

1 AMENDMENT TO SENATE BILL 794

2 AMENDMENT NO. _____. Amend Senate Bill 794 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois State Auditing Act is amended
5 by changing Sections 1-12, 1-13, 1-14, 1-16, 2-11, 3-2, 3-3,
6 and 3-6 and by adding Section 1-13.5 as follows:

7 (30 ILCS 5/1-12) (from Ch. 15, par. 301-12)

8 Sec. 1-12. Post audit or audit. "Post audit" or "audit"
9 means a post facto examination of books, documents, records,
10 and other evidence relating to the obligation, receipt,
11 expenditure or use of public funds of the State, including
12 governmental operations relating to such obligation, receipt,
13 expenditure, or use. A post audit is a financial audit, a
14 compliance audit or other attestation engagement, or a
15 performance audit ~~a-management-audit-or-a-program--audit~~, as
16 those terms are defined in this Article, or some combination
17 thereof.

18 (Source: P.A. 78-884.)

19 (30 ILCS 5/1-13) (from Ch. 15, par. 301-13)

20 Sec. 1-13. Compliance audit. ~~"Financial---audit"---or~~
21 "Compliance audit" means an attestation engagement that

1 either examines, reviews, or entails performing agreed-upon
 2 procedures on a subject matter or an assertion about a
 3 subject matter and reporting on the results. The compliance
 4 audit, as appropriate, may address agency management
 5 representations, assertions, and supporting evidence
 6 regarding a-post-audit-which-determines:

7 (a) whether the audited agency has obligated,
 8 expended, received and used public funds of the State in
 9 accordance with the purpose for which such funds have
 10 been appropriated or otherwise authorized by law;

11 (b) whether the audited agency has obligated,
 12 expended, received and used public funds of the State in
 13 accordance with any limitations, restrictions, conditions
 14 or mandatory directions imposed by law upon such
 15 obligation, expenditure, receipt or use;

16 (c) in the case of a State agency, whether the
 17 audited agency has generally complied with applicable
 18 laws and regulations, including the State uniform
 19 accounting system, in its financial and fiscal
 20 operations;

21 (d) in the case of a State agency, whether the
 22 records, books and accounts of the audited agency
 23 accurately reflect its financial and fiscal operations;

24 (e) in the case of a local or private agency,
 25 whether the records, books and accounts of the audited
 26 agency fairly and accurately reflect its financial and
 27 fiscal operations relating to the obligation, receipt,
 28 expenditures and use of public funds of the State to the
 29 extent such operations must be reviewed to complete post
 30 audit determinations under paragraphs (a) and (b) of this
 31 Section;

32 (f) in the case of a State agency, whether the
 33 audited agency is maintaining effective internal controls
 34 accounting----control over revenues, obligations,

1 expenditures, assets and liabilities;

2 (g) whether collections of State revenues and
3 receipts by the audited agency are in accordance with
4 applicable laws and regulations and whether the
5 accounting and record keeping of such revenues and
6 receipts is fair, accurate and in accordance with law;

7 (h) in the case of a State agency, whether money or
8 negotiable securities or similar assets handled by the
9 audited agency on behalf of the State or held in trust by
10 the audited agency have been properly and legally
11 administered, and whether the accounting and record
12 keeping relating thereto is proper, accurate and in
13 accordance with law; and

14 (i) whether financial, program and statistical
15 reports of the audited agency contain useful data and are
16 fairly presented.

17 Compliance audits are to be performed in accordance with
18 attestation standards issued by the American Institute of
19 Certified Public Accountants (AICPA), related AICPA
20 Statements on Standards for Attestation Engagements, and
21 generally accepted government auditing standards (GAGAS)
22 current at the time the audit is commenced.

23 (Source: P.A. 78-884.)

24 (30 ILCS 5/1-13.5 new)

25 Sec. 1-13.5. Financial audit. "Financial audit" means a
26 post audit primarily concerned with providing reasonable
27 assurance about whether financial statements are presented
28 fairly in all material respects in conformity with generally
29 accepted accounting principles (GAAP), or with a
30 comprehensive basis of accounting other than GAAP. Other
31 objectives of financial audits, which provide for different
32 levels of assurance and entail various scopes of work, may
33 include, as appropriate:

1 (1) providing special reports for specified
2 elements, accounts, or items of a financial statement;

3 (2) reviewing interim financial information;

4 (3) issuing letters for underwriters and certain
5 other requesting parties;

6 (4) reporting on the processing of transactions by
7 service organizations; and

8 (5) auditing compliance with regulations relating
9 to federal award expenditures and other governmental
10 financial assistance in conjunction with or as a
11 by-product of a financial statement audit.

12 Financial audits are to be performed in accordance with
13 generally accepted auditing standards issued by the American
14 Institute of Certified Public Accountants (AICPA) for field
15 work and reporting, generally accepted government auditing
16 standards (GAGAS), and AICPA Statements on Auditing Standards
17 (SAS) current at the time the audit is commenced.

18 (30 ILCS 5/1-14) (from Ch. 15, par. 301-14)

19 Sec. 1-14. Performance audit. "Performance audit" means
20 an objective and systematic examination of evidence in order
21 to provide an independent assessment of the performance and
22 management of a program against objective criteria.
23 Performance audits provide information to improve program
24 operations and facilitate decision-making by parties with
25 responsibility to oversee or initiate corrective action, and
26 improve public accountability.

27 Performance audits include management audits, which are
28 also called economy and efficiency audits, and program
29 audits. A program audit addresses the effectiveness of a
30 program and typically measures the extent to which a program
31 is achieving its goals and objectives. An economy and
32 efficiency audit concerns whether an agency is acquiring,
33 protecting, and using its resources in the most productive

1 manner to achieve program objectives. Program audits and
2 economy and efficiency audits may include an assessment of:

3 (1) the extent to which legislative, regulatory, or
4 organizational goals and objectives are being achieved;

5 (2) the relative ability of alternative approaches
6 to yield better program performance or eliminate factors
7 that inhibit program effectiveness;

8 (3) the relative cost and benefits or cost
9 effectiveness of program performance;

10 (4) whether a program produced intended results or
11 produced effects that were not intended by the program's
12 objectives;

13 (5) the extent to which programs duplicate,
14 overlap, or conflict with other related programs;

15 (6) whether the audited entity is following sound
16 procurement practices;

17 (7) the validity and reliability of performance
18 measures concerning program effectiveness and results or
19 economy and efficiency; and

20 (8) the reliability, validity, or relevance of
21 financial information related to the performance of a
22 program.

23 Performance audits may also encompass objectives related
24 to internal control and compliance with legal or other
25 requirements. Performance audits are to be performed in
26 accordance with generally accepted government auditing
27 standards (GAGAS) current at the time the audit is commenced.

28 "Management-audit", or "efficiency-audit" means a post
29 audit which determines with regard to the purpose, functions,
30 and duties of the audited agency:

31 (a) whether the audited agency is managing or utilizing
32 its resources, including public funds of the State,
33 personnel, property, equipment and space in an economical and
34 efficient manner; and

1 ~~(b) causes of inefficiencies or uneconomical practices,~~
 2 ~~including inadequacies in management information systems,~~
 3 ~~internal and administrative procedures, organizational~~
 4 ~~structure, use of resources, allocation of personnel,~~
 5 ~~purchasing policies and equipment.~~

6 (Source: P.A. 78-884.)

7 (30 ILCS 5/1-16) (from Ch. 15, par. 301-16)

8 Sec. 1-16. Special audit. "Special audit" means a
 9 financial audit, a compliance audit, or other attestation
 10 engagement of limited scope.

11 (Source: P.A. 78-884.)

12 (30 ILCS 5/2-11) (from Ch. 15, par. 302-11)

13 Sec. 2-11. Special assistant auditors.

14 (a) The Auditor General may contract with certified
 15 public accountants licensed ~~and registered public accountants~~
 16 ~~certified or registered~~ in Illinois, qualified management
 17 consultants, attorneys licensed in Illinois, and other
 18 persons or firms necessary to carry out his duties. For the
 19 purpose of assisting in performance ~~program~~ audits, the
 20 Auditor General may contract with any State agency. The
 21 Auditor General may contract with other governmental agencies
 22 for the conduct of joint audits of a State agency or a
 23 portion thereof.

24 (b) The Auditor General shall adopt rules establishing
 25 qualifications for nonlicensed persons with whom he may
 26 contract.

27 (c) The Auditor General may designate any person with
 28 whom he contracts as a special assistant auditor for the
 29 purpose of conducting a post audit or investigation under his
 30 supervision. The Auditor General may delegate his powers and
 31 authority respecting post audits and investigations to
 32 special assistant auditors other than the power of subpoena,

1 but any delegation of authority to administer oaths or take
2 depositions must be made in writing and limited to a
3 particular audit or investigation.

4 (Source: P.A. 80-533.)

5 (30 ILCS 5/3-2) (from Ch. 15, par. 303-2)

6 Sec. 3-2. Mandatory and directed post audits. The
7 Auditor General shall conduct a financial audit, a compliance
8 audit, or other attestation engagement, as is appropriate to
9 the agency's operations under generally accepted government
10 auditing standards, of each State agency except the Auditor
11 General or his office at least once during every biennium,
12 except as is otherwise provided in regulations adopted under
13 Section 3-8. The general direction and supervision of the
14 financial audit program may be delegated only to an
15 individual who is a Certified Public Accountant and a payroll
16 employee of the Office of the Auditor General. In the conduct
17 of financial audits, compliance audits, and other attestation
18 engagements, the Auditor General may inquire into and report
19 upon matters properly within the scope of a performance
20 management-or-program audit, provided that such inquiry shall
21 be limited to matters arising during the ordinary course of
22 the financial audit.

23 In any year the Auditor General shall conduct any special
24 audits as may be necessary to form an opinion on the
25 financial statements report of this State, as prepared by the
26 Comptroller, and to certify that this presentation is in
27 accordance with generally accepted accounting principles for
28 government.

29 Simultaneously with the biennial compliance financial
30 audit of the Department of Human Services, the Auditor
31 General shall conduct a program audit of each facility under
32 the jurisdiction of that Department that is described in
33 Section 4 of the Mental Health and Developmental Disabilities

1 Administrative Act. The program audit shall include an
2 examination of the records of each facility concerning
3 reports of suspected abuse or neglect of any patient or
4 resident of the facility. The Auditor General shall report
5 the findings of the program audit to the Governor and the
6 General Assembly, including findings concerning patterns or
7 trends relating to abuse or neglect of facility patients and
8 residents. However, for any year for which the Inspector
9 General submits a report to the Governor and General Assembly
10 as required under Section 6.7 of the Abused and Neglected
11 Long Term Care Facility Residents Reporting Act, the Auditor
12 General need not conduct the program audit otherwise required
13 under this paragraph.

14 The Auditor General shall conduct a performance
15 ~~management--or--program~~ audit of a State agency when so
16 directed by the Commission, or by either house of the General
17 Assembly, in a resolution identifying the subject, parties
18 and scope. Such a directing resolution may:

19 (a) require the Auditor General to examine and
20 report upon specific management efficiencies or cost
21 effectiveness proposals specified therein;

22 (b) in the case of a program audit, set forth
23 specific program objectives, responsibilities or duties
24 or may specify the program performance standards or
25 program evaluation standards to be the basis of the
26 program audit;

27 (c) be directed at particular procedures or
28 functions established by statute, by administrative
29 regulation or by precedent; and

30 (d) require the Auditor General to examine and
31 report upon specific proposals relating to state programs
32 specified in the resolution.

33 The Commission may by resolution clarify, further direct,
34 or limit the scope of any audit directed by a resolution of

1 the House or Senate, provided that any such action by the
2 Commission must be consistent with the terms of the directing
3 resolution.

4 (Source: P.A. 89-427, eff. 12-7-95; 89-507, eff. 7-1-97.)

5 (30 ILCS 5/3-3) (from Ch. 15, par. 303-3)

6 Sec. 3-3. Discretionary audits.

7 The Auditor General may initiate and conduct a special
8 audit whenever he determines it to be in the public interest.

9 The Auditor General may initiate and conduct an economy
10 and efficiency audit of a State agency or program whenever
11 the findings of a post audit indicate that such an efficiency
12 audit is advisable or in the public interest, if he has given
13 the Commission at least 30 days' prior notice of his
14 intention to conduct the efficiency audit and the Commission
15 has not disapproved of that audit.

16 The Auditor General may, at any time, make informal
17 inquiries of any agency concerning its obligation, receipt,
18 expenditure or use of State funds, but such an inquiry may
19 not be in the nature of an investigation or post audit.

20 (Source: P.A. 78-884.)

21 (30 ILCS 5/3-6) (from Ch. 15, par. 303-6)

22 Sec. 3-6. Audit Standards. The Auditor General may
23 adopt regulations establishing post audit standards
24 consistent with Sections 1-13, 1-13.5, and 1-14 ~~and--1-15~~ of
25 this Act and in accordance with generally accepted government
26 ~~governmental~~ auditing standards. The regulations may specify
27 separate or particular standards applicable only to audits of
28 federal grants, aid or trust funds administered by State
29 agencies in order to comply with applicable federal
30 regulations. Post audit standards established under this
31 paragraph shall govern all post audits conducted by the
32 Auditor General.

1 The Auditor General may adopt regulations making such
2 standards applicable to financial audits, compliance audits,
3 and other attestation engagements conducted by State
4 agencies of local governmental agencies or private agencies
5 which are grantees or recipients of public funds of the State
6 or of federal funds not constituting public funds of the
7 State through projects administered by that State agency.
8 Notwithstanding any other statute to the contrary, those
9 regulations shall govern the audits to which they are
10 expressly applicable.

11 The Auditor General may make regulations providing for
12 the ordinary use of compliance audits conducted by State
13 agencies or by certified public accountants as part of
14 financial audits, if such compliance audits comply with the
15 standards and regulations applicable under this Act.

16 (Source: P.A. 82-368.)

17 (30 ILCS 5/1-15 rep.)

18 Section 10. The Illinois State Auditing Act is amended
19 by repealing Section 1-15.

20 Section 99. Effective date. This Act takes effect upon
21 becoming law."