

2008 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

FIFTIETH ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION

Submitted to the Members of the
General Assembly of the State of Illinois



MEMBERSHIP

Senate Members

Senator Deanna Demuzio
Senator Dan Kotowski
Senator Chris Lauzen
Senator Iris Y. Martinez
Senator Dale A. Righter
Senator Dale E. Risinger

House Members

Representative Rich Brauer
Representative Marlow Colvin
Representative Julie Hamos
Representative Sidney Mathias
Representative Frank Mautino
Representative Sandra Pihos

Room 622
William G. Stratton Building
Springfield, Illinois 62706

To the Members of the General Assembly:

Given the responsibility of appraising the stewardship of State government, it is appropriate that the Audit Commission submits to the General Assembly each year a self-assessment of its activities.

This report, submitted in accordance with the Act creating the Commission, presents a summary of the Commission's activities and accomplishments as the legislature's oversight agency during 2008. This document also presents a number of areas in which State government could improve its performance to achieve greater efficiency, improve effectiveness, and comply with statutory directives.

The ability to make government more effective and more efficient is attributable to the members of the Legislative Audit Commission who are dedicated to meeting the challenges of government in this new century. Worthy of special note is the Commission's review of 210 financial audits and compliance examinations and three performance audits during 2008.

The Audit Commission exists by and for the legislative branch of government. The Commission encourages your suggestions on becoming of greater service to the General Assembly.

Respectfully,

Senator Chris Lauzen
Co-chair

Representative Frank J. Mautino
Co-chair

**LEGISLATIVE AUDIT COMMISSION
FIFTIETH ANNUAL REPORT
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50th Annual Report

Report Highlights

The Legislative Audit Commission is a support services agency having the principal responsibility for the oversight of the State audit program. Major accomplishments during the past year include:

- Review and action on 210 financial audits and compliance examinations and three performance audits.
- Support and enactment of remedial and other legislation.
- Review of all emergency purchases made by State agencies.
- Maintenance of a web page as a source of up-to-date information about Audit Commission activities. This site includes reports and forms associated with the Commission.
- Publication of booklets on revised Purchasing Laws and University Guidelines.

Overview

The Legislative Audit Commission is mandated by law (25 ILCS 150/0.01-0.06) to review all audits conducted by the State Auditor General. Primary responsibilities of the Commission are:

- Conduct public hearings on all major audits of State agencies to review problems, assess agency stewardship, and secure remedial action.
- Initiate and review management and program audits and investigations.
- Make recommendations to the General Assembly and agency management for corrective legislation and other measures to remedy weaknesses disclosed through audits or at Commission hearings.
- Monitor agency progress in implementing corrective action.

The statutory direction is made clear in this excerpt from the Commission's enabling legislation:

The Commission shall ascertain facts, review reports and take action thereon, and make recommendations and reports to the General Assembly and to the houses thereof concerning the audit, revenue and expenditures of the State....The Commission shall receive the reports of the Auditor General and other financial statements and shall determine what remedial measures, if any, are needed, and whether special studies and investigations are necessary.

The Commission works closely with the Office of the Auditor General. Although separate agencies, the two have many common interests. The Commission makes use of the Auditor General's specialized staff to minimize unnecessary duplication of effort and expenditure of tax funds. Nevertheless, the Commission also recognizes the specific separation of responsibilities between the conduct and the review of audits.

This report is one means used to inform the General Assembly, State agencies, the accounting profession, and the public of the Commission's activities and concerns. In addition, the Commission's membership and staff maintain open and active communication with the legislature and its staff and service agencies through personal contact and other means.

Information about the Commission's work and findings is supplied to individual members of the General Assembly upon request. This service can include supplying available information, reviewing proposed legislation, or assisting in the analysis of fiscal matters.

A final and important means of communicating with the members of the General Assembly is the sponsorship of legislation. The Legislative Audit Commission has a structured process for identifying and acting upon matters requiring new or amendatory legislation.

Commission's Home Page

Information about the Legislative Audit Commission is also available on a home page on the Internet. The information includes Commission authority and membership, the agenda of the Commission's next scheduled meeting, reviews of audits for the next scheduled meeting, a list of audit reports passed on the Commission's Consent Calendar since January 2000, the most recent Annual Report, the Purchasing Laws Publication, the University Guidelines publication, and the Headquarters designation (TA-2) form. Reviews of all audit reports heard by the Commission in the current audit cycle are also available. The home page enhances public access to information concerning the Commission's activities.

To reach the Commission's home page, please use the following Internet address:

www.ilga.gov

Commission Membership

The Commission consists of 12 members who are appointed by the legislative leadership. Membership is equally apportioned between the two chambers and the two political parties. Finally, the co-chairs may not be members of the same political party, nor may they serve in the same chamber of the General Assembly.

The members receive no compensation for the substantial amount of time devoted to Legislative Audit Commission activities, but are reimbursed for travel expenses incurred.

The Commission maintains a full-time staff of three persons in the William G. Stratton Building in Springfield.

Appearing on the next page are lists of legislators now serving and those who have served on the Legislative Audit Commission.

**Commission Membership and
Date of Appointment
at December 31, 2008**

Senate Members

Senator Deanna Demuzio	July 2004
Senator Chris Lauzen	January 1997
Senator Iris Y. Martinez	February 2005
Senator Kwame Raoul	February 2007
Senator Dale A. Righter	February 2003
Senator Dale Risinger	February 2004

House Members

Representative Rich Brauer	February 2003
Representative Marlow H. Colvin	June 2005
Representative Julie Hamos	May 2006
Representative Sidney Mathias	February 2005
Representative Frank J. Mautino	March 1997
Representative Sandra Pihos	February 2005

Former Members

Raymond E. Anderson	Dwight P. Friedrich	Clarence E. Neff
Victor Arrigo	John S. Graham	Dawn Clark Netsch
W. Russell Arrington	Harber H. Hall	Daniel J. O'Brien
Louis E. Beckman	Kenneth Hall	Mary K. O'Brien
Robert A. Biggins	Gary Hannig	John T. O'Connell
Kenneth Boyle	Dennis Hastert	Frank M. Ozinga
Michael I. Brady	Jay Hoffman	Margaret R. Parcels
Richard H. Brummer	Gene Johns	Glenn Poshard
George M. Burditt	Timothy V. Johnson	Paul Powell
Robert E. Cherry	Nancy Kaszak	Walter J. Reum
Clyde L. Choate	James F. Keane	Calvin W. Schuneman
Terrel E. Clarke	Jack L. Kubick	Penny Severns
Earlean Collins	Bob Kustra	George P. Shadid
Jacqueline Collins	Leo D. LaFleur	W. Timothy Simms
Philip W. Collins	John J. Lanigan	Cal Skinner, Jr.
John Connolly	Richard R. Larson	Fred J. Smith
Michael D. Curran	Ted E. Leverenz	Arthur W. Sprague
Julie A. Curry	Ellis B. Levin	George F. Stastny
John M. Daley	James P. Loukas	Celeste M. Stiehl
Richard M. Daley	Eileen Lyons	Arthur Tenhouse
Corneal A. Davis	Lynn Martin	Judy Baar Topinka
Aldo A. DeAngelis	Jeffrey D. Mays	Donne E. Trotter
Terry W. Deering	David B. McAfee	Louis S. Viverito
Miguel A. del Valle	Edward McBroom	Thomas J. Walsh
Vince Demuzio	Dean McCulley	Frank C. Watson
Brian B. Duff	Andrew J. McGann	Jerry Weller
Thomas Dunn	Robert F. McPartlin	Rick Winkel
George W. Dunne	Robert W. Mitchler	Anne Zickus
Paul F. Elward	Edward A. Nedza	

Audit Review Program

Audits are, by their nature, a look at the past. Transactions are reviewed, statistical and compliance tests are performed, and an evaluation is made of conditions during the period covered by the report. The Commission's audit review activities seek to change this focus by involving legislators, agency directors and managers, and members of the audit team in a structured process, which emphasizes implementation of corrective action to remedy existing weaknesses and to prevent lapses of control in the future. While the audit report cites deficiencies at the time of the examination, the Commission looks forward, seeking to view the audit report as a blueprint for improved agency service and accountability. In this way, the Commission maximizes the value of these reports as management tools.

Two important benefits result from frequent hearings on major audits:

1. Legislators are directly involved in the audit process, increasing communication within government and supplying feedback to the legislative and appropriations processes; and
2. Opportunities are increased for both administrative and legislative action to correct weaknesses and deficiencies disclosed in the audit reports.

Basic elements of the Commission's review include:

- Disclosure and public scrutiny of weaknesses and illegal or improper conduct in the use of public funds and the management of public business.
- Study, development, and introduction of legislation to correct weaknesses and improve the statutory framework of Illinois government.
- Initiation of management and program audits, investigations, and other studies, as required.
- Review of the delivery of State services, based both on audit findings and on members' contact with their constituents and the various agencies.

The participation of the Office of the Auditor General and accounting profession enhances discussion of accountability issues by both the agency and the Commission. In many instances, their comments help to clarify complex accounting issues. The Commission extends its appreciation to the accounting professionals who have participated during the past year. Hopefully they have found their association with the audit program rewarding, and have gained an appreciation of legislative oversight concerns as the result of their participation in Commission meetings. A listing of these individuals, by accounting firm name, appears on the following page.

BKD

Tony Spratte

Crowe & Chizek

Chris Mauer
Jim Pandolfi

DeRaimo, Hillger & Ripp

Ferne Hillger

Dycus, Bradley & Draves

Scott Draves

E.C. Ortiz

Stella Santos
Martina Sees

KPMG

Julie Barrientos
Jeff Markert

McGladrey & Pullen

Joe Evans
Linda Abernathy

Schorb & Schmersahl

Denise Hesler

Sikich

Nick Applebaum

Sleeper, Disbrow, Morrison**Tarro & Lively**

Tom Leach

Winders & Co.

Bob Arnholt

Compliance Examinations

Compliance audits, or compliance examinations, stress the fundamentals of governmental accountability—compliance with statutes and regulations, sound business practices, safeguarding of assets and property, and proper expenditure of State funds. The Commission took action on 210 financial and compliance reports during 2008 ranging from reports disclosing no material findings to reports containing 29 recommendations. Obviously, this large number of reports represents the foundation of the Commission's workload. A listing of these audits is included in Appendix A on pages 27-30.

Prior to a Commission hearing, an audit review is prepared by Commission staff, summarizing all of the recommendations made by the auditors and pertinent financial data. The recommendations are classified as to implementation and acceptance status based on current information requested from the agency involved.

The Commission's public hearings stress implementation of corrective action, review of disputed findings, and an assessment of the fiscal and programmatic achievements of the agency. Corrective action is stressed to minimize the repetition of adverse findings in future reports. The Commission expects that each recommendation accepted by an agency will be implemented within a reasonable time. Priority attention is devoted to correcting past problems so that they will not recur. The Commission considers no audit recommendation fully disposed of until:

- it has been accepted by the agency;
- equally acceptable procedures have been implemented; and
- the Commission members are convinced that the position taken by the agency in not accepting a given recommendation is proper in the circumstances involved.

If implementation is not feasible, the Legislative Audit Commission may urge elimination of the recommendation in future reports.

Although infrequent, the Commission may be dissatisfied with an agency's lack of progress implementing audit recommendations and require the State agency to return to the Commission to report on the status of implementing audit report recommendations. As well, the Commission may notify the Governor if an executive agency or department refuses to comply with an audit recommendation. As well, the Audit Commission may request an opinion from the Attorney General for the interpretation of statute, and whether an agency is operating within statutory requirements. Only one opinion from the Attorney General was requested due to an audit finding, and that request was made by the agency.

The Office of the Auditor General contracts with an independent auditor to perform a Statewide Single Audit of federal funds. This Statewide Single Audit fulfills the mandate for accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 44 State agencies expended about \$16.67 billion in federal financial assistance in FY07. The State agencies not included in the Statewide Single Audit are the various universities, the bonding authorities, and the Conservation Foundation. Federal findings will continue to be noted in the State compliance audit reports of these agencies.

The Statewide Single Audit for FY07 contained 87 findings with 59 repeat findings. The audit noted that the State's process for collecting information to compile the Schedule of Expenditures of Federal Awards (SEFA) is inadequate to permit timely and accurate reporting. As a result of this inadequacy, the auditor has a significant deficiency on all federal programs administered by the State.

Several findings in the Statewide Single Audit focus on deficiencies within the agencies concerning subrecipient monitoring for the \$3.5 billion passed-through to subrecipients. The lack of comprehensive monitoring of federal funds passed-through to subrecipients continues to concern the Audit Commission. Other findings focus on weaknesses within individual agencies to maintain complete files and documentation to support client and program eligibility.

Audit Review Highlights

During 2008, the Legislative Audit Commission reviewed 210 compliance examinations and financial audit reports. Obviously, this statistic is of limited significance because there are wide variations in the reports regarding length, complexity of agency operations, and other factors. This figure, however, is not without meaning because it does reflect the wide

range of the State's fiscal activities subjected to review by the General Assembly during this period.

Whenever the State implements the recommendations of compliance examinations and other types of audits, budget savings can occur, accountability will increase, and the authority of the appropriations process is returned to the Legislature.

- The Department of Revenue paid almost \$1.6 million out of FY06 appropriations towards FY07 CMS Internal Service Fund billings, and \$2.8 million out of FY07 appropriations towards FY08 Internal Service Fund billings. In FY07 DOR created or falsified six invoices with CMS headings as supporting documentation in order to make the prepayments.

The Commission continues to be concerned with the timely review of compliance, financial and performance audits. As a post-facto examination, there is, of necessity, a certain delay in the completion and review of audits. However, it is important that the process be concluded in a timely fashion to maximize the benefits of the audit program.

The Commission attempts to reach a satisfactory agreement regarding each of audit recommendations. In some instances, the agency reports acceptance of the recommendation, but subsequent audits reveal the recommendation was not implemented or corrective procedures have fallen into disuse. The Commission places special importance upon the continuing obligation of State agencies to implement and maintain corrective procedures recommended by the Auditor General.

The use of computer technology is widespread in State government and much of the responsibility for all aspects of information technology within most departments lies with the Department of Central Management Services. With improved technology, however, comes the need for comprehensive planning in the design and development of computer systems and subsequent changes, adequate training and documentation, system-wide security, and a tested plan for continued record keeping and service if the system should fail.

- In FY07, CMS did not maintain, complete, accurate, or detailed records to substantiate its current midrange computer systems and equipment for the eleven agencies whose IT functions were consolidated into CMS. CMS did not develop or test a disaster contingency plan for the agencies, or have an effective mechanism to track, control, and monitor end-user software use.

The Commission has observed a trend in State government toward more outsourcing of State services. The Commission has an elevated concern over how those contracts are bid and procured. Additionally, State agencies should better plan and monitor contracts to ensure that all State funds are used to properly offer and provide services to all eligible individuals. Finally State agencies must follow the rules and the law when awarding contracts.

- Billings, payments or purchases were not always made or reported in compliance with the Procurement Code, SAMS procedures, or other approved procurement

processes by Chicago State University, the Departments of Central Management Services, Corrections and Transportation, the Governor's Office of Management and Budget, the Illinois Finance Authority, and the Toll Highway Authority.

During 2003, the administration consolidated the internal audit function active in 26 departments and agencies into one Office of Internal Audit. The Office of Internal Audit is responsible for conducting a broad, comprehensive and independent program of internal auditing for the Governor and *all* those entities under his jurisdiction. This consolidation is of particular interest to the Commission as the external audits of the executive agencies under this new system revealed more audit findings among the reports released in 2007 and 2008. The Commission has concluded that the increase in findings is due to a lack of internal auditors within the agencies and fewer staff in almost every agency, and in particular, fewer and less experienced fiscal people within the agencies due to early retirement and unfilled vacancies.

The Commission is also aware that several agencies within State government have been consolidated into new agencies or existing departments. The Department of Nuclear Safety was placed within the Emergency Management Agency. The Rural Bond Bank, the Farm Development Authority, the Educational Facilities Authority, the Health Facilities Authority, and the Development Finance Authority have been consolidated into the new Illinois Finance Authority. The Gaming Board, the Racing Board, the Liquor Control Commission and the Department of the Lottery are now under the auspices of the Department of Revenue. The Departments of Insurance, Professional Regulation, and Financial Institutions and the Office of Banks and Real Estate have merged to become the new Department of Financial and Professional Regulation. The Commission is monitoring the audits of these agencies to ensure that old findings are resolved and statutory mandates are fulfilled.

The executive branch used several methods to mitigate the effects of the financial crisis, which began in FY02: increase or establish new fees and assessments; reduce headcount or leave vacancies unfilled at almost every agency and department; regularly sweep funds with unused cash assets into the General Revenue Fund; charge some agencies for certain administrative functions paid by GRF; bill agencies for efficiency initiatives and shared services; lengthen the payment cycle; and borrow against pension benefits. The Audit Commission remains concerned that the level of State service to taxpayers is adequate and efficient; that new fees and assessments are fair and within the law; that the charge-backs to agencies for administrative functions, savings initiatives and services do not circumvent the appropriations process; that payments are timely; and that funds are repaid as necessary.

During 2007, growth began to moderate in the Illinois economy, and employment and payrolls in industry, education, healthcare, business and hospitality slowed. Many of the techniques used by the administration earlier to move the State through financially slow periods are no longer available or have limited availability. In 2008, the State and national economy slowed to the point of recession and by the end of the year, unemployment in Illinois began heading for the high single digits. The Audit Commission is concerned that the State has offered healthcare to many of its citizens, but cannot pay for those services timely, if at all. Whether the State is funding education as directed by the State Constitution has come into question. The State forfeited millions in highway construction

funds due to lack of State resources, and the General Assembly and the former Governor reached an impasse on many issues, including the State's FY2009 budget, paying pension obligations, capital improvements and exercising spending restraint.

Appendix B, appearing on pages 31-32 summarizes the audits considered at Legislative Audit Commission hearings during 2008, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During the past year, the Commission gave special attention in its review activity to the topics which follow. The various departments and agencies listed usually agreed to implement specific audit recommendations or other changes, so that these weaknesses would no longer exist. In most instances, the findings were for the period ending June 30, 2007.

Failure of Internal Controls

The **Board of Examiners, Chicago State University, Chicago State University Foundation, Departments of Central Management Services, Financial and Professional Regulation and Healthcare and Family Services, Eastern Illinois University, Educational Labor Relations Board, Governor's Office of Management and Budget, Guardianship and Advocacy Commission, Human Rights Commission, Illinois Arts Council, Illinois Commerce Commission, Illinois Finance Authority, Illinois Emergency Management Agency, Illinois Medical District Commission, Illinois Student Assistance Commission, IMSA Fund for Advancement of Education, State Board of Education, State Board of Elections, State Employees Retirement System, Southern Illinois University, Toll Highway Authority, and Western Illinois University** did not ensure that hearings, meetings, and inspections were conducted timely or reports, audits or other required submissions were reported, accurately completed, received, approved or denied timely.

The **Board of Examiners, Chicago State University, Commission on Government Forecasting and Accountability, the Departments of Central Management Services, Financial and Professional Regulation, Human Rights, Labor, Natural Resources, State Police and Transportation, East St. Louis Financial Advisory Authority, Governor's Office of Management and Budget, Governors State University, Illinois Mathematics and Science Academy, Illinois Medical District Commission, Judicial Inquiry Board, Labor Relations Board, Northeastern Illinois University, Northern Illinois University Foundation, Office of the Architect of the Capitol, Office of the Governor, Southern Illinois University, Stateville Correctional Center, Toll Highway Authority, and Vienna Correctional Center** had deficiencies in asset or property recording or control.

The **Board of Examiners, Chicago State University, Departments of Labor, Revenue and Transportation, Human Rights Commission, Illinois Commerce Commission, Labor Relations Board, Northeastern Illinois University, Office of the State Treasurer, Stateville Correctional Center, and University of Illinois** had improper or

undocumented expenditures including duplicate payments and expenditures from incorrect appropriation lines.

The **Board of Examiners, Department of Healthcare and Family Services, Drycleaner Environmental Response Trust Fund Council, Eastern Illinois University, Illinois Conservation Foundation, Illinois Student Assistance Commission, and Southern Illinois University** had inadequate or non-existent procedures or policies, or did not follow approved procedures.

The **Capital Development Board, Chicago State University, Departments of Central Management Services, Corrections, Financial and Professional Regulation, Labor, and Transportation, East St. Louis Financial Advisory Authority, Eastern Illinois University, Governor's Office of Management and Budget, Guardianship and Advocacy Commission, Human Rights Commission, Illinois Conservation Foundation, Illinois Emergency Management Agency, Illinois Student Assistance Commission, Stateville Correctional Center, Southern Illinois University, SIU-E Alumni Association, SIU-E Foundation, Toll Highway Authority, and Vienna Correctional Center** did not deposit receipts or perform reconciliations timely, or had underinsured deposits.

The **Capital Development Board, Departments of Labor and Revenue, Eastern Illinois University, and Southern Illinois University Research Park** did not ensure that receivables or payables were calculated correctly or within the appropriate accounting period.

Chicago State University, the Departments of Children and Family Services, Corrections, Employment Security, Financial and Professional Regulation, Labor, State Police, and Transportation, Eastern Illinois University, Governors State University, Guardianship and Advocacy Commission, Human Rights Commission, Illinois Medical District Commission, Illinois State University, Labor Relations Board, Northeastern Illinois University, Northern Illinois University, Southern Illinois University, Stateville Correctional Center, University of Illinois, and Western Illinois University did not properly control employee attendance, did not require timesheets of all employees, did not have an automated timekeeping system, or did not properly document accrued time or overtime.

Chicago State University, the Departments of Children and Family Services, Corrections—Correctional Industries, and Transportation, and Governors State University made some fund transfers improperly or untimely, or did not request or return federal reimbursements timely or according to agreement.

Chicago State University, the Departments of Corrections, Corrections—Correctional Industries, Financial and Professional Regulation, Healthcare and Family Services, Labor, Revenue, and Transportation, Eastern Illinois University, Governor's Office of Management and Budget, Labor Relations Board, and Supreme Court did not follow or establish adequate travel procedures or controls or had inadequate vehicle maintenance and accident report procedures.

The **Deaf and Hard of Hearing Commission**, the **Departments of Employment Security, Financial and Professional Regulation, Labor, State Police, East St. Louis Financial Advisory Authority, Educational Labor Relations Board, General Assembly Retirement System, Guardianship and Advocacy Commission, Human Rights Commission, Illinois Finance Authority, Judges' Retirement System, Southern Illinois University, Southern Illinois University-Edwardsville University Park, State Employees' Retirement System, Stateville Correctional Center, University of Illinois, and Vienna Correctional Center** did not adequately segregate duties or ensure approval or supervisory review of reports including payroll.

The **Departments of Central Management Services, Children and Family Services, Financial and Professional Regulation, Human Rights, Labor, Revenue, State Police, and Transportation, Dry Cleaner Environmental Response Trust Fund Council, Governors State University, Illinois Mathematics and Science Academy, Labor Relations Board, and Vienna Correctional Center** did not process appropriately, approve timely, or investigate discrepancies in vouchers or receipts.

The **Departments of Central Management Services, Corrections, Healthcare and Family Services, Revenue and Transportation** prepared or paid for consolidated services or efficiency billings without adequate documentation.

The **Departments of Central Management Services, Corrections—Correctional Industries, Healthcare and Family Services, Human Rights, and Transportation, Environmental Protection Agency, Governor's Office of Management and Budget, Illinois Medical District Commission, Illinois Student Assistance Commission, Northeastern Illinois University, Northeastern Illinois University Foundation, Northern Illinois University Alumni Association, Northern Illinois University Foundation, Office of the Treasurer, State Board of Elections, Toll Highway Authority, University of Illinois PrairieLand Energy, University of Illinois Research Park, Western Illinois University, and Western Illinois University Foundation's** financial reports were inaccurate, were not filed, were filed untimely, or were not filed consistent with acceptable accounting methods.

The **Departments of Central Management Services, Employment Security, Healthcare and Family Services, Labor, and State Police and Office of the Governor** did not properly prepare, monitor, or execute interagency agreements.

The **Departments of Children and Family Services, Financial and Professional Regulation, and Human Rights** had inadequate telecomm procedures.

The **Departments of Children and Family Services, Corrections, Employment Security, Financial and Professional Regulations, Healthcare and Family Services, Labor, Revenue, State Police, and Transportation, Eastern Illinois University, Governor's Office of Management and Budget, Human Rights Commission, Illinois Commerce Commission, Illinois Criminal Justice Information Authority, Illinois Student Assistance Commission, Office of the Governor, Office of the State Treasurer, and Vienna Correctional Center** did not conduct employee evaluations timely.

The **Department of Corrections** transferred funds from certain line items even though there were outstanding obligations in the line items. Also, the **DOC** facilities' audit findings primarily concerned segregation of duties, incomplete inmate files, property control, control over local funds, voucher control, and personnel issues.

The **Department of Corrections** and **Department of Healthcare and Family Services** did not supply information to auditors timely.

The **Departments of Corrections** and **Labor, Stateville Correctional Center** and **Vienna Correctional Center** did not offer or document training timely or utilized temporary employees inconsistent with policy.

The **Department of Corrections, East St. Louis Financial Advisory Authority,** and **Vienna Correctional Center** did not have updated signature cards or did not ensure the return of State property by employees prior to retirement or termination.

The **Department of Financial and Professional Regulation, Guardianship and Advocacy Commission, Illinois Student Assistance Commission, Northern Illinois University,** and **Toll Highway Authority** had inadequate control over locally held funds.

The **Departments of Financial and Professional Regulation** and **Healthcare and Family Services** did not pay interest on past due bills or refunds timely.

Failure to Monitor Computer Systems

The **Departments of Central Management Services' Bureau of Communications and Computer Services** and **Corrections-Correctional Industries, Eastern Illinois University,** and **Western Illinois University** had inadequate security or system implementation difficulties.

The **Departments of CMS-BCCS, Financial and Professional Regulation,** and **State Police, Eastern Illinois University, Illinois Criminal Justice Information Authority, Illinois State University,** and **Western Illinois University** had inadequate disaster planning and testing.

The **Department of Central Management Services** and the **Department of Transportation** did not establish adequate security controls for DOT's computer resources or plan for and test recovery applications.

The **Department of Financial and Professional Regulation, Labor Relations Board** and **State Police** did not receive computer applications timely or the computer system did not meet the needs of the agency.

The **Department of Revenue** did not plan for and test recovery applications with the **Department of Central Management Services.**

Illinois State Police was out of compliance with change management procedures.

Failure to Adequately Monitor Subrecipients and Contractors

The **Board of Examiners, Departments of Labor and Revenue, Illinois Medical District Commission, and University of Illinois PrairieLand Energy** had inadequate procedures, oversight or control of contractual agreements.

Chicago State University, Department of Central Management Services, and the University of Illinois did not file contracts, including leases, appropriately with the State Comptroller.

The **Department of Central Management Services** did not have an adequate process in place to assess the State's needs for master contracts, and the Department did not develop and monitor the usage of master contracts.

The **Departments of Central Management Services, Children and Family Services, Corrections, Corrections-Correctional Industries, Financial and Professional Regulation, Healthcare and Family Services, Labor, State Police, and Transportation, Governor's Office of Management and Budget, Illinois State University, Labor Relations Board, and Toll Highway Authority** did not ensure that contracts were enacted prior to a contract's start date.

The **Department of Children and Family Services** and the **Toll Highway Authority** did not have measurable criteria established to apply to contractors.

The **Departments of Healthcare and Family Services and Transportation, Northeastern Illinois University, Northern Illinois University, Southern Illinois University, and the University of Illinois** did not properly monitor grant agreements to ensure that grantees met requirements, used grant funds as specified, provided documentation of expenditures, or submitted final reports.

The **Departments of Healthcare and Family Services, State Police, and Transportation** did not ensure that contractual expenditures were reasonable, necessary and in accordance with the contract.

The **Department of Transportation, Southern Illinois University, and the Toll Highway Authority** used inaccurate or incomplete vendor lists or otherwise incomplete contractual agreements.

Failure to Operate Within Statutory Authority

The **Board of Examiners, Departments of Financial and Professional Regulation and Transportation, DryCleaner Environmental Response Trust Fund Council, East St. Louis Financial Advisory Authority, Human Rights Commission, Illinois Arts Council, Illinois Finance Authority, Illinois Summer School for the Arts, and the Office of the Governor** did not appoint members to vacant positions on Boards and Commissions as directed by statute.

The **Commission on Government Forecasting and Accountability, the Departments of Financial and Professional Regulation and Labor, East St. Louis Financial Advisory Authority, and the Governor's Office of Management and Budget** did not submit reports timely to the General Assembly, Governor, or other entities.

Chicago State University, Departments of Central Management Services, Corrections, Labor, Financial and Professional Regulation and Healthcare and Family Services, Eastern Illinois University, Human Rights Commission, Illinois Arts Council, Illinois Commerce Commission, Illinois Finance Authority, and Southern Illinois University did not establish or adopt procedures or rules to ensure compliance with statutory mandates or federal regulations.

The **Department of Central Management Services'** law enforcement and security functions were not transferred to the **Illinois State Police** as required by Executive Order 2004-4. **CMS** did not ensure compliance with State statutes governing the solicitation and award of leases.

The **Department of Corrections** did not establish a Subcommittee on Women Offenders. **DOC** also marked-up commissary items higher than the percentage allowed by law.

The **Department of Corrections, Governors State University, Guardianship and Advocacy Commission, and the State Employees' Retirement System** had employees who did not submit Statements of Economic Interest timely or complete ethics training timely.

The **Department of Financial and Professional Regulation** did not consolidate many aspects of its administrative process as intended by the Governor's Executive Order of 2004. Also, **DFPR** was not in compliance with the Savings Bank Act and the Residential Mortgage Act of 1987.

Eastern Illinois University, Human Rights Commission, Illinois Student Assistance Commission, Kankakee River Valley Airport Authority, Labor Relations Board, Northern Illinois University, Southern Illinois University, State Board of Education, and State Board of Elections were out of compliance with other statutory mandates.

The **Illinois Finance Authority** did not operate an annual award program for Illinois-based exporters.

Failure to Protect the State's Interest

The **Department of Central Management Services** did not implement a system to effectively carry out facilities management responsibilities. Deficiencies included lack of timely funding or billing, renewal of leases not actively managed, and payment to vendors for monthly lease obligations were not made timely.

Child welfare investigations were not conducted, determined or completely documented by the **Department of Children and Family Services**, and other procedures were not always followed as well.

The **Department of Corrections** failed to follow procedures regarding restrictions and prohibitions against whom inmates may visit and contact while in prison. Also, **DOC** incarcerated individuals without all required admission documents, and the **Department** did not notify all appropriate entities or individuals prior to the parole or release of a convicted felon.

The **Department of Financial and Professional Regulation's** Enforcement Unit did not perform and/or document enforcement activities in a timely or sufficient manner. Also, **DFPR's** Division of Financial Institutions did not review all licensees' files to ensure documentation exists for license holders.

Two **Department of Human Services'** facilities, Tinley Park Mental Health Center and Howe Developmental Center, were decertified as eligible for Medicare/Medicaid claims.

The **Department of Transportation** and local agencies were delinquent in performing bridge inspections.

Northern Illinois University Alumni Association, Northern Illinois University Foundation, Southern Illinois University Research Park, Southern Illinois University Physicians and Surgeons, Southern Illinois University-Edwardsville Alumni Association, Southern Illinois University-Edwardsville Foundation, Southern Illinois University-Edwardsville University Park, University of Illinois Prairieland Energy, and Western Illinois Foundation had inadequate fraud prevention and protection policies or procedures.

The **Toll Highway Authority** did not bill all toll violators in accordance with the law and in a timely fashion.

Collection of Receivables

Accounts receivable are a valuable asset to the State, and as such, must be effectively accounted for and pursued for collection. Each agency must maintain an accounting system that enables them to establish, record, follow-up, collect, and possibly write off individual receivables.

According to the Comptroller's December 31, 2008 Receivables Report, the gross receivables balance was \$12.6 billion. Of this amount, \$4.9 billion was deferred receivables (long-term loans) and \$5.5 billion was estimated to be uncollectible. Thus, almost \$2.1 billion (16.8 %) was estimated to be collectible.

Performance Audits

Performance audits, a category that includes program, management, and efficiency audits, provide a more detailed and thorough examination of a topic than is possible in a compliance examination. The Auditor General is authorized to conduct performance audits when directed by either chamber of the Illinois General Assembly or by the Legislative Audit Commission. A performance audit means a post audit which determines:

- Whether the audited agency is managing or utilizing its resources in an economical and efficient manner;
- Causes of inefficiencies or uneconomical practices;
- Whether the objectives and intended benefits are being achieved, and whether efficiently and effectively;
- Whether the program is being performed or administered as authorized or required by law; and
- Whether the program duplicates, overlaps, or conflicts with another State program.

One of the methods by which performance audits may be initiated is through the adoption of a resolution by the Legislative Audit Commission. The Commission adopted one resolution in 2008 requiring a performance audit.

- Legislative Audit Commission Resolution No. 138 directed the Auditor General to conduct a management audit of CMS' joint purchasing procurements of bulk rock salt in 2008 to determine whether good procurement practices were exercised in accordance with applicable State laws and rules.

The following is a summary of the three performance audits reviewed by the Legislative Audit Commission during 2008.

Program Audit of Funding Provided By or Through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program

Senate Resolution 686 directed the Auditor General to conduct a program audit of the funding provided by or through the State of Illinois to the CeaseFire program. The audit offered the following conclusions:

- In FY04 through FY06, the Chicago Project and its community partners received \$16.2 million from a variety of sources to operate the CeaseFire program and fund other Chicago Project activities.
- The State of Illinois provided the largest amount of funding, \$11.1 million, followed by private foundations at \$3 million, federal monies totaling \$1.8 million and Cook County with \$325,000 in funding.
- The Chicago Project was to utilize the funds, in part, for subcontracts with community partners; salaries and benefits for Chicago Project staff; salaries and benefits for its own outreach staff to support community sites; and public education materials. Testing found that some of the funds did not go for the stipulated purposes.
- An examination of documentation at the Chicago Project and State contracts on file at the Comptroller found numerous weaknesses in the administration of the CeaseFire program that included:
 - During FY06, the Department of Corrections provided funding for CeaseFire outside the payment terms of the agreement.
 - During FY06, the Chicago Project charged a total of \$365,000 in administrative fees that was not delineated in the funding agreement with DOC. DOC officials condoned the practice even though it was not outlined in the agreement.
 - UIC and the Chicago Project allowed community partners to initiate work without a written agreement in place.
 - Insufficient diligence by Chicago Project staff led us to question \$371,534 in reimbursements to community partners.
- CeaseFire communities were determined during the audit period by two sources—the Chicago Project or individual legislators that provided funding in the State budget.
- The Department of Corrections had no predetermined performance measures contained in funding agreements with the University of Illinois detailing what results were expected for the funding levels received. The agreements simply set forth payment schedules.

The audit contained nine recommendations of which four were directed to the Chicago Project, three to the Department of Corrections, one to the Illinois State Police, one to the Department of Commerce and Economic Opportunity, and two to the University of Illinois. There was one matter for consideration by the General Assembly. The agencies generally agreed with the recommendations.

Performance Audit of the Department of Healthcare and Family Services' Prompt Payment Act Compliance and Medicaid Payment Process

Legislative Audit Commission Resolution Numbers 136 and 137 directed the Office of the Auditor General to conduct performance audits of the Department of Healthcare and Family Services' (HFS) Medicaid and Group Health Insurance Program activities relating to the Prompt Payment Act (Act) and its processing of Medicaid claims.

Regarding HFS' Medicaid claims receipt, approval, denial, and payment process, the audit concluded the following:

- Medicaid claims received in each of the past four fiscal years, when added to unpaid bills carried over from the prior year, have exceeded the funds available to timely pay

providers. **On average, from FY05 – FY07, \$1.5 billion of unpaid medical claims have been carried over into the next fiscal year.**

- HFS could **not** document how payment schedules and payment parameters used to make Medicaid payments were established.
- In FY06, it took HFS an average of **6 days to process** claims; however, it took HFS an average of **57 days to submit claims to the Comptroller** for payment.
- HFS used a **poorly defined and documented** process to expedite \$5.7 million in “one-time drop” payments to providers in FY07.
- In calendar year 2006, it took HFS an average of **87 days to notify** non-expedited providers of a rejected service when the rejected service was submitted on a claim along with a service that was paid.
- In 2006, HFS used 123 error codes to notify providers of rejected services that were **not** listed in HFS’ provider handbook.

Regarding HFS’ compliance with the Prompt Payment Act, the audit concluded the following:

- Due to the delays in payment, **claims submitted to HFS have accrued a potential liability of almost \$81 million in Prompt Payment Act interest since FY00.** Actual interest expected to be paid to providers is estimated by HFS to be less due to not all providers requesting eligible interest, as well as exclusions that may be applied to potential interest payments by HFS.
- HFS did not have a system in place to pay automatically owed interest (interest greater than \$50) to providers until May 2007 – **almost eight years** after the inclusion of Medicaid claims in the Prompt Payment Act. Additionally, in FY06, it took HFS an average of **452 days** to pay requested interest to providers (interest between \$5 and \$50).
- HFS requires providers to follow a cumbersome process to request interest. Also, HFS is excluding certain claims from interest payments, some of which are not supported by Administrative Rule.

The Court of Claims has ruled that the Administrative Rule’s methodology for calculating prompt payment interest is **inconsistent** with the methodology prescribed by the Act.

The audit contained 13 recommendations, ten of which were accepted by the Department of Healthcare and Family Services. All or the majority of the three other recommendations were not accepted by the Department.

Management Audit Pilsen-Little Village Community Mental Health Center, Inc.

House Resolution 1146, adopted on May 4, 2006, directed the Auditor General to conduct an audit of Pilsen-Little Village Community Mental Health Center to determine whether funds received by Pilsen have been spent according to applicable State laws, regulation,

contracts and grants. The review of Pilsen's activities and expenditures produced a report with 19 recommendations and identified a number of findings:

- During fiscal years 2005 and 2006, Pilsen paid over \$30,000 in property taxes. Pilsen operates as a not-for-profit corporation and qualifies for an exemption from property taxes. After the completion of our fieldwork, Pilsen received a refund in November 2007 for \$16,661 of the property taxes paid.
- Related party transactions involved Pilsen and Pilsen's newest Board member, including the purchase of property for \$6.4 million.
- Pilsen programs, including State-funded programs, were over-allocated \$21,361 in healthcare and dental expenses for Latino Youth Alternative High School employees.
- In the review of personnel files, 32% of sampled files lacked documentation that the individual met the established job qualifications for their position and 48% lacked documentation on performance appraisals.
- Although required by its policies, Pilsen did not utilize competitive bidding for any of the six construction contracts, totaling \$170,100, in our expenditure sample.
- Pilsen did not maintain an accurate listing of its vehicles and had difficulty providing a list of vehicles when requested. An examination of Pilsen's property and equipment listing showed only five of its nine vehicles were included as assets.
- Salary expense for unallocated activities was inappropriately charged to Pilsen's programs.
- Pilsen incurred a total of \$24,763 in cell phone charges during fiscal years 2005 and 2006, which included excessive roaming charges (\$3,067 in roaming charges for two sampled expenditures) for the Executive Director's cell phone while the Executive Director was out of the country.
- Pilsen does not take physical inventory of its assets on a regular basis.
- In the sample review of the agency's expenditures, 15 of 42 credit card purchases of \$50 or more did not have the required receipt.

In August 1999, the Office of the Auditor General released a management audit of Pilsen. The audit resolution for that audit was very similar to this audit with the same scope and objectives. This audit contains some findings that are similar to findings in the 1999 report. Finding areas that are similar include property taxes, cell phone usage, travel expenditures, inventory, related party transactions, and lack of documentation for expenses. The 1999 audit contained 17 recommendations.

The 2008 audit contained 19 recommendations of which 17 were directed to and accepted by the Pilsen-Little Village. The other two recommendations were directed to and accepted by the Departments of Public Health, Human Services, and Healthcare and Family Services and the State Board of Education.

Regional Offices of Education

The Commission received the annual financial audits of the 45 **Regional Offices of Education** and two of the three **Intermediate Service Centers**. The majority of recommendations related to problems with internal controls and compliance with certain statutory requirements.

Special Inquiries

The State Auditing Act also provides for several different types of audits, including special reports and investigations. The Act defines an investigation as an inquiry into specified acts or allegations of impropriety, malfeasance, or nonfeasance in the obligation, expenditure, receipt, or use of public funds. Investigations are initiated by resolution of the General Assembly or by the Legislative Audit Commission. The Auditor General may also at any time make informal inquiries of a State agency. Such inquiries are not in the nature of an audit, and are usually initiated at the request of a member of the General Assembly. No special audits were requested in 2008.

Legislative Program

One of the purposes of the audit review program is to identify and act on problems requiring a legislative solution. The Governor signed the following bills changing the statutes as recommended by audit reports or Audit Commission members.

House Bill 1284 makes several changes at the Department of Financial and Professional Regulation and no longer requires the Department to inspect home health care equipment providers. (PA95-0703)

House Bill 2254 eliminates the waiver of the requirement that the 5 subdivisions of construction work be separately bid for construction of an Emergency Operations Center. Permits the waiver of the requirement during the next three years for Capital Development Board projects if specified conditions are met. (Public Act 95-0758)

House Bill 4189 classifies community college districts as units of local government that must adopt resolutions regulating the political activities and the solicitation and acceptance of gifts by their officials and employees. (Public Act 95-0880)

Senate Bill 2179 changes the repeal date of the Medical Practice Act of 1987 from December 31, 2008 to December 31, 2010. (Public Act 95-1018)

Senate Bill 2404 extends the repeal date of the Business Enterprise for Minorities, Females, and Persons with Disabilities Act from September 6, 2008 to June 30, 2010. (Public Act 95-776)

Senate Bill 2883 amends the Illinois Finance Authority Act by increasing the aggregate bond limit from \$26,650,000,000 to \$28,150,000,000 (Public Act 95-0878)

Other Duties and Responsibilities

The General Assembly has assigned the Audit Commission a variety of duties and responsibilities in addition to its principal duty to review the post audit program in Illinois.

Review of Emergency Purchases

The Illinois Purchasing Act recognized that there would be emergency situations when it will be impossible to conduct bidding. It provided a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... to prevent or minimize serious disruption of State services, or to preserve the integrity of State records, or to avoid lapsing or loss of federal or donated funds. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make ‘quick purchases,’ including but not limited to items available at a discount for a limited period of time.”

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements of the Illinois Purchasing Act. The affidavit is to set forth the circumstances requiring the emergency purchase. The Legislative Audit Commission is responsible for the review of all emergency purchases and is to advise the General Assembly of possible abuses.

The LAC receives quarterly reports of all emergency purchases. These are distributed to all members and considered at monthly Commission meetings. An annual analysis is also performed to detect trends and possible patterns of abuse. A comparative summary of emergency purchases reported during the period ended December 31, 2008 appears on page 33 in Appendix C.

Each emergency transaction is reviewed to establish that:

- An “emergency,” as defined in the Illinois Purchasing Act, actually existed;
- The action taken by the agency was appropriate under the circumstances; and
- Steps were taken whenever possible to obtain bids or competitive quotations in order to obtain the most favorable terms for the State.

There were 242 affidavits for emergency purchases filed in 2008 totaling approximately \$136.6 million. Presented on the following page is a compilation of 2008 emergency purchases in dollar categories.

Under \$10,000	2
\$10,000 - \$100,000	132
Over \$100,000	108

Included in the above summary were 18 emergency purchases exceeding \$1 million as follows:

\$3,141,702.51 to the Department of Agriculture to replace all circuits located at the State Fairgrounds.

\$3,216,779.93 to the Department of Central Management Services to extend a contract for cellular service to existing users while allowing time for the award of the Statewide Cellular Services RFP and execution of contract.

\$2,703,318.00 to the Department of Central Management Services to enable the State and connected Illinois Century Network entities to continue to purchase Cisco equipment, software and services via a Master Contract until the resulting contract from the RFP can be executed.

\$2,289,302.50 to the Department of Central Management Services to extend a contract for cellular service to existing users in Regions 1-4 and 6 while allowing time for the award of the Statewide Cellular Services RFP and execution of contract.

\$3,753,019.00 to the Department of Central Management Services to enable the State and connected Illinois Century Network entities to continue to purchase Cisco equipment, software and services via a Master Contract until the resulting contract from the RFP can be executed.

\$4,000,000.00 to the Department of Central Management Services to extend a contract with Verizon for cellular service, to existing users in Regions 1-4 and 6 while allowing time for the award of the Statewide Cellular Services RFP and execution of contract.

\$8,597,382.32 to the Department of Central Management Services for rock salt for Lake and McHenry Counties. The rebid that opened on August 12, 2008 revealed that no bid offers were made for locations within Lake and McHenry counties. One vendor offered a fixed price and indicated the ability to meet the needs of the communities. Department officials stated the dollars represent an actual one-time cost.

\$35,592,161.49 to the Department of Central Management Services to extend a contract for 12 months for the existing telecommunications network services to avoid a disruption in services while a competitive process to select new vendors is completed.

\$6,000,000.00 to the Department of Central Management Services to procure cellular services in Regions 1-4 and 6 for the 9-month period of January 1, 2009 through September 30, 2009 while solicitation for a new contract is in process.

\$4,000,000.00 to the Department of Healthcare and Family Services for a six-month contract with Magellan Health Services for developing a pilot program to provide timely access to critical mental health and other screening services to State residents returning

from deployments, especially in Iraq and Afghanistan, for whom mental health care is unavailable or inaccessible on a timely basis from other sources.

\$3,500,000.00 to the Department of Transportation for repairs to structures damaged in the June 2008 flood. In District 7, the protective defenses on 17 structures were eroded leaving them extremely vulnerable to future flooding. Department officials stated several structures experienced exposure of their foundations while others have experienced a lowering of the streambed to below footing elevations.

\$8,394,312.00 to the Department of Transportation for 60,600 tons of rock salt needed for Lake and McHenry counties. CMS issued a rebid for rock salt that did not receive any bid offers from the initial bid issued on July 25th. The rebid that opened on August 12, 2008 revealed that no bid offers were made for locations within Lake and McHenry counties. In response to the addendum, one vendor offered 60,600 tons of salt to the Northside maintenance facility in Cook County.

\$6,200,000.00 to the Department of Transportation for placement of rip rap armament at damaged areas following the June flood of 2008 on the embankment foreslope along the riverside of IL Route 100 from US Route 67 in Alton to Vine Street in Grafton, IL. Agency officials stated that corrective action must be completed before the spring 2009 rains.

\$1,708,000.00 to the Toll Highway Authority for 12,200 tons of rock salt needed in Lake County. CMS issued a rebid for rock salt. Subsequently, a solicitation addendum was issued by CMS. On August 12, 2008 it was revealed that no bidders submitted an offer. In response to the addendum, a vendor offered an estimated price of \$140.00 per ton. Agency officials stated to address record low inventories and satisfy rock salt demands for de-icing of the Tollway's Maintenance Building 4 and Edens Spur facilities, the tonnage of rock salt is necessary.

\$1,136,400.00 to the Toll Highway Authority for 7,500 tons of rock salt to be delivered to the Tollway's Maintenance Building 7. CMS issued a re-bid solicitation for rock salt for roadway deicing purposes. Subsequently, a solicitation addendum was issued by CMS. It was determined that no bids would be accepted due to poor quality or excessive pricing of rock salt at \$170.65 per ton. In response to the addendum, a vendor offered an estimated price of \$151.52 per ton.

\$1,575,811.00 to the University of Illinois for soft drinks for students, faculty, staff and visitors to the University. According to University officials, the State issued an RFP in FY07 for a soft drink prime vendor contract for the State commencing in FY08. The RFP evaluation process took longer than anticipated putting the State behind schedule in a final decision to select the prime vendor. To avoid a disruption in services, the University entered a short-term contract through May 31, 2008 while the contract is finalized.

\$6,030,000.00 to the University of Illinois for repairs related to a fire at the College of Pharmacy.

\$1,500,000.00 to the University of Illinois for soft drink equipment for residential dining halls, Assembly Hall and various vending areas around campus. The State of Illinois issued an RFP for a soft drink prime vendor contract for the State in FY07. The State has

requested the University participate in the prime vendor contract once awarded; however, the RFP evaluation process took longer than anticipated. To avoid disruption of services, the University had to find a soft drink equipment vendor to immediately meet the campus' needs through July 1, 2009.

Travel Control

The Legislative Audit Commission has the responsibility to monitor the quarterly reports of the various travel control boards established pursuant to statute. There are 10 separate boards governing the employees of the legislative branch, each constitutional officer, the State Board of Education, and higher education institutions. The chairs of the 10 travel control boards together comprise the Travel Regulation Council. The Travel Regulation Council establishes the State travel regulations and reimbursement rates, which shall be applicable to all personnel subject to the jurisdiction of the various travel control boards. These 10 travel control boards have the duty to establish the maximum rate permitted for the reimbursement of their respective employee travel expenses which may be more restrictive than those established by the Council.

Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at a location other than that at which official duties require them to spend the largest part of their working time. Such reports are to be filed semi-annually with the Legislative Audit Commission and the Commission is to comment on all such reports.

A summary of travel headquarter reports for 2008 and the number of individuals who spend the largest part of their working time away from their designated headquarters, appears in Appendix D on pages 34-36.

Audit of the Office of the Auditor General

The Legislative Audit Commission is responsible for the biennial compliance examination of the Office of the Auditor General. The examination is performed by independent certified public accountants under a contract with the Commission. The auditors follow the same instructions and standards applicable to all audits performed pursuant to the Illinois State Auditing Act. In order to assure the independence of the examination, the Commission requires that the contract auditor be one who does not participate in the audit program administered by the Auditor General. In addition, after the completion of three examinations over a six-year period, a different firm must be selected.

The most recent examination covered the two years ended June 30, 2007. There were no material findings of noncompliance disclosed during the auditors' tests.

Rules and Regulations of the Office of the Auditor General

The Legislative Audit Commission has oversight responsibility over the rulemakings of the Auditor General. The Commission is given an opportunity, through statutory authority, to comment on all proposed rules of the Office. One rulemaking adopted by the Office of the Auditor General became effective in 2008 and made technical amendments to their regulations to conform to changes made by the United States Comptroller General.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures, receiving a detailed monthly summary of all vouchers submitted for payment. In addition, monthly financial reports are prepared and considered at each meeting. Presented below is a summary of expenditures made from appropriations for Fiscal Year 2008 as well as an interim report as of January 1, 2009.

I. Financial Statement - Year Ended June 30, 2008

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services	\$ 189,500	\$ 189,312	\$ 188
Retirement, Employer	7,600	7,577	22
Retirement, State	31,500	31,374	127
Social security	14,500	14,309	191
Contractual services	19,900	15,578	4,322
Travel	5,200	1,911	3,289
Commodities	1,000	341	659
Printing	2,125	104	2,021
Equipment	1,100	-	1,100
Electronic data processing	3,000	314	2,686
Telecommunications	<u>1,700</u>	<u>1,336</u>	<u>364</u>
TOTAL	\$ 277,125	\$ 262,156	\$ 14,969

* Reflects transfers.

II. Status of FY09 Appropriation at January 1, 2009

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services	\$ 180,030	\$ 91,402	\$ 88,628
Retirement, Employer	7,220	3,658	3,561
Retirement, State	29,925	19,252	10,673
Social security	13,775	6,905	6,870
Contractual services	18,905	925	17,980
Travel	4,940	2,543	2,397
Commodities	950	-0-	950
Printing	2,020	465	1,555
Equipment	1,045	-0-	1,045
Electronic data processing	2,850	166	2,685
Telecommunications	<u>1,615</u>	<u>416</u>	<u>1,199</u>
TOTAL	\$ 263,275	\$ 125,732	\$ 137,543

The Office of the Auditor General performed a compliance examination of the Legislative Audit Commission for the two years ended June 30, 2007. There were no material findings of noncompliance disclosed by the audit.

APPENDIX A

Financial Audits and Compliance Examinations 2008

(For FY2007 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Auditor General

Office of the Comptroller, Fiscal Officer Responsibilities

Office of the Governor

 Governors' Office of Management and Budget

Office of Lieutenant Governor

Office of the State Treasurer, College Savings Program

Office of the State Treasurer, Fiscal Officer Responsibilities

Office of the State Treasurer, Non-Fiscal Office Responsibilities

Office of the State Treasurer, The Illinois Funds

CODE DEPARTMENTS

Department on Aging – 2006

Department of Central Management Services

Department of Central Management Services Bureau of
 Communications & Computer Services, July 2007

Department of Central Management Services Bureau of
 Communications & Computer Services, July 2008

Department of Central Management Services, Deferred
 Compensation Plan

Department of Children and Family Services – 2006

Department of Corrections

 Central Office – 2006

 Correctional Industries – 2006

 Big Muddy River – 2006

 Centralia – 2006

 Danville – 2006

 Decatur – 2006

 Dixon – 2006

 Dwight – 2006

 East Moline – 2006

 Henry C. Hill – 2006

 Illinois River – 2006

 Illinois Youth Center – Harrisburg – 2006

 Illinois Youth Center – Joliet – 2006

 Illinois Youth Center – Kewanee – 2006

 Illinois Youth Center – Murphysboro – 2006

 Illinois Youth Center – Pere Marquette – 2006

 Illinois Youth Center – St. Charles – 2006

 Illinois Youth Center – Warrenville – 2006

 Jacksonville Correctional Center – 2006

 John A. Graham – 2006

Lawrence – 2006
Lincoln – 2006
Logan – 2006
Menard – 2006
Pinckneyville – 2006
Pontiac – 2006
Robinson – 2006
Shawnee – 2006
Sheridan – 2006
Southwestern Illinois – 2006
Stateville – 2006
Tamms – 2006
Taylorville – 2006
Vienna – 2006
Western Illinois – 2006

Department of Employment Security
Department of Financial and Professional Regulation - 2006
Department of Healthcare and Family Services
Department of Human Rights
Department of Labor – 2007
Department of Military Affairs – 2006
Department of Natural Resources
Department of Public Health
Department of Revenue
Department of State Police – 2006
Department of Transportation

LEGISLATIVE AGENCIES

General Assembly
House of Representatives
Retirement System

OTHER AGENCIES

Attorney Registration and Disciplinary Commission
Board of Examiners
Capital Development Board
Commission on Government Forecasting and Accountability
Deaf and Hard of Hearing Commission
Decatur Metropolitan Exposition, Auditorium and Office Authority – 2006
Decatur Metropolitan Exposition, Auditorium and Office Authority – 2008
East St. Louis Financial Advisory Authority – 2006
Educational Labor Relations Board
Human Rights Commission
Judicial Inquiry Board – 2006
Illinois Arts Council

Illinois Arts Council Foundation
Illinois Board of Admissions to the Bar
Illinois Civil Services Commission
Illinois Commerce Commission
Illinois Council of Developmental Disabilities
Illinois Emergency Management Agency
Illinois Finance Authority
Illinois High School Association
Illinois Labor Relations Board
Illinois Literacy Foundation
Illinois Mathematics and Science Academy
Illinois Medical District Commission
Illinois Medical District of Springfield Commission
Illinois State Board of Investment – 2007
Illinois State Board of Investment – 2006
Illinois Summer School for the Arts, Special Limited Scope
IMSA Fund for Advancement of Education
Judges' Retirement System
Legislative Audit Commission
Legislative Printing Unit
Legislative Reference Bureau
Legislative Research Unit
Metropolitan Pier and Exposition Authority
Office of the Architect of the Capitol
Office of the Executive Inspector General
State Appropriations to the Public Schools Teachers'
Pension and Retirement Fund of Chicago
State Employees' Retirement System
State Toll Highway Authority – 2006
State Toll Highway Authority – 2007
Teachers' Retirement System

HIGHER EDUCATION

Board of Higher Education
Chicago State University
Chicago State University Foundation
Eastern Illinois University
Illinois Student Assistance Commission
Prepaid Tuition Program
Northern Illinois University
Northern Illinois University Alumni Association
Northern Illinois University Foundation
Southern Illinois University
Southern Illinois University - Alumni Association of SIU-E
Southern Illinois University - Association of Alumni, Former Students and Former
Students and Friends of Southern Illinois University
Southern Illinois University Foundation at Carbondale

Southern Illinois University Foundation at Edwardsville
Southern Illinois University, Physicians & Surgeons
Southern Illinois University Research Park, Inc.
Southern Illinois University at Edwardsville, Inc., University Park
State Universities Civil Service System
State Universities Retirement System

REGIONAL OFFICES OF EDUCATION

Alexander, Johnson, Massac, Pulaski and Union Counties, No. 2
Boone and Winnebago Counties, No. 4
Christian and Montgomery Counties, No. 10
Clay, Crawford, Jasper, Lawrence and Richland Counties, No. 12
Suburban Cook County, No. 14
Dewitt, Livingston and McLean Counties, No. 17
DuPage County, No. 19
Edward, Gallatin, Hardin, Pope, Saline, Wabash,
Wayne and White Counties, No. 20
Franklin and Williamson Counties, No. 21
Fulton and Schuyler Counties, No. 22
Grundy and Kendall Counties, No. 24
Hamilton and Jefferson Counties, No. 25
Henderson, Mercer and Warren Counties, No. 27
Bureau, Henry and Stark Counties, No. 28
Kane County, No. 31
Iroquois and Kankakee Counties, No. 32
Knox County, No. 33
Lake County, No. 34
LaSalle County, No. 35
Logan, Mason and Menard Counties, No. 38
Calhoun, Greene, Jersey and Macoupin Counties, No. 40
Marshall, Putnam and Woodford Counties, No. 43
Lee and Ogle Counties, No. 47
Macon and Piatt Counties, No. 39
Monroe and Randolph Counties, No. 45
St. Clair County, No. 50
Tazewell County, No. 53
Vermillion County, No. 54
Will County, No. 56
Whiteside County, No. 55
North Cook Intermediate Service Center, No. 1
West Cook Intermediate Service Center, No. 2
South Cook Intermediate Service Center, No. 4

OTHER

Statewide Single Audit, 2006

APPENDIX B

Agencies Appearing Before Commission

(For FY2007 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
CODE DEPARTMENTS		
Department on Aging	15	5
Statewide Single Audit – 2006	5	2
Department of Central Management Services	28	14
Statewide Single Audit – 2007		
Department of Children and Family Services	12	10
Statewide Single Audit – 2006	9	5
Department of Corrections		
Central Office	21	10
Stateville Correctional Center	9	2
Vienna Correctional Center	13	0
Department of Financial & Professional Regulation	29	22
Department of Healthcare and Family Services		
Central Office	15	5
Statewide Single Audit – 2007	7	5
Performance Audit of DHFS' Prompt Payment Act		
Compliance and Medicaid Payment Process	13	
Department of Labor	16	10
Department of Military Affairs	10	6
Department of Public Health		
2006 Statewide Single Audit	8	5
2007 Statewide Single Audit	9	6
Department of Revenue	9	1
Department of State Police	12	4
Department of Transportation		
Central Office	26	7
Statewide Single Audit – 2006	11	6
Statewide Single Audit – 2007	10	8
OTHER AGENCIES		
East St. Louis Financial Advisory Authority	7	1
Governor's Office of Management and Budget	12	6
Human Rights Commission	9	3
Illinois Finance Authority	8	1
Illinois Labor Relations Board	11	2
Illinois Toll Highway Authority	11	5
Judicial Inquiry Board	1	0

HIGHER EDUCATION

Chicago State University	17	8
Eastern Illinois University	11	3
Illinois Student Assistance Commission	9	3
Statewide Single Audit – 2007	9	9
Southern Illinois University	14	1

OTHER ENTITIES

Program Audit of Funding Provided by or through the State of Illinois to the Chicago Project for Violence Prevention for the CeaseFire Program	9	
UIC		
Department of Corrections		
Department of Commerce and Economic Opportunity		
Illinois State Police		
Management Audit of Pilsen-Little Village Community Mental Health Center, Inc.	19	
Department of Human Services		

APPENDIX C

Emergency Purchase Transactions Calendar Year 2008

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Auditor General	13	562,457
Office of the Governor	1	100,000
Secretary of State	3	458,365
Supreme Court	1	400,000
CODE DEPARTMENTS		
Agriculture	6	4,259,415
Central Management Services	27	70,389,456
Corrections	25	3,945,130
Healthcare & Family Services	3	4,257,627
Human Services	8	1,948,884
Military Affairs	1	34,077
Natural Resources	11	1,275,956
Public Health	1	104,700
Revenue	2	185,965
State Police	1	196,799
Transportation	20	23,084,477
Veterans' Affairs	1	85,000
OTHER AGENCIES		
Historic Preservation	4	770,000
Medical District Commission	3	131,350
Toll Highway Authority	8	3,942,425
Workers' Compensation Commission	1	60,000
UNIVERSITIES		
Chicago State University	4	289,413
Governors State University	6	307,806
Illinois State University	3	249,499
Northern Illinois University	11	1,333,358
Southern Illinois University	5	401,613
University of Illinois	72	17,754,572
Western Illinois University	1	67,688
GRAND TOTAL	<u>242</u>	<u>\$ 136,596,032</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2008 - January 15, 2009

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	10
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Lieutenant Governor	0
Secretary of State	267
State Treasurer	2
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judicial Inquiry Board	0
Judges' Retirement System	0
State Appellate Defender	15
State's Attorney Appellate Prosecutor	4
LEGISLATIVE AGENCIES	
Commission on Government Forecasting & Accountability	0
General Assembly	
House – Democratic Clerk/Fiscal	0
House – Democratic Leadership	6
House – Republican	0
Retirement System	0
Senate	0
Legislative Audit Commission	0
Legislative Ethics Commission	0
Legislative Information System	0
Legislative Printing Unit	0
Legislative Reference Bureau	0
Legislative Research Unit	0
Office of the Architect of the Capitol	0
CODE DEPARTMENTS	
Department on Aging	0
Department of Agriculture	212
Department of Central Management Services	46
Department of Children & Family Services	4
Department of Commerce and Economic Development	57
Department of Corrections	477
Department of Employment Security	94

Department of Financial and Professional Regulation	221
Department of Healthcare and Family Services	46
Department of Human Rights	0
Department of Human Services	536
Department of Labor	15
Department of Military Affairs	12
Department of Natural Resources	60
Department of Public Health	428
Department of Revenue	376
Department of State Police	47
Department of Transportation	881
Department of Veterans' Affairs	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	13
City of East St. Louis Financial Advisory Board	0
Civil Service Commission	6
Commerce Commission	21
Court of Claims	0
Deaf and Hard of Hearing Commission	0
Educational Labor Relations Board	5
Emergency Management Agency	8
Environmental Protection Agency	43
Governor's Office of Management and Budget	9
Guardianship & Advocacy Commission	0
Historic Preservation Agency	0
Housing Development Authority	7
Human Rights Commission	0
Law Enforcement Training & Standards Board	2
Labor Relations Board	0
Math & Science Academy	0
Medical District Commission	0
Planning Council on Developmental Disabilities	0
Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	39
State Board of Elections	8
State Board of Investment	0
State Employees' Retirement System	5
State Police Merit Board	5
State Toll Highway Authority	0
Teachers' Retirement System	0
Violence Prevention Authority	0

HIGHER EDUCATION

Chicago State University	0
Eastern Illinois University	40
Illinois State University	101
Illinois Student Assistance Commission	0
Northern Illinois University	162
Northeastern Illinois University	0
Southern Illinois University	0
State Universities Retirement System	0
University of Illinois	0
Western Illinois University	20