirement Systems' Financial Status
4/93	Early Intervention Services System	10/89	Feasibility of Consolidating State Revenue Bond Agencies
4/93	User Fees	7/89	Commerce & Community Affairs' Economic Development Programs
11/92	DMHDD: Abuse & Neglect	5/89	EPA's Hazardous Waste Mgmt. Program
7/92	St. Anne's Lease	4/89	Selected Auditor Comparability: Jobs & Pay
6/92	State Police I-SEARCH Program	2/89	AIDS Testing: Statutory Requirements & Costs
5/92	Privatizing Weigh Stations	1/89	Public Univ. Instructional Costs
4/92	Henry Horner's Children's Care	1/89	Vehicle Emissions Testing Program
3/92	Governor's Council on Health & Physical Fitness	10/88	U of I Athletic Association
3/92	Case Management Practices	8/88	JTPA
1/92	State Legal Services	7/88	Audit Status of Circuit Courts
11/91	State Regulation of Insurer Solvency	6/88	Dept. of Revenue - Corporate Income Tax
8/91	Higher Education "Systems of Systems"	5/88	State Program of Internal Auditing
7/91	Eastern Illinois University Coal Conversion Project	7/87	Computer Acquisition & Use in Higher Education
6/91	Special Analysis: Build Illinois	6/87	Chicago Housing Authority
5/91	Availability of Obstetric Care	6/87	Cash Management Practices
5/91	Collection of Sales & Taxes Receivable	4/87	State Laboratory Services
5/91	Property Forfeited Under the Illinois Controlled Substances Act	4/87	U of I Hospital & Affiliated Clinics
3/91	Illinois Competitive Access & Reimbursement Equity Program	4/87	Chicago's Use of State Appropriated Funds
3/91	Nutritional Services Paid by the Department of Children & Family Services	10/86	State Pensions Assets Investment Performance
2/91	Illinois Multi-Year Fixed Contractual Obligations	10/86	CMS - Lottery Building Lease
2/91	Administrative Citations: Environmental Protection Agency	10/86	Property Management Problems - Mental Health Centers
10/90	Project Chance Evaluation Contract	5/86	Illinois Preferential Procurement Programs
10/90	Frequent Flyer Programs	4/86	State Toxicology Lab
8/90	Parents Too Soon Program	4/86	Legislative Printing Unit
7/90	State University Tuition & Fee Policies & Practices	4/86	Engineering Programs in Illinois - NIU
7/90	Debt Collection Practices of Illinois & Other States	3/86	Claims & Accounts Receivable
5/90	DMHDD: Abuse & Neglect	3/86	Capital Development Board: Construction of the State of Illinois Center
4/90	Veterans' Affairs Field Office Closures	2/86	Illinois Commerce Commission
3/90	Illinois Competitive Access & Reimbursement Equity Program	2/86	Advisory Boards & Commissions
1/90	Public Aid's Delta Dental	11/85	Data Security Practices
12/89	Regional Transportation Authority	11/85	Hazardous Waste Management
		9/85	Management & Collection of Claims Receivable
		3/85	Perinatal Medical Care
		10/84	State Employee Travel

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

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



