

2013

ANNUAL REPORT

STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL



William G. Holland, Auditor General

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

March 1, 2014

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, 2013, 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 2013. 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 fluid, with a long, sweeping line extending upwards and to the right from the end of the name.

WILLIAM G. HOLLAND
Auditor General



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OVERVIEW

Since August 1992, William G. Holland has served as Auditor General of the State of Illinois. He was appointed by the General Assembly to a ten-year term effective August 1, 1992, and has been unanimously reappointed twice since, with the latest term effective August 1, 2012.

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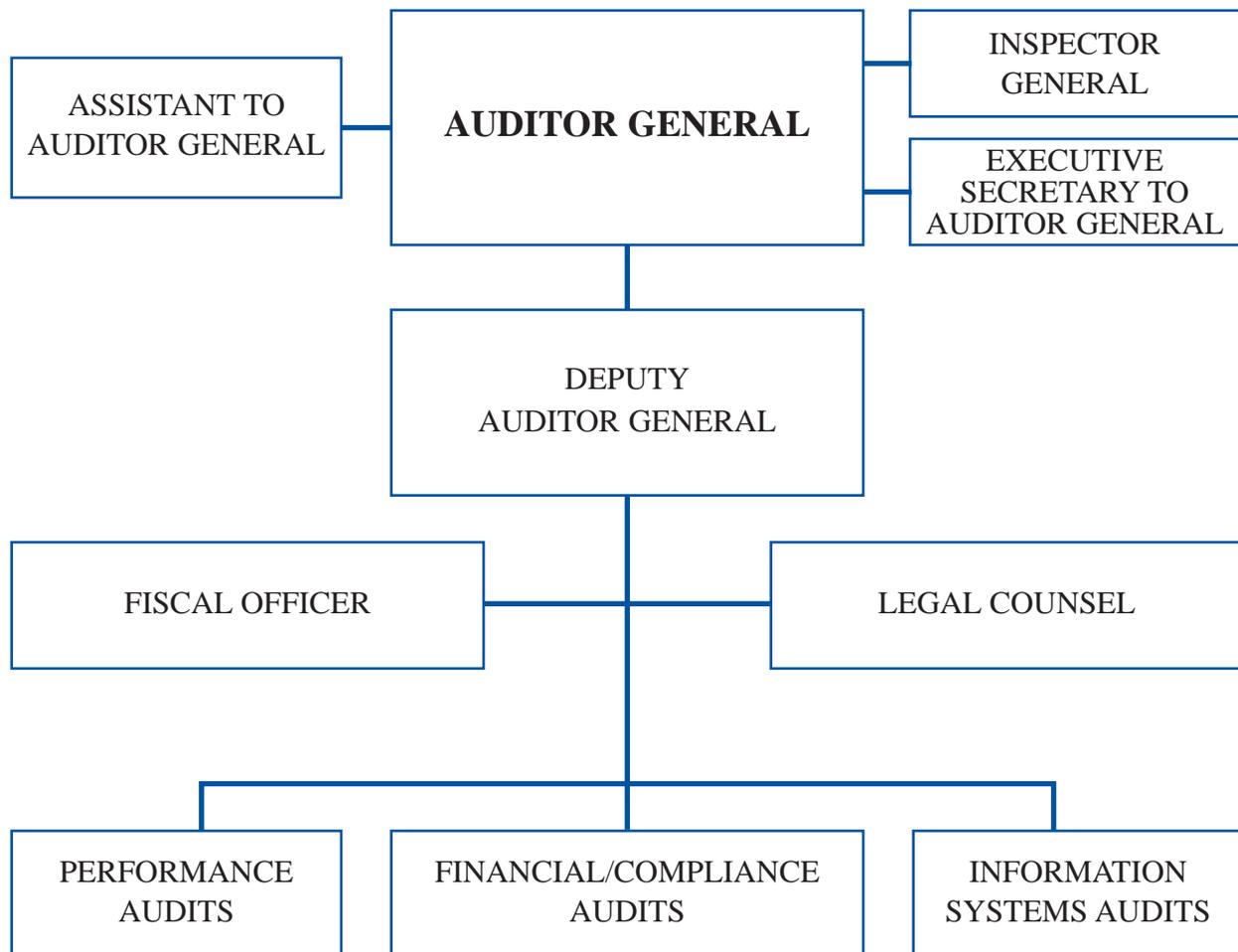
Visit our web site at www.auditor.illinois.gov for full details or for an on-line reporting form.

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PUBLIC INFO.

ORGANIZATIONAL CHART

As of December 31, 2013, there were 96 employees. Eighty-four were located in the Springfield Office and twelve in the Chicago Office.



ORGANIZATION

THE COMPLIANCE EXAMINATION PROGRAM

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

The Compliance Audit Division conducted 92 engagements in FY 2012. These encompassed compliance examinations, financial audits, and federal audits. Staff auditors conducted 32 of these audits and two were joint staff and contract engagements. The remainder were performed by public accounting firms under the general direction and management of the Auditor General's audit managers.

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

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



COMPLIANCE

ACCOUNTABILITY

A number of reports issued for FY 2012 engagements had findings that were critically important from an accountability standpoint. A brief summary of some of these findings follows:

INADEQUATE FINANCIAL REPORTING PROCESS

The **State of Illinois'** current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the financial statements, which did not occur until at least the end of May of the subsequent year for the past six fiscal years. The lack of timely financial reporting limits effective oversight of State finances, adversely affects the State's bond rating, and jeopardizes federal funding.

Accurate and timely financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies); 2) commented on the inadequacy of the financial reporting process of the State; and 3) regularly proposed adjustments to financial statements year after year. These findings have been directed primarily toward the **Office of the Comptroller (IOC)** and major State agencies under the organizational structure of the **Office of the Governor**.

The **Office of the State Comptroller** has made significant changes to the system used to compile financial information and agencies have submitted their financial information in a more timely manner; however, the State has not solved all problems to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General has repeatedly informed State

agency officials that the post audit function **is not and should not** be an internal control mechanism for any operational activity related to financial reporting.

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; however, two recent Public Acts have the potential to positively affect the financial reporting process. Public Act 97-408, effective August 16, 2011, established a statutory deadline of October 31 of each year for State agencies to report financial information for the previous June 30 to the State Comptroller. Public Act 97-1055, effective August 23, 2012, established the Financial Reporting Standards Board (Board). The purpose of the Board is to "assist the State in improving the timeliness, quality, and processing of financial reporting for the State."

We recommended the **Office of the Governor** and the **Office of the State Comptroller** continue to work together to resolve the State's inability to produce timely and accurate GAAP basis financial information and a Statewide SEFA.

The **Governor's Office** agreed with our recommendation and stated that the Governor's Office and the Governor's Office of Management and Budget (GOMB) are and will continue to work cooperatively with the Office of the Comptroller to address these challenges with effective solutions. Further, the Governor's Office stated that Governor Quinn signed into law SB 3794, an initiative of the Governor's Office, in order to create a statutory framework to begin to address the basic issues with the State's financial reporting capabilities. The response provided further details of the plans to address the issues.

The **Comptroller's Office** agreed with our recommendation and stated that the Office will continue to assist the Governor's Office in their efforts to increase the quality of GAAP packages and provide training and technical assistance to State agencies.

ACCOUNTABILITY (CONT.)

In addition, the Office will work with the newly created Financial Accounting Standards Board in their mission to improve the timeliness, quality and processing of financial reporting for the State.

FINANCIAL REPORTING WEAKNESSES

The **State of Illinois** did not have adequate controls to assess the risk that information reported by individual agencies of the primary government would not be fairly stated and compliant with generally accepted accounting principles. The Office of the Auditor General performed audits at 27 agencies of the primary government, including five pension systems and the State Board of Investments. During these audits, we noted at 17 agencies there were a total of 22 material weaknesses and 27 significant deficiencies related to the internal controls over the financial reporting process.

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

- The beginning balances in the financial statements of the primary government were restated due to the correction of three errors. The three errors resulted in a total of \$211.173 million in restatements.
- Material misstatements were identified by the auditors at six agencies. The misstatements ranged from \$184 thousand to \$401 million.

We recommended the State continue their efforts to improve internal control procedures in order to assess the risk of material misstatements to the

financial statements and to identify such misstatements during the financial statement preparation process. The internal control procedures should include a formal evaluation of prior problems and implementation of procedures to reduce the risk of these problems reoccurring.

The **Governor's Office** agreed with our recommendation and stated that the Governor's Office has focused on solving this problem by implementing a centralized financial accounting system. Further, the Governor's Office stated that if the State had an enterprise-wide financial accounting system it would incorporate standard internal controls to lessen the risk of inaccuracy by preemptively detecting and facilitating resolution of any material weaknesses or deficiencies.

The **Comptroller's Office** agreed with our recommendation and stated that the Office will continue to assist the Governor's Office in their efforts to increase the quality of GAAP packages and provide training and technical assistance to State agencies. In addition, the Office will work with the newly created Financial Accounting Standards Board in their mission to improve the timeliness, quality and processing of financial reporting for the State.

FINANCES INCREASE RISKS

The **State of Illinois** did not have sufficient controls over its finances to ensure obligations are paid. This condition increases the risk that liabilities will not be properly recorded. We noted the following during our financial audit of the State's financial statements.

The State had transactions totaling \$4.475 billion on hand at June 30, 2012 that had been approved for payment by the State, but remained unpaid at year end due to the State's cash flow difficulties. Of this amount, approximately \$3 billion was owed to

COMPLIANCE

external parties; the remaining balance was related to intra-governmental transactions and statutorily mandated transfers. Due to the State not being able to pay external vendors in a timely manner, the State paid approximately \$136 million in interest payments during Fiscal Year 2012.

We recommended the Governor work with the General Assembly to improve the State's control over State finances in a manner that eliminates significant payment delays and unnecessary interest payments to State vendors.

The **Governor's Office** agreed with our recommendation and stated measures have been taken to prevent future findings in this area. The response provided further details of the steps that have been taken.

NEED TO IMPROVE FINANCIAL REPORTING

The **Department of the Lottery's** year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained numerous errors, inaccuracies and incomplete data.

During the audit of the June 30, 2012 Lottery financial statements the auditors noted errors in the GAAP Reporting forms and Department financial statements and deficiencies in internal controls over financial reporting. Some of the items noted follow:

- During planning for the financial audit, the auditors inquired of Lottery management to obtain an understanding of the general control environment over financial reporting. Though the Lottery has formal procedures related to the accumulation and processing of financial information, the auditors noted weaknesses. Specifically, the auditors noted that: 1) not all manual journal entries were reviewed by a person other than the preparer; 2) certain account reconciliations were not prepared or maintained; 3) account reconciliations, when performed, did not document that they had been reviewed by a person other than the

preparer; and 4) supporting documentation that agreed to amounts in the financial records was not always readily available.

- Historically, the Lottery had made cash transfers to the Common School Fund in excess of their income before transfers. These excess cash transfers were reported as "Due from Other State funds" in the Lottery's financial statements. During testing, the auditors noted the "Due from other State funds" did not meet the criteria for being reported / recorded as a receivable. Subsequently, the Lottery, in conjunction with the Illinois Office of the Comptroller, concluded the balance should be eliminated and considered a prior period transfer. This account was reported in the Lottery's accounting records to the auditors with a balance of approximately \$69.9 million.
- The auditors noted the prizes payable liability did not agree to underlying/supporting records. During Department management's subsequent review of the data, missing reconciling items were identified. One item identified resulted in an overstatement of the liability of \$30.3 million. Department management appropriately recorded an entry to account for this reconciling item.
- The Illinois Lottery Law (20 ILCS 1605/9.1(o)), as amended by Public Act 96-0034 effective July 1, 2009, requires the Lottery to distribute all proceeds of lottery tickets and shares sold in a specific priority and manner. The last priority requires the Lottery to transfer any remaining proceeds to the Capital Projects Fund on or before the last day of each fiscal year. Since the change in the Lottery Law, the Lottery has made an estimate of the remaining proceeds and made the required transfer based on that estimate. As a result of normal adjustments and completion of the annual audit, there has been a difference between transfers of estimated remaining proceeds and actual net income. As of June 30, 2012, the Lottery has recorded a balance of \$18.6 million due to the Capital Projects Fund, reflecting actual net income in excess of amounts previously transferred to the Capital Projects Fund through that date. The Lottery needs to establish a policy to allow for amounts

ACCOUNTABILITY (CONT.)

deposited into the Capital Projects Fund at the end of each fiscal year to be adjusted in the subsequent fiscal year to reflect the final distributions due. This amount should be based upon the actual results of operations for such fiscal year. The policy should be supported by the Lottery Law and legal determinations.

The aggregate impact of all of the adjustments made since the initial June 30, 2012 GAAP Reporting Forms were submitted to the Illinois Office of the Comptroller was a \$63.0 million increase in assets, a \$45.7 million decrease in liabilities, a \$106.3 decrease in expenses and a \$1.5 million increase in revenue.

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

Lottery Management agreed and indicated they will review current procedures to ensure they are up-to-date and implement any additional procedures, as necessary, to ensure GAAP financial reporting and financial statements are prepared completely, accurately and timely with appropriate supporting documentation.

WEAKNESSES IN THE ILLINOIS DEPARTMENT OF REVENUE'S FINANCIAL REPORTING PROCESS

The **Illinois Department of Revenue's** (Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the Comptroller contained inaccuracies. The issues associated with the inaccuracies, if not detected and corrected, could materially misstate the Department's financial statements and impact the

Statewide financial statements prepared by the Illinois Office of the Comptroller. Some of the exceptions identified follow:

- A formula error was discovered by the auditors in the spreadsheet utilized by the Department to calculate the estimated future refunds payable for the individual and business income taxes relating to the current fiscal year. As a result, the refunds payable balance in the Income Tax Refund Fund was overstated by \$70.4 million in the Department's GAAP reporting packages. The Department notified the Illinois Office of the Comptroller and requested a journal entry be made to correct the Department's closed GAAP reporting packages. The Department's financial statements as of June 30, 2012 were submitted correctly to the Illinois Office of the Comptroller.
- During audit testing of deferred revenue, the Department determined its original calculation for deferred revenue related to taxpayer refunds carried forward for credit on future returns contained errors. The program to generate the data the Department utilized to calculate the deferred revenue for its financial statements contained errors. Upon reanalyzing the data, the Department determined deferred revenue was understated by \$19.4 million. The misstatement was not considered material by the Department and was not corrected as of June 30, 2012.
- During audit testing of accounts receivable exceptions were noted with certain Business Income Tax and Individual Income Tax accounts. From the exceptions noted the accounts receivable was potentially overstated by \$6.2 million.

We made a number of recommendations including the Department take steps to improve the review process of the underlying data used to compile the financial statements.

COMPLIANCE

Department officials agreed with the recommendations and indicated given appropriate resources, they can improve the processes regarding financial reporting. The Department noted financial reporting is very complicated with: 1) 94 funds; 2) outdated and manual accounting systems; and 3) lack of appropriate resources for the time constraints allowed for GAAP/fiscal year-end reporting. The Department would welcome a modern statewide accounting system to assist in the compilation of monthly, quarterly, and annual accrual based financial information and statements.

INADEQUATE CONTROLS OVER COMPUTER INVENTORY

The **Illinois Department of Corrections** (Department) conducts an annual physical inventory of all equipment with an acquisition cost of \$500 or more and annually reports its results to the Department of Central Management Services (DCMS). In its fiscal year 2011 Physical Inventory Report submitted to DCMS, the Department reported it was unable to locate \$37,785 of computer inventory. In its fiscal year 2012 Physical Inventory Report, the Department reported \$150,127 of missing computer inventory.

Upon further inquiry with Department personnel, auditors noted the missing computer equipment consisted of 51 desktop computers and 105 laptop computers. The Department considers these computers to be lost. Department personnel were not able to provide property transfer forms or any other documentation showing what happened to the computers and had not performed an assessment, and was unsure how much, if any, confidential information was on the missing computers.

Failure to follow up on missing computer equipment resulted in a lack of control over State property and the risks associated with the potential exposure of confidential information.

We made a number of specific recommendations to the Department to improve controls over computer inventory. In addition, recommendations were also made related to following up on the missing

computer inventory and determining if the missing computers contained confidential information.

Department officials accepted the recommendation and indicated they will work with Department of Central Management Services in an effort to reconcile any missing items and make an assessment of those reconciled to determine if computers contained confidential information.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The **Illinois Department of Corrections – Correctional Industries** (Department) did not maintain adequate controls over accounts receivable.

During our testing of accounts receivable, we noted:

- The Department did not send out monthly statements to their customers.
- The Department did not take actions to bill and collect receivables within the fiscal year in which the debt was incurred. According to Department records, accounts receivable due over one year totaled \$1,344,677 at June 30, 2012.
- The Department did not issue catch up billings in the subsequent fiscal year for accounts with balances from the prior fiscal year. According to Department records, accounts receivable at June 30, 2012 totaled \$10,042,850.
- The Quarterly Summary of Accounts Receivable Reports filed with the Office of the State Comptroller for fiscal years 2011 and 2012 were not signed by management for 7 of the 8 filings.
- The Quarterly Summary of Accounts Receivable Reports filed with the Office of the State Comptroller for the period ended June 30, 2011 was amended three times.

We recommended that the Department maintain adequate controls over accounts receivable to ensure:

- Monthly statements are sent out,
- Reasonable efforts are put forth related to the billing and collection of accounts,

ACCOUNTABILITY (CONT.)

- Catch up billings are sent out,
- Quarterly Summary of Accounts Receivable Reports are accurate and signed by an appropriate official.

Department officials accepted our recommendation and stated they would ensure customer statements are sent out; efforts will be put forth to ensure proper invoicing and collection of accounts; will work to ensure that catch up billing will be utilized when necessary; and the Comptroller's Quarterly Summary of Accounts Receivable Report is accurate and approved by an appropriate official.

NEED TO PERFORM MONTHLY RECONCILIATIONS FOR STUDENT FINANCIAL ASSISTANCE

Chicago State University (University) did not reconcile its student financial assistance awards (SFA) and expenditures on a monthly basis.

We requested the University provide their October 2011, February 2012, and June 2012 monthly reconciliations of program and fiscal records related to all programs pertaining to the Student Financial Assistance Cluster.

After some time and several requests, the University provided us with reconciliations for Federal Direct Loan, Federal PELL, Federal Perkins Loan, Federal Work Study, Federal Supplemental Educational Opportunity Grant, and Teacher Education Assistance for College and Higher Education (TEACH). However, there was no evidence that

records had been reconciled monthly throughout the year. Some of the problems noted follow:

- A reconciliation of Federal PELL was provided; however, certain information used in the reconciliation could not be verified and agreed to external records. There was no evidence that the University had reconciled to the Department of Education's (ED) Common Origination and Disbursement System (COD).
- A reconciliation of Federal Direct Loan was provided; however, there was no evidence of reconciliation to COD or that monthly reconciliations of the Direct Loan School Account Statement were performed.
- The University did not provide any of ED's G-5 drawdown data for the Federal Supplemental Educational Grant Reconciliation.
- The University did not provide any of ED's G-5 drawdown data for the February 2012 reconciliation pertaining to Teacher Education Assistance for College and Higher Education (TEACH) grants.
- The University did not provide any reconciliation information for the University Scholarships for Health Professions Students from Disadvantaged Backgrounds.

We recommended the University properly reconcile all student financial awards to its fiscal records for each student financial assistance program on a monthly basis and retain documentation of the data being reconciled.

The University agreed with the recommendation and stated that resources have been expanded and improved to facilitate ongoing monthly reconciliation of financial aid to students.

COMPLIANCE

NEED TO CAPITALIZE INTEREST COST INCURRED ON CONSTRUCTION IN PROGRESS

Eastern Illinois University (University) did not properly capitalize interest costs incurred related to the construction of the University's Renewable Energy Center.

In November 2009, the University began construction on the Renewable Energy Center to replace the University's steam plant. While the Renewable Energy Center produced some steam to support campus operations during Fiscal Year 2012, the Renewable Energy Center was not functioning as designed or intended. The University has been working with the University's contractor to identify

and remedy issues preventing the Renewable Energy Center from operating at full capacity.

During testing, the auditors noted the University properly recorded the Renewable Energy Center as construction in progress as it was not ready for its intended use. The University, however, did not capitalize interest costs of \$2,011,486 incurred during fiscal year 2012. The auditors proposed an adjusting journal entry to correct this error and the University made the adjustment to the financial statements.

We recommended the University capitalize interest cost in accordance with generally accepted accounting principles.

University officials accepted the recommendation.



FEDERAL AUDITING

STATEWIDE SINGLE AUDIT UPDATE

The purpose of the Statewide Single Audit is to fulfill the State mandate in accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 44 Illinois State agencies expended federal financial assistance in FY12.

The Schedule of Expenditures of Federal Awards (SEFA) reflects total expenditures of approximately \$22.9 billion for the year ended June 30, 2012. Overall, the State participated in 412 different federal programs; however, 11 of these programs or program clusters accounted for approximately 85.2% of the total federal award expenditures.

FEDERAL AGENCIES PROVIDING FEDERAL FUNDING <i>For the year ended June 30, 2012</i>	
<i>U.S. Department</i>	<i>Millions</i>
Health & Human Services	\$ 8,931.6
Labor	5,302.3
Agriculture	4,154.8
Education	1,971.5
Transportation	1,816.7
All Others	756.0
Total Federal Award Expenditures	\$ <u>22,932.9</u>

Source: FY 2012 State of Illinois Single Audit Report

Overall, eleven State agencies accounted for approximately 98.4% of all federal dollars spent during FY 2012.

Our audit testing focused primarily on the 34 major programs expending about \$21.2 billion in federal awards.

Our report contained 91 findings related to 17 State agencies.

SUMMARY OF FEDERAL SPENDING BY STATE AGENCY <i>For the year ended June 30, 2012</i>	
<i>Agency</i>	<i>Millions</i>
Healthcare and Family Services	\$ 6,876.6
Employment Security	5,123.1
Human Services	4,766.1
Board of Education	2,276.8
Transportation	1,813.9
Commerce & Economic Opportunity	578.9
Children & Family Services	410.8
Public Health	246.3
Student Assistance Commission	223.2
Emergency Management Agency	130.4
Environmental Protection Agency	112.5
All Others	374.3
Total Federal Spending	\$ <u>22,932.9</u>

*Source: FY 2012 State of Illinois Supplemental Report of Federal Expenditures by Agency/Program Fund.
(Amounts may not add exactly due to rounding.)*

THE PERFORMANCE AUDIT PROGRAM

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

The General Assembly uses performance audit information to develop legislation, to deal with budgetary issues, and to direct agencies to change and improve programs. Some audits produce immediate changes. For example, our 2012 audit of the Firearm Owners Identification Card Program identified several problems with the Illinois State Police's administration of the program. Public Act 97-1131, which was effective January 1, 2013, addressed a major finding in the audit report that not all individuals with adjudicated mental health cases were being reported to State Police. The new law mandates that the circuit courts direct the circuit clerks to provide adjudicated mental health information in a form and manner prescribed by State Police and to forward a copy of the court order to State Police.

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 2013, our *2012 Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act* received an Excellence in Accountability Award by the National State Auditors Association (NSAA). NSAA established the Excellence in Accountability Awards Program in 2003 to recognize outstanding performance audits and special projects.

Performance audits from the Office of the Auditor General have received three previous Excellence in Accountability Awards:

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

In 2013, our *2012 Management Audit of the Department of State Police's Administration of the Firearm Owner's Identification Act* also 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:

- *2011 Management Audit of the State's Financial Reporting System;*
- *2010 Program Audit of the Covering ALL KIDS Health Insurance Program;*
- *2009 Management and Program Audit of the Illinois State Police's Division of Forensic Services;*
- *2008 Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process;*
- *2007 Performance Audit of the Mass Transit Agencies of Northeastern Illinois;*
- *2006 Management Audit of the Flu Vaccine Procurement and the I-SaveRx Program;*
- *2004 Management and Program Audit of the Rend Lake Conservancy District;*
- *2003 Management Audit of the Illinois State Toll Highway Authority;*
- *2002 Management Audit of Agency Use of Internet User Tracking Technology;*
- *2001 State Board of Education and Other State Agencies Providing Funding to Illinois' Regional Offices of Education;*
- *2000 Management Audit of Child Support State Disbursement Unit;*
- *1999 Management Audit of the Pilsen Little Village Community Mental Health Center; and*

THE PERFORMANCE AUDIT PROGRAM

- *1998 Management Audit of Tuition and Fee Waivers.*

Performance audits directly impact and improve agency operations. The Auditor General released six performance audits and three reviews in 2013. The audits contained a total of 55 recommendations. State agencies generally accepted the audit

recommendations to correct or improve operations.

In addition, the Performance Audit Program had the responsibility for Fiscal Year 2012 audits of 44 Regional Offices of Education (ROEs) and 3 Intermediate Service Centers (ISCs). Audits released in 2013 included a total of 91 recommendations for improvement. ❖

PERFORMANCE AUDITS COMPLETED IN 2013

PROGRAM AUDIT OF THE COVERING ALL KIDS HEALTH INSURANCE PROGRAM

Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act (215 ILCS 170/63) and directed the Auditor General to annually audit the ALL KIDS program. This is the fourth annual audit and covers FY12. 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 (children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants).

This FY12 audit follows up on the **Department of Healthcare and Family Services’** (HFS) and the **Department of Human Services’** (DHS) actions to address prior audit findings. Our audit found:

- In FY12, 92,879 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY12 for the EXPANDED ALL KIDS enrollees were \$77.2 million.
- FY12 ALL KIDS claim data included 193 recipients who received 1,802 services totaling \$80,752 after the month of their 19th birthday, when their eligibility ended. Additionally, the data included 246 individuals who appeared to be enrolled with more than one identification number.
- Our FY12 review indicated a continued problem

with HFS incorrectly categorizing documented immigrants as undocumented in its data. However, HFS noted that manual reviews were being completed and as of February 1, 2013, \$1.2 million in federal match for the individuals identified by our previous audit had been received.

- While HFS and DHS took action to address the previous recommendations, many of these actions did not occur within this audit period (FY12). We determined that one recommendation was implemented and 10 were repeated.

Future audit populations will be decreased due to the passage of PA 96-1501, which made children whose families’ household income is above 300 percent of the federal poverty level (FPL) ineligible for EXPANDED ALL KIDS.

In June 2013, Illinois was retroactively approved back to July 1, 2008, to receive federal reimbursement under Title XXI of the Social Security Act for citizens and documented immigrant children in EXPANDED ALL KIDS Premium Level 2.

Due to the limited time for HFS and DHS to implement prior audit recommendations, the General Assembly may wish to consider reducing the frequency of the EXPANDED ALL KIDS audit period from annually to at least once every three years or on a more frequent basis if determined necessary by the Auditor General.

PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

CENTRAL MANAGEMENT SERVICES' ADMINISTRATION OF THE STATE'S SPACE UTILIZATION PROGRAM

House Resolution Number 788 directed the Auditor General to conduct a management audit of the **Department of Central Management Services'** (CMS) administration of the State's space utilization program. The Office of the Auditor General previously released an audit of the State's space utilization program in February 2004. In this audit, we identified many deficiencies that were also issues in the 2004 report.

Our audit found that:

- CMS does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires CMS to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was provided to auditors was incomplete, inaccurate, and had an insufficient level of detail.
- CMS has made no recent progress towards implementing a comprehensive computerized real property system.
- CMS was obtaining Annual Real Property Utilization Reports from State agencies only because the State Property Control Act required it. The reports were not being used by CMS to populate the master record of real property as they were intended.
- The procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified.
- CMS lease files tested lacked evidence of a check for the availability of State-owned space in 17 of 25 lease files (68%) and lacked evidence of a site visit in 6 of 25 lease files (24%).
- The process for disposing of surplus property was neither adequate nor timely. For the parcels where we could measure the elapsed time from the date declared surplus to the date of final disposition, the average time to dispose of surplus real property was 1,656 days with a median of 911

days. This does not include the 14 properties that remain surplus which includes 8 properties that were surplus in 2005 or prior.

- CMS ignored properties reported as surplus by agencies on the Annual Real Property Utilization Reports and did not notify other agencies of the availability of that surplus property as required by State law.

In recent years, however, the State has made significant progress in reducing lease costs. According to data provided by CMS, since January 2009, lease costs have been reduced by \$55 million through leases that have been consolidated, renegotiated, or rebid. The reduction in lease costs was attributed to many factors including the work of CMS, the oversight provided by the Procurement Policy Board, and the reduction in the State's workforce. Additionally, holdover leases, which were first identified by our Office in a Compliance Examination, were eliminated.

ILLINOIS INTERNATIONAL PORT DISTRICT

The **Illinois International Port District** (District) was created by the Illinois International Port District Act (70 ILCS 1810) as a political subdivision, body politic and municipal corporation. The District is located on the south side of the city of Chicago and encompasses approximately 1,500 acres. The District operates as a lessor of facilities primarily for maritime operations, which include storage facilities, dockage, and wharfage. Our review found pervasive management problems at the District including:

Board Management

- The Board had not developed and approved a long-term strategic plan for the development of the District.
- Three committees established in the Board by-laws did not meet during 2010 or 2011.
- The District could not provide written agreements for Board appointees for 2010-2011.

Financial Management

- The District's operating losses for 2010-2011

PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

totaled over \$1.2 million (\$965,702 loss in 2010 and \$250,770 loss in 2011). In addition we found that the District:

- Had not established thresholds at which expenses should be competitively bid;
- Did not have up-to-date policies regarding the approval of expenses;
- Did not adequately segregate financial and banking duties; and
- Did not require employees or Board members to contribute toward the cost of their insurance or pension.

Port Management

- The District did not have written leases with all tenants (5 of 25);
- The District had not kept leases up-to-date in some cases to reflect current arrangements (2 of 25); and
- The District did not monitor leases to ensure compliance with terms, did not have information regarding subleases, and did not have controls in place to monitor the collection of fees.

Personnel Management

- The District's Personnel Manual and job descriptions were outdated;
- Personnel files lacked complete information;
- The District did not have a formal timekeeping system;
- The District made annual vacation payouts to the Executive Director. This amounted to \$50,828 and \$44,871 for 2010 and 2011 respectively; and
- The District's pension plan as of 2011 was only funded at 30.52 percent.

Golf Course Management

- In 2010 and 2011, Harborside reported operating losses of \$844,386 and \$964,225 respectively. The District signed an agreement with KS

Harborside, LLC to manage Harborside Golf Center effective January 2013.

ILLINOIS PUBLIC UNIVERSITIES – MANAGEMENT STRUCTURE, EXPENDITURES, AND SALARIES

Legislative Audit Commission Resolution Number 143 requested a management audit of the State's nine public universities to **compare** their management structure and costs, operating expenses, administrative to faculty salaries, and selected administrative expenditures. This report also includes a **separate** Supplement on each university. The audit reported the following information on universities for Fiscal Year 2011:

1. **Revenues.** Total revenue for the nine public universities was \$8 billion and expenditures were \$7.5 billion.
2. **Structure.** Management structure of the universities varied due to different missions, funding, and programs.
3. **Expenditures.** Operating expenditures per Full-Time Equivalent (FTE) student ranged from \$20,000 at NEIU to \$59,000 at University of Illinois, with an average of \$40,500. SIU was second highest at \$34,600.
4. **Faculty.** Universities employed 10,750 full-time faculty who were paid \$910 million and 5,050 part-time faculty who were paid \$98 million: (a) U of I had 4,300 full-time faculty paid \$425 million; (b) SIU had 2,200 full-time faculty paid \$180 million; and (c) ISU had 950 full-time faculty paid over \$70 million.
5. **Administrators.** Universities had over 4,000 administrators (including 100 part-time) paid over \$365 million.
 - U of I: 2,549 administrators (63% of 4,024) – paid \$224 million (61% of \$365 million).

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PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

- SIU: 312 administrators (8% of 4,024) – paid \$37 million (10% of \$365 million).
 - CSU: 308 administrators (8% of 4,024) – paid \$20 million (5% of \$365 million).
6. **Average Compensation.** The average pay of full-time administrators was \$91,650 and faculty was \$84,775.
- NIU: 179 administrators, average pay \$122,900; 894 faculty, average pay \$75,700.
 - SIU: 308 administrators, average pay \$119,800; 2,217 faculty, average pay \$81,400.
 - U of I: 2,459 administrators, average pay \$88,750; 4,301 faculty, average pay \$98,900.
7. **Compensation Ratio.** Universities spent 27 percent on administrators and 73 percent on faculty:
- CSU: spent 45 percent on administrators, 55 percent on faculty.
 - U of I: spent 31 percent on administrators, 69 percent on faculty.
 - GSU: spent 28 percent on administrators, 72 percent on faculty.
8. **\$100,000 (full-time).** Universities paid 1,233 administrators (31%) and 2,793 faculty (26%) at least \$100,000.
- NIU: paid at least \$100,000 to 120 of 179 administrators (67%), 162 of 894 faculty (18%).
 - SIU: paid at least \$100,000 to 188 of 308 administrators (61%), 534 of 2,217 faculty (24%).
 - ISU: paid at least \$100,000 to 100 of 209 administrators (48%), 152 of 954 faculty (16%).
9. **FTE/Administrator.** Universities had an average of 45 FTE students/administrator (cost: \$2,025 per FTE):
- CSU: 18 FTE students per administrator – cost: \$3,610 per FTE students.
 - U of I: 30 FTE students per administrator – cost: \$2,960 per FTE students.
 - GSU: 39 FTE students per administrator – cost: \$2,350 per FTE students.
10. **Administrative Expenditures.** University of Illinois paid \$350,000 for its president’s residences (over 50% of all universities’ housing cost of \$650,000) and \$680,000 for its

administrators’ entertainment expenses (nearly 60% of all universities’ entertainment expenses of \$1.15 million).

ROAD FUND REVENUE AND EXPENDITURES

Senate Resolution Number 788 required the Office of the Auditor General to conduct a management audit of moneys deposited into the Road Fund and the subsequent use of those moneys, including the amounts used for direct road construction costs. The Resolution asked for a historical review of the Road Fund for a 10 year period. The Road Fund is the primary fund used to pay for road construction projects in Illinois. From FY03 through FY12, the Road Fund had almost \$25 billion in revenue and \$25.1 billion in expenditures. Most Road Fund expenditures, \$18.9 billion, were made by the Illinois Department of Transportation (IDOT).

Auditors worked with IDOT to select certain detail object and appropriation codes to identify direct road construction expenditures. **In FY11 and FY12, less than half of Road Fund expenditures went for direct road construction costs.** Direct road construction costs mainly consist of payments for highway construction and improvements, architectural and engineering fees, and repair and maintenance of highways. Non-direct costs include State employee salaries and related costs, payment of bonds, and other costs. IDOT officials noted that even though bond payments from the Road Fund are classified as non-direct road construction costs, the payments are for debt service on Transportation Series A Bonds, which are used for direct road construction costs. Also, changes in how expenditures were coded by IDOT beginning in FY11 limits comparability of direct/non-direct costs between FY11 and FY12 with prior years.

Our audit also found:

- **The Road Fund was overcharged for group health insurance costs by approximately \$156.6 million in FY10 and FY11.** Even though personal services expenditures paid from the Road Fund decreased by \$173 million in FY10, when the Road Fund stopped paying for salaries of

PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

Secretary of State and State Police personnel, there was not a commensurate decrease in group health expenditures paid from the Road Fund.

- Due to a cap set on the amount the General Revenue Fund can pay for workers' compensation costs, **the amount transferred from the Road Fund to the Workers' Compensation Revolving Fund was above the estimated Road Fund liability in FY10 through FY12 by \$54.2 million.**
- The Secretary of State did not deposit \$48 for each certificate of title into the Road Fund as required by 625 ILCS 5/2-119(b) of the Illinois Vehicle Code. Rather, it deposited 37 percent of the \$48 (\$17.76) into the State Construction Account Fund and deposited the remaining \$30.24 into the Road Fund. **SOS officials noted the various fee distribution requirements in the Vehicle Code are often in conflict.**

MANAGEMENT POSITIONS IN THE EXECUTIVE BRANCH

Legislative Audit Commission Resolution Number 141 required the Office of the Auditor General to accumulate information on agencies' management positions along with information about managers' organizational unit, job title, and function. We were also to determine whether these managers supervise, are exempt from the Personnel Code, and are covered by a collective bargaining agreement. We collected information on management positions by reviewing data from the Department of Central Management Services (CMS) and by surveying State agencies.

The 49 agencies we surveyed reported that 6,423 of 50,498 (13%) employees were management positions. We defined management positions as manager and supervisor positions, using definitions of those terms in the Illinois Public Labor Relations Act.

Our survey's instructions noted that for the purposes of the survey, whether an employee is a manager or supervisor may not correspond to determinations that have been made to allow a position into a union.

- Of the 6,423 managers, 811 managers (13%) were completely exempt from the Personnel Code

and 1,047 (16%) were partially exempt from the Personnel Code.

- There were 4,613 managers (72%) who were covered by a collective bargaining agreement and 1,735 (27%) who were Rutan exempt.
- There were 5,447 managers who supervised an average of 6.5 employees. That average is based on the 85 percent of managers (5,447/6,423) who supervised employees.

In analyzing survey data from agencies, we identified several issues relating to employees who were classified by their agencies as non-managers but had characteristics that could indicate that they were managers:

- Agencies identified 43 employees as non-managers who had a 4D3 exemption from the merit and fitness requirements of the Personnel Code. These exemptions are for employees who help to determine or carry out policies, and therefore should be managers.
- There were 702 employees that were identified by agencies as non-managers who were in Rutan exempt positions. Rutan exempt employees who carry out policy should be managers.
- There were 1,400 employees that were identified by agencies as non-managers who had direct supervisory authority.
- There were 907 employees in the Public Service Administrator title and 46 employees in the Senior Public Service Administrator title that were not considered managers by their agencies.

The audit contained five recommendations, including that CMS should review and revise the State's classification plan to address the issues identified in this audit.

REVIEW OF THE DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES' SMART ACT IMPLEMENTATION REPORT

The Save Medicaid Access and Resources Together (SMART) Act required the **Department of Healthcare and Family Services (HFS)** to file a report with the Auditor General, the Governor, and

PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

leaders of the General Assembly by August 1, 2012 that listed any necessary amendments to the Illinois Title XIX State plan, federal waiver request, or State administrative rules necessary to implement the SMART Act. HFS was further required to provide evidence to the Auditor General by March 1, 2013 documenting the actions HFS had taken to implement the SMART Act provisions that were delineated in its August 1, 2012 report. Finally, the Auditor General was required to review the evidence submitted by HFS and issue a report by May 1, 2013 which determined whether HFS had undertaken the actions contained in its August 1, 2012 report.

HFS submitted its SMART Act Implementation Report to the Office of the Auditor General (OAG) on August 1, 2012. The August 1 report identified 58 provisions of the SMART Act for which a State administrative rule change or federal action may be needed for implementation: 54 pertained to HFS and the remaining 4 pertained to other State agencies. On March 1, 2013, HFS submitted to the Auditor General an updated SMART Act Implementation Report. The Report cited specific emergency and proposed rules, as well as proposed amendments to the State plan, filed by HFS to implement provisions of the SMART Act. The OAG reviewed the evidence submitted by HFS and followed up with HFS with questions concerning the evidence provided. While our review identified a few inaccuracies in the two Implementation Reports, the OAG concluded that the evidence submitted by HFS generally supported the actions reported by the Department. This report did not constitute an audit as that term is defined in generally accepted government auditing standards.

2013 ANNUAL REVIEW OF INFORMATION SUBMITTED BY THE RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The Illinois State Auditing Act requires the Retirement Plan for Chicago Transit Authority Employees (Retirement Plan) to submit to the Office of the Auditor General (OAG) an audit, an annual statement, and an actuarial statement by September 30 of each year. On September 30, 2013, the OAG

received these documents from the Retirement Plan. The OAG reviewed these documents and concluded that the Retirement Plan had complied with the requirements established in the Auditing Act.

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

- The OAG and our consultants, Aon Hewitt, reviewed the Retirement Plan's assumptions contained in the January 1, 2013 Actuarial Valuation and concluded that they were not unreasonable in the aggregate.
- However, the 8.50 percent investment return assumption used by the Plan is an aggressive assumption. We followed up with the Plan to determine what analysis was done to show that the assumption was still a reasonable assumption and whether any consideration was given to reduce it. The Plan's Executive Director stated that there have been no changes to the Plan's investment policy or asset allocation during the past year and the Plan's previous assumption was determined to be in line with actuarial standards of practice. The Executive Director further noted that the investment return assumption, along with all other assumptions, will be reviewed as part of the experience review which is currently underway, the results of which will be implemented with the January 1, 2014 Actuarial Valuation.
- The contribution rates adopted by the Retirement Plan Board for 2014 remained unchanged from the 2013 contribution rates: 14.250 percent of pay for the employer rate (which is net of the employer debt service credit of 6% of pay) and 10.125 percent of pay for employees. The January 1, 2013 Actuarial Valuation concluded that the contribution rates applicable for Plan year 2014 should result in

PERFORMANCE AUDITS COMPLETED IN 2013 (CONT.)

the Plan's funded ratio reaching the statutorily required 60 percent level by 2022.

- The funded ratio of the Retirement Plan increased slightly from 59.2 percent as of January 1, 2012, to 59.4 percent as of January 1, 2013. The actuarial value of assets was \$1.662 billion at January 1, 2012. At January 1, 2013, the actuarial value of assets was \$1.703 billion and the actuarial accrued liability was \$2.867 billion, according to the Plan's January 1, 2013 Actuarial Valuation.

2013 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. This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

- The Retiree Health Care Trust submitted its Actuarial Valuation Report as of January 1, 2013 to the Office of the Auditor General on October 2, 2013.
- The Report concluded that the actuarial present value of projected contributions, trust income, and assets, in excess of the statutory reserve, exceeded the actuarial present value of the projected benefits. Consequently, no change in benefits or contributions was required.
- We examined the assumptions in the Retiree Health Care Trust's Actuarial Valuation Report and found that they were not unreasonable in the aggregate.

REGIONAL OFFICES OF EDUCATION AUDITS

In addition to other duties, the Auditor General has the responsibility for annual audits of the financial statements of all accounts, funds, and other moneys in the care, custody, or control of the regional superintendent of schools of each educational service region in the State. There were a total of 47 Fiscal Year 2012 audits to be conducted: 44 of Regional Offices of Education (ROEs) and 3 of Intermediate Service Centers (ISCs.)

Our Office arranged for auditing firms to perform these audits under the general direction and management of the Auditor General's audit managers. The ROE audits released in 2013 contained a total of 91 recommendations for improvement. Most of the recommendations dealt with the Regional Offices not having sufficient internal controls, including controls over their financial reporting processes. ❖

PERFORMANCE

PERFORMANCE AUDITS IN PROGRESS

NEIGHBORHOOD RECOVERY INITIATIVE

House Resolution 1110 directs the Auditor General to conduct a performance audit of the State moneys provided by or through the Illinois Violence Prevention Authority (Authority) to the Neighborhood Recovery Initiative (Initiative) under contracts or grant agreements in Fiscal Year 2011 and in Fiscal Year 2012. The audit is to determine:

- The purposes for which State moneys were provided to the Authority for the Neighborhood Recovery Initiative;
- The relationship between the Safety Net Works program and the Initiative;
- The nature and extent of monitoring by the Authority of how the Initiative used the State-provided moneys and whether certain residential communities of similar crime rates were excluded;
- The actual use of the State moneys by the Authority, including the identity of any sub-recipients and the amounts and purposes for employment;
- The number of positions paid through the Initiative by organizational unit, job title, function, and salary and whether employees completed and filled out appropriate timesheets;
- The number of positions supervised or managed by each management position and whether any of those employees are supervised or managed by more than one management position;
- Whether, through a review of available documentation, the Initiative has met or is meeting the purposes for which the State moneys were provided, with specific information concerning the Initiative staffing levels, hiring procedures, and its compensation of employees; and,
- Whether the Initiative is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Initiative's receipt of State moneys.

INMATE TELEPHONE SERVICES

Senate Resolution Number 122 directs the Auditor General to conduct a management audit of the State's procurement of inmate telephone service

vendors for the Department of Corrections' inmate telephone service program. The audit is to include:

- Whether all aspects of the procurement process were conducted in accordance with applicable laws, rules, regulations and policies;
- Whether the evaluative criteria guiding the selection by the Department of Central Management Services of vendors were adequate and uniformly applied to competing vendors;
- Whether decisions concerning the selection of vendors and resolution of protests are adequately supported and documented;
- Whether the bids submitted by vendors and evaluated by the Department of Central Management Services were in compliance with the terms set forth in the solicitation document; and
- Whether or not the Department of Central Management Services in the course of the procurement process or resolution of the protests, took into consideration the cost impact the solicitation might place on the family members, friends and general public who are responsible for paying for the calls.

CENTER FOR COMPREHENSIVE HEALTH PLANNING, HEALTH FACILITIES AND SERVICES REVIEW BOARD, AND THE CERTIFICATE OF NEED PROCESSES

Public Act 96-0031 requires the Auditor General to do a performance audit of the Center for Comprehensive Health Planning, the Health Facilities and Services Review Board, and the Certificate of Need processes. The audit is to commence twenty four months after the last member of the nine member was appointed. The audit is to determine:

- Whether progress is being made to develop a Comprehensive Health Plan and whether resources are sufficient to meet the goals of the Center for Comprehensive Health Planning;
- Whether changes to the Certificate of Need processes are being implemented effectively, as well as their impact, if any, on access to safety net services; and

PERFORMANCE AUDITS IN PROGRESS

- Whether fines and settlements are fair, consistent, and in proportion to the degree of violations.

DCFS: LOCATING AND RETURNING MISSING, RUNAWAY, AND ABDUCTED CHILDREN

House Resolution 120 directs the Auditor General to conduct a management audit of the **Department of Children and Family Services**' compliance with its rules and procedures for locating and returning missing, runaway, and abducted children. The audit is to determine the following items as they pertain to missing, runaway, and abducted children for which the Department of Children and Family Services was responsible in calendar years 2011 and 2012:

- The number of children who were reported as missing, runaway or abducted;
- Whether reports of missing, runaway and abducted children were made by Department staff to all required parties in a timely manner; and
- The steps followed by the Department in attempting to locate and recover children reported as missing, runaway or abducted and whether those steps complied with the Department's rules and procedures.

DEATH CERTIFICATE SURCHARGE FUND

House Resolution 383 directs the Auditor General to conduct a management audit of the **Illinois Law Enforcement Training and Standards Board**'s uses of moneys appropriated from the Death Certificate Surcharge Fund during Fiscal Years 2010, 2011, 2012, and 2013. The audit is to determine:

- The amounts appropriated to the Illinois Law Enforcement Training and Standards Board

(Board) from the Death Certificate Surcharge Fund (Fund) for Fiscal Years 2010, 2011, 2012, and 2013;

- The amounts expended by the Board from the Fund during Fiscal Years 2010, 2011, 2012, and 2013, and for what specific purposes; and
- Whether the Board has rules, policies and procedures in place concerning its training program financed with proceeds from the Death Certificate Surcharge Fund, including the process of identifying training needs, procurement of training resources, and delivery of training programs.

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.

PERFORMANCE

PERFORMANCE AUDITS IN PROGRESS (CONT.)

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

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

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

Pursuant to Public Act 95-708, the Auditor General is to annually examine required submissions made

by the Chicago Transit Authority's Retiree Health Care Trust. We are to examine whether the information submitted complies with the requirement of the Act and submit a report of the analysis thereof to the General Assembly.

REGIONAL OFFICES OF EDUCATION AUDITS

Since 2002, the School Code (105 ILCS 5/2-3.17a) has required the Auditor General's Office to conduct annual audits of the financial statements of all accounts, funds, and other moneys in the care, custody, or control of the regional superintendent of schools of each educational service region in the State. For Fiscal Year 2014, a total of 47 audits are to be performed.





THE INFORMATION SYSTEMS AUDIT PROGRAM

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

TESTING CONTROLS AND SYSTEMS

The Auditor General's office plans to continue to emphasize the review of information system controls at State agencies. In 2013, we reviewed the following agencies:

Capital Development Board, Chicago State University, Department of Central Management Services, Department of Children and Family Services, Department of Corrections, Department of Financial and Professional Regulation, Department of Healthcare and Family Services, Department of Human Services, Department of Insurance, Department of Natural Resources, Department of Revenue, Department of State Police, Department of Transportation, Department of Veterans' Affairs, Eastern Illinois University, Illinois Gaming Board, Illinois Racing Board, Illinois Student Assistance Commission, Legislative Information System, Office of the Comptroller, Southern Illinois University, State Board of Education, and Western Illinois University.

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

assessments, and implementing comprehensive security techniques on all computer systems.



The information systems audit staff also reviewed and tested the systems and procedures at the State's central computer facility operated by the **Department of Central Management Services**. Through its facilities, the Department provided data processing services to approximately 103 user entities throughout State of Illinois governmental agencies. Auditors tested the facility's controls and the application systems used by many State agencies, such as accounting, payroll, inventory, and timekeeping.

We reviewed the suitability of the design and operating effectiveness of controls to meet the criteria for the security, availability, and processing integrity principles set forth in *TSP Section 100, Trust Services Principles, Criteria, and Illustrations for Security, Availability, Processing Integrity, Confidentiality, and Privacy (AICPA, Technical Practice Aids)*.

We found controls over providing reasonable assurance that only authorized, tested, and documented changes are made to the common systems (Accounting Information System, Central Inventory System, Central Payroll System and the Central Time and Attendance System) were not suitably designed. We also found that controls over verifying the identity of an individual prior to resetting their password had not been effectively implemented. Additionally, controls over the monitoring of noncompliance with security policies were not operating effectively. Finally, control over the performance of risk assessments had not been effectively implemented. No other significant issues were identified; however, several control deficiencies were identified and appeared in the body of the report. ❖

INFO. SYSTEMS



Four agencies – **Department of Corrections, Department of Natural Resources, Department of Revenue, and Northern Illinois University** – had not adequately developed or tested recovery plans to provide for continuation of critical computer operations in the event of a disaster. We recommended that these agencies develop and test disaster contingency plans.

Six agencies – **Chicago State University, Department of Corrections, Department of Employment Security, Department of Revenue, Illinois State Toll Highway Authority, and University of Illinois** – had not established adequate controls for securing its computer resources. We recommended that these agencies evaluate their computer environments and ensure adequate security controls and policies exist to safeguard computer resources.

Seven agencies – **Correctional Industries, Department of Natural Resources, Department of State Police, Illinois Gaming Board, Illinois Racing Board, Illinois State University, and State Board of Education** – had not ensured the adequate security 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. We recommend these agencies assess their procedures for safeguarding confidential information.

Twenty-three agencies – **Capital Development Board, Chicago State University, Department of Children and Family Services, Department of Corrections, Department of Insurance, Department of Military Affairs, Department of Transportation, East St. Louis Financial Advisory Authority, Historic Preservation Agency, Illinois Community College Board, Illinois Environmental Protection Agency, Illinois Gaming Board, Illinois Law Enforcement Training and Standards Board, Illinois Math and Science Academy, Illinois Power Agency, Illinois Student Assistance Commission, Joint Committee**

on Administrative Rules, Northeastern Illinois University, Northern Illinois University, Pollution Control Board, State Board of Education, State Fire Marshal, and State Police Merit Board – failed to implement the provisions of the Identity Protection Act to draft and approve an identity-protection policy. We recommended that these agencies develop and approve an identity protection policy as required in the Act.

The **Department of Corrections** and **Department of State Police** had weaknesses in project management for computer system development. Projects were not effectively managed to ensure they were properly controlled and documented. We recommended that these agencies develop and implement a project management framework and system development standards to ensure projects are adequately monitored and documented.

Four agencies – **Department of Corrections, Department of Revenue, Department of State Police, and Illinois Gaming Board** – did not have an effective process to control and manage changes to computer systems. Without adequate change management procedures, there is a greater risk of unauthorized or improper changes being made to computer systems. We recommend these agencies develop and implement formal change management procedures.

The **Department of Central Management Services** had security weaknesses in its mid-range computing environment. 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 the security and control of mid-range computer systems. We recommended the Department ensure standards to secure and control are implemented across the mid-range environment.

Agency officials generally concurred with our recommendations concerning these issues.

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

OTHER OFFICE RESPONSIBILITIES

TAXPAYER ACCOUNTABILITY REPORTS

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

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

In the event that the Auditor General determines that State spending has exceeded the State spending limitation in any given fiscal year, the Act provides certain mechanisms and timeframes by which State spending may be reduced to a level that does not exceed the State spending limitation, including by passage of a bill or bills or designation of reserves. Under these circumstances, the Auditor General is required to issue a supplemental report summarizing the actions taken by the General Assembly and Governor, indicating whether the level of State spending has changed since the initial report, and indicating whether State spending still exceeds the State spending limitation. If State spending still exceeds the State spending limitation, then the income tax rates will be reduced as provided by Section 201.5 of the Illinois Income Tax Act.

The Auditor General's Office reviews new Public Acts as they are filed with our Office by the Secretary of State. We also review fund transfer notifications provided by the State Comptroller's Office. The purpose of our reviews is to identify all appropriations, supplemental appropriations, continuing appropriations and statutory transfers

constituting "State spending" from "State general funds" (as those terms are defined in P.A. 96-1496) and to issue a report within 30 days as required by the Act.

We issued a total of 16 reports covering Fiscal Year 2013 spending. The State Spending cap in FY13 was \$37,554,000,000. Cumulative "state spending" from "general funds" for Fiscal Year 2013 was \$35,821,133,477.70 and the balance of the Fiscal Year 2013 State Spending cap remaining was \$1,732,866,522.30.

The State Spending cap in FY14 is \$38,305,000,000. Through December 2013, we have issued eight reports for Fiscal Year 2014. At that date, cumulative "state spending" for Fiscal Year 2014 was \$33,678,334,376.84 and the balance of the Fiscal Year 2014 State Spending cap remaining was \$4,626,665,623.16.

SMALL BUSINESS CONTRACTS ACT FISCAL YEAR 2013 ANNUAL REPORT

Public Act 97-307 created the Small Business Contract Act, effective August 11, 2011. The Act requires every State agency to establish as a goal "not less than 10% of the total dollar amount of state contracts" for award to small businesses. In addition to developing an annual compliance plan and filing a mid-year report, the Act requires each Chief Procurement Office to file an annual report by March 1 of each year detailing the agency's level of achievement towards the goals specified in the Act over the three most recent fiscal years. Since the Act has only been in effect for two fiscal years, this annual report concerns only FY12 and FY13 goals and results.

FY12 actual expenditures as of 9/1/12 were \$25,146,145. After subtracting out personal services and fringe benefits (which are not subject to competitive procurement), remaining FY12 expenditures were \$18,553,727. Applying the 10% small business contracting goal, our FY12 end-of-year goal was \$1,855,373.

Actual expenditures for certified small businesses

OTHER OFFICE RESPONSIBILITIES (CONT.)

during FY12 (for the period 7/1/11 through 8/31/12) totaled \$2,765,046.05 or 15% of non-salary expenditures. For those purchases with contracts (26), the average contract amount was approximately \$106,000. Overall, agency spending with registered small businesses in FY12 was 149% of our goal.

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

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

ANNUAL AUDIT ADVISORY

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

COMPTROLLER'S ACCOUNTING SYSTEM REVIEW

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

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

STATE ACTUARY

Public Act 97-694, effective June 18, 2012, directed the Auditor General to "contract with or hire an actuary to serve as the State Actuary." Among its duties, the State Actuary is required to "review assumptions and valuations prepared by actuaries retained by the boards of trustees of the State-funded retirement systems" and "issue preliminary reports... concerning proposed certifications of required State contributions submitted to the State Actuary by those boards." [30 ILCS 5/2-8.1 (a) and (b)]

Through a competitive proposal process, the Auditor General awarded a contract in August 2012 to Cheiron, a full-service actuarial and consulting firm. Cheiron issued its preliminary reports to the five public retirement systems in December, 2013. As required by statute, the Auditor General submitted a written report to the General Assembly and Governor on December 31, 2013, documenting the initial assumptions and valuations prepared by the actuaries retained by the boards of trustees of the State-funded retirement systems, the State Actuary's preliminary reports, and the responses of each board to the State Actuary's recommendations. The report is available in its entirety on our website at www.auditor.illinois.gov.

PEER REVIEW

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

The September 2011 peer review of the Auditor General's audit processes resulted in an unqualified (clean) opinion. Additionally, the peer review team did not note any deviations from professional standards that would have required a written letter of comments. Our prior peer reviews, conducted in 1993, 1996, 1999, 2002, 2005, and 2008 likewise resulted in unqualified opinions. Our next peer review is slated for 2014.



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 2013.

OAG FRAUD HOTLINE

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

The toll free number is 1-855-217-1895. The hotline is available 24 hours a day, 7 days a week. Live operators are generally available Monday-Friday from 8:30 a.m. to 4:30 p.m. (CST).

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

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

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

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

More information regarding the reporting of fraud allegations can be found at the Fraud Hotline section of the OAG web site. Jurisdiction of the Fraud Hotline does not include the legislative or judicial branches of government, nor units of local government. Other resources the public may use to report fraud if it is outside of the jurisdiction of the OAG can also be found on the website. If the Auditor General's Office does not have jurisdiction over the allegation, our hotline manager will try to direct the caller to another State, federal or local agency that may be able to help.

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, 2011, through December 31, 2012. All auditors, audit directors, and information specialists required to meet the CPE standard were in compliance for this 2-year period and are in compliance with current CPE requirements.

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

TRAINING

CLAIMS DUE THE STATE AND METHODS OF COLLECTION

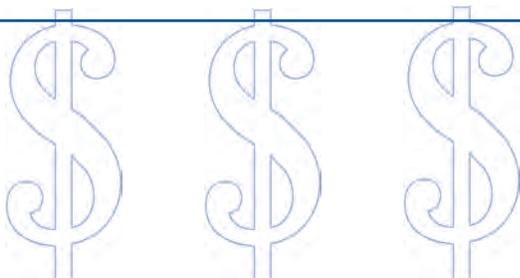
As required by law [30 ILCS 205/2 (k)], the Office of the Auditor General is reporting that there were no outstanding claims administered by the Office that were due and payable to the State as of December 31, 2013. The accounts receivables generated by our Office primarily represent billings to other 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 2013 (July 1, 2012 to August 31, 2013, including lapse period).

<i>FY 2013 - FINAL</i>			
	<i>Appropriation</i>	<i>Expended</i>	<i>Balance</i>
GRF Operations:			
Personal Services	\$5,551,000	\$5,550,252	\$748
Social Security	\$406,500	\$406,428	\$72
Contractual Services	\$649,700	\$649,453	\$247
Commodities	\$12,300	\$5,788	\$6,512
Paper and Printing	\$9,600	\$6,033	\$3,567
Equipment	\$17,400	\$17,369	\$31
EDP	\$87,350	\$87,328	\$22
Telecommunications	\$70,000	\$68,415	\$1,585
Operation of Automotive Eqpt.	\$3,150	\$1,248	\$1,902
	<u> </u>	<u> </u>	<u> </u>
GRF Operations Total	<u>\$6,807,000</u>	<u>\$6,792,314</u>	<u>\$14,686</u>
Audit Expense Fund:			
Audits/Studies/Invest.	<u>\$23,833,100</u>	<u>\$21,317,125</u>	<u>\$2,515,975</u>



FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS

FOR THE PERIOD(S) ENDING
JUNE 30, 2012 AND DECEMBER 31, 2012.
(Released on or before December 31, 2013)

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

AGENCY	F	C	S	DATE RELEASED
Attorney General		X		02-06-13
Capital Development Board	X	X		02-14-13
Chicago State University	X	X	X	03-28-13
Comptroller - Fiscal Officer	X	X		04-11-13
Comptroller - Non-Fiscal Officer		X		05-30-13
Correctional Industries (within Department of Corrections)	X	X		02-28-13
Department on Aging		X		05-23-13
Department of Central Management Services	X			02-28-13
Department of Central Management Services – (Deferred Compensation Plan)	X			06-27-13
Department of Children and Family Services	X	X		06-19-13
Department of Commerce and Economic Opportunity		X		03-13-13
Department of Corrections	X	X		08-06-13
Department of Employment Security	X			02-06-13
Department of Financial and Professional Regulation		X		03-28-13
Department of Healthcare and Family Services	X			04-25-13
Department of Healthcare and Family Services - Teacher Health Insurance Security Fund	X			04-25-13
Department of Healthcare and Family Services - Local Government Health Insurance Reserve Fund	X			04-25-13
Department of Healthcare and Family Services - Community College Health Insurance Reserve Fund	X			04-25-13
Department of Human Services	X			05-15-13
Department of Insurance		X		02-28-13
Department of Juvenile Justice		X		08-06-13
Department of Military Affairs		X		03-28-13
Department of Natural Resources	X	X		04-04-13
Department of Revenue	X	X		07-24-13
Department of State Police		X		04-11-13
Department of Transportation	X	X		06-19-13
Department of Veterans' Affairs		X		11-14-13
Drycleaner Environmental Response Trust Fund Council		X		06-19-13
East St. Louis Financial Advisory Authority	X	X		03-07-13
Eastern Illinois University	X	X	X	03-28-13
Environmental Protection Agency	X	X		03-21-13
Environmental Protection Trust Fund Commission		X		03-21-13
Executive Ethics Commission		X		06-19-13
General Assembly - Retirement System	X			01-16-13
General Assembly – Retirement System		X		05-30-13
Governors State University	X	X	X	05-15-13
Historic Preservation Agency		X		06-27-13
Illinois Commerce Commission - WETSA		X		06-19-13

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Illinois Community College Board		X		02-06-13
Illinois Conservation Foundation	X	X		02-06-13
Illinois Finance Authority	X			12-20-12
Illinois Finance Authority		X	X	03-28-13
Illinois Gaming Board	X	X		04-25-13
Illinois Housing Development Authority	X			12-20-12
Illinois Housing Development Authority		X	X	03-28-13
Illinois Housing Authority, LLC	X	X		12-20-12
Illinois Mathematics and Science Academy		X		02-28-13
Illinois Mathematics and Science Academy Fund	X			01-30-13
Illinois Medical District Commission	X	X		02-14-13
Illinois Power Agency	X	X		06-19-13
Illinois Racing Board		X		08-06-13
Illinois State Board of Investments	X			12-20-12
Illinois State Board of Investments		X		02-14-13
Illinois State Toll Highway Authority	X	X		08-06-13
Illinois State University	X	X	X	02-28-13
Illinois Student Assistance Commission	X			02-21-13
Illinois Student Assistance Commission		X		06-06-13
Illinois Student Assistance Commission - Designated Account Purchase Program	X			02-21-13
Illinois Student Assistance Commission - Prepaid Tuition	X			02-21-13
Illinois Violence Prevention Authority		*		*
Illinois Workers' Comp. Comm. - Self Insurer's Fund	X			01-30-13
Joint Committee on Administrative Rules		X		11-15-12
Judges' Retirement System	X			01-16-13
Judges' Retirement System		X		05-30-13
Judicial Inquiry Board		X		05-23-13
Kankakee River Valley Area Airport Authority	X	X		04-11-13
Law Enforcement Training Standards Board		X		06-27-13
Legislative Ethics Commission		X		01-30-13
Legislative Information System		X		10-16-12
Legislative Inspector General		X		01-30-13
Lottery	X			06-19-13
Mid-America Medical District Commission		X		08-06-13
Northeastern Illinois University	X	X	X	02-28-13
Northern Illinois University	X			02-06-13
Northern Illinois University		X	X	03-28-13
Pollution Control Board		X		03-21-13
Prisoner Review Board		X		01-30-13
Procurement Policy Board		X		10-16-12
Property Tax Appeal Board		X		02-14-13
Railsplitter Tobacco Settlement Authority	X	X		04-11-13
Secretary of State	X			05-14-13
Sex Offender Management Board		X		05-30-13

* Report not released as of December 31, 2013.

FINANCIAL AUDITS AND COMPLIANCE EXAMINATIONS (CONT.)

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>S</i>	<i>DATE RELEASED</i>
Southern Illinois University	X			04-11-13
Southern Illinois University		X	X	06-06-13
Southwestern Illinois Development Authority		X		08-06-13
State Appellate Defender		X		12-20-12
State Board of Education	X			02-21-13
State Board of Education		X		05-15-13
State Employees' Retirement System	X			01-16-13
State Employees' Retirement System		X		05-30-13
State Fire Marshal		X		04-25-13
State Police Merit Board		X		12-20-12
State Universities Retirement System	X			01-16-13
State Universities Retirement System		X		02-21-13
State's Attorneys Appellate Prosecutor		X		01-10-13
Statewide Financial Statement Audit	X			06-20-13
Statewide Single Audit - (Federal Funds)			X	06-20-13
Teachers' Retirement System	X			01-16-13
Teachers' Retirement System		X		04-04-13
Treasurer - Bright Start College Savings Program	X			01-30-13
Treasurer - Fiscal Officer	X	X		03-28-13
Treasurer - Illinois Funds	X			01-10-13
University of Illinois	X			01-10-13
University of Illinois		X	X	03-28-13
Western Illinois University	X	X	X	03-28-13



REGIONAL OFFICE OF EDUCATION AND INTERMEDIATE SERVICE CENTER FINANCIAL AUDITS

FOR THE PERIOD ENDING JUNE 30, 2012

F = Financial Audits S = Single Audits

<i>AGENCY</i>	<i>F</i>	<i>S</i>	<i>DATE RELEASED</i>
ROE #1: Adams, Pike Counties	x		05-30-13
ROE #2: Alexander, Johnson, Massac, Pulaski, Union Counties	x	x	04-25-13
ROE #3: Bond, Fayette, Effingham Counties	x		03-13-13
ROE #4: Boone, Winnebago Counties	x	x	03-13-13
ROE #8: Carroll, Jo Daviess, Stephenson Counties	x		06-19-13
ROE #9: Champaign, Ford Counties	x	x	03-28-13
ROE #10: Christian, Montgomery Counties	x		05-15-13
ROE #11: Clark, Coles, Cumberland, Douglas, Edgar, Moultrie, Shelby Cos.	x		02-21-13
ROE #12: Clay, Crawford, Jasper, Lawrence, Richland Counties	x		01-30-13
ROE #13: Clinton, Marion, Washington Counties	x		06-06-13
ROE #16: DeKalb County	x		08-21-13
ROE #17: Dewitt, Livingston, McLean Counties	x		07-11-13
ROE #19: DuPage County			*
ROE #20: Edwards, Gallatin, Hardin, Pope, Saline, Wabash, Wayne, White Counties	x		05-30-13
ROE #21: Franklin, Williamson Counties	x		04-04-13
ROE #22: Fulton, Schuyler Counties	x		05-23-13
ROE #24: Grundy, Kendall Counties	x	x	04-25-13
ROE #25: Hamilton, Jefferson Counties	x		08-21-13
ROE #26: Hancock, McDonough Counties	x	x	01-30-13
ROE #27: Henderson, Mercer, Warren Counties	x		03-28-13
ROE #28: Bureau, Henry, Stark Counties	x	x	08-21-13
ROE #30: Jackson, Perry Counties	x		07-11-13
ROE #31: Kane County	x	x	07-11-13
ROE #32: Iroquois, Kankakee Counties	x	x	03-21-13
ROE #33: Knox County	x		07-11-13
ROE #34: Lake County	x	x	07-11-13
ROE #35: LaSalle County	x		03-21-13
ROE #38: Logan, Mason, Menard Counties	x		05-15-13
ROE #39: Macon, Piatt Counties	x		01-30-13
ROE #40: Calhoun, Greene, Jersey, Macoupin Counties	x		07-11-13
ROE #41: Madison County	x		07-11-13
ROE #43: Marshall, Putnam, Woodford Counties	x		07-11-13
ROE #44: McHenry County	x		08-21-13
ROE #45: Monroe, Randolph Counties	x	x	03-07-13
ROE #46: Brown, Cass, Morgan, Scott Counties	x		06-19-13
ROE #47: Lee, Ogle Counties	x	x	07-11-13
ROE #48: Peoria County	x	x	02-06-13
ROE #49: Rock Island County	x	x	06-19-13
ROE #50: St. Clair County	x	x	02-14-13
ROE #51: Sangamon County	x		02-14-13
ROE #53: Tazewell County	x		08-06-13
ROE #54: Vermilion County	x		04-25-13
ROE #55: Whiteside County	x		07-11-13
ROE #56: Will County	x	x	03-07-13
Intermediate Service Center #1: North Cook	x	x	03-28-13
Intermediate Service Center #2: West Cook			*
Intermediate Service Center #4: South Cook	x	x	04-04-13

** Report not released as of December 31, 2013.*

PERFORMANCE AUDITS, INQUIRIES, & SPECIAL REPORTS

AUDITS IN PROGRESS

<ul style="list-style-type: none"> • Neighborhood Recovery Initiative • Village of Robbins' Use of Municipal Economic Development Funds • Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust • Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees • Covering ALL KIDS Health Insurance Program • Inmate Telephone Services • Health Facilities and Services Review Board • DCFS: Locating and Returning Missing, Runaway, and Abducted Children • Death Certificate Surcharge Fund 	<p>11/12 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees</p> <p>10/12 The Covering ALL KIDS Health Insurance Program</p> <p>5/12 College Illinois! Prepaid Tuition Program</p> <p>5/12 Department of Transportation's Implementation of Life-Cycle Cost Analysis</p> <p>4/12 The Workers' Compensation Program for State Employees</p> <p>4/12 Illinois State Police's Administration of the Firearm Owners Identification Card Act</p> <p>3/12 State's Procurement of Health Insurance Vendors</p> <p>3/12 The Village of Robbins' Use of Municipal Economic Development Funds</p> <p>1/12 Certain Financial and Business Processes of the University of Illinois Board of Trustees</p> <p>12/11 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust</p> <p>11/11 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees</p> <p>11/11 Department of Central Management Service's Operation of the State's Vehicle Fleet</p> <p>9/11 Management Audit of the State's Boards and Commissions</p> <p>4/11 Program Audit of the Covering ALL KIDS Health Insurance Program</p> <p>2/11 State's Financial Reporting System</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>12/13 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust</p> <p>12/13 The Covering ALL KIDS Health Insurance Program</p> <p>11/13 Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees</p> <p>10/13 Management Audit of the Department of Central Management Services' Administration of the State's Space Utilization Program</p> <p>7/13 Management Audit of the Illinois International Port District</p> <p>5/13 Management Audit of Illinois Public Universities</p> <p>5/13 Management Audit of Road Fund Revenue and Expenditures</p> <p>4/13 Management Audit of Management Positions in the Executive Branch</p> <p>4/13 Review of the Department of Healthcare and Family Services' SMART Act Implementation Report</p> <p>12/12 The Village of Robbins' Use of Municipal Economic Development Funds</p> <p>12/12 Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust</p>	

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

12/09	Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust	12/06	Department of Human Services' Office of the Inspector General
12/09	Regional Transportation Authority Follow Up	9/06	Flu Vaccine Procurement and I-SaveRx Program
11/09	Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan	9/06	Village of Robbins' Use of Municipal Economic Development Funds
9/09	Medical Assistance Program – Long Term Care Eligibility Determination	8/06	Department of Financial and Professional Regulation's Disciplining of Physicians
7/09	Grant to the Loop Lab School	6/06	Department of Central Management Services' Business Enterprise Program and Department of Transportation's Disadvantaged Business Enterprise Program
6/09	Department of Central Management Services' 2008 Joint Procurements of Bulk Rock Salt	3/06	Department of Transportation's Traffic Safety Programs
5/09	Funding Provided by State Agencies to Heartland Human Services	2/06	Department of Commerce and Economic Opportunity's Administration of Its Economic Development Programs
3/09	Illinois State Police's Division of Forensic Services	2/06	State Employee Travel - Modes of Transportation between Chicago and: Bloomington, Carbondale, Champaign-Urbana, Macomb, and Springfield
3/09	Multi-Year Beverage Vending and Pouring Contract	7/05	Village of Robbins' Use of Municipal Economic Development Funds
2/09	Coal Development Fund	5/05	The Illinois School District Liquid Asset Fund Plus
12/08	Annual Review of Information Submitted by the Chicago Transit Authority's Employee Retirement Plan and Retiree Health Care Trust	12/04	Department of Human Services' Office of the Inspector General
12/08	Department of Human Services Office of the Inspector General	9/04	Rend Lake Conservancy District
11/08	Village of Robbins' Use of Municipal Economic Development Funds	9/04	Illinois Aquaculture Development Fund
7/08	Review of Documents Related to the Proposed Sale of Bonds for the Chicago Transit Authority Retirement Plan and Retiree Health Care Trust	8/04	Village of Robbins' Use of Municipal Economic Development Funds
5/08	The Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process	2/04	Department of Central Management Services' Administration of the State's Space Utilization Program
2/08	Pilsen-Little Village Community Mental Health Center, Inc.	12/03	Regulation of Grain Dealers and the Grain Insurance Fund
10/07	Inventory of State Programs	11/03	Grade Crossing Protection Fund
8/07	Funding Provided by or through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program	9/03	Village of Robbins' Use of Municipal Economic Development Funds
8/07	Payments to the Illinois Hispanic Chamber of Commerce by State Agencies	5/03	Illinois State Toll Highway Authority
7/07	Village of Robbins' Use of Municipal Economic Development Funds	4/03	Teachers Academy for Mathematics and Science
4/07	Rend Lake Conserv. District Follow-up Report	1/03	Group Workers Compensation Self-Insured Pools
3/07	Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace	12/02	DHS Office of the Inspector General
1/07	Department of Transportation's Aeronautics Operations	8/02	Village of Robbins' Use of Municipal Economic Development funds
		8/02	Department of Human Services' Early Intervention Program
		7/02	Department of Public Aid's KidCare Program

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

4/02	Department of Human Services Early Intervention Program Follow-up	5/94	Correctional Industries
4/02	States Construction Contracting Methods	5/94	Central Management Services: Telecommunications
1/02	Agency Use of Internet User Technology	3/94	Collection of Money from Circuit Clerks
10/01	EPA's Vehicle Emissions Testing Program	1/94	State Housing Benefits
9/01	Illinois Health Facilities Planning Board	5/93	Public Aid: Property Transfers
8/01	Board of Education and Other State Agencies Providing Funding to Regional Offices of Education	4/93	Office of the Inspector General
6/01	Village of Robbins' Use of Municipal Economic Development Funds	4/93	Early Intervention Services System
5/01	Tuition & Fee Waivers Follow-up	4/93	User Fees
12/00	DHS Office of the Inspector General	11/92	DMHDD: Abuse & Neglect
6/00	Municipal Economic Development Fund Distributions: Village of Robbins	7/92	St. Anne's Lease
3/00	Department of Public Aid: Child Support State Disbursement Unit	6/92	State Police I-SEARCH Program
11/99	Illinois Math & Science Academy	5/92	Privatizing Weigh Stations
9/99	Department of Public Aid's Contracts with Delta Dental	4/92	Henry Horner's Children's Care
8/99	Pilsen-Little Village Community Mental Health Center	3/92	Governor's Council on Health & Physical Fitness
7/99	Medicaid Home Health Care & Regulation of Home Health Agencies	3/92	Case Management Practices
6/99	State Fire Marshal's Fire Investigations	1/92	State Legal Services
5/99	Illinois Health & Human Service Providers	11/91	State Regulation of Insurer Solvency
12/98	DHS: Inspector General	8/91	Higher Education "Systems of Systems"
9/98	Comptroller's Offset System	7/91	Eastern Illinois University Coal Conversion Project
6/98	Nursing Home Prescreening	6/91	Special Analysis: Build Illinois
5/98	IDOT's Road Construction Program	5/91	Availability of Obstetric Care
4/98	Tuition & Fee Waivers	5/91	Collection of Sales & Taxes Receivable
5/97	Professional Regulation – Physicians Regulated Under the Medical Practices Act	5/91	Property Forfeited Under the Illinois Controlled Substances Act
12/96	DMHDD – Office of the Inspector General	3/91	Illinois Competitive Access & Reimbursement Equity Program
6/96	IHSA – Site Selection for Boys Basketball Finals	3/91	Nutritional Services Paid by the Department of Children & Family Services
4/96	DMHDD – Reporting of Resident Abuse & Neglect	2/91	Illinois Multi-Year Fixed Contractual Obligations
5/95	Summer Unemployment at State Universities	2/91	Administrative Citations: Environmental Protection Agency
2/95	Laws Considered Obsolete	10/90	Project Chance Evaluation Contract
1/95	Public Aid's Child Support Program	10/90	Frequent Flyer Programs
12/94	Office of the Inspector General	8/90	Parents Too Soon Program
6/94	Toll Highway: Helicopters	7/90	State University Tuition & Fee Policies & Practices
6/94	DMHDD: Abuse & Neglect	7/90	Debt Collection Practices of Illinois & Other States
		5/90	DMHDD: Abuse & Neglect
		4/90	Veterans' Affairs Field Office Closures

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

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



