

1 AN ACT concerning State audits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois State Auditing Act is amended by
5 changing Sections 1-12, 1-13, 1-14, 1-16, 2-11, 3-2, 3-3, and
6 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
22 either examines, reviews, or entails performing agreed-upon
23 procedures on a subject matter or an assertion about a
24 subject matter and reporting on the results. The compliance
25 audit, as appropriate, may address agency management
26 representations, assertions, and supporting evidence
27 regarding ~~a-post-audit-which-determines:~~

28 (a) whether the audited agency has obligated,
29 expended, received and used public funds of the State in
30 accordance with the purpose for which such funds have

1 been appropriated or otherwise authorized by law;

2 (b) whether the audited agency has obligated,
3 expended, received and used public funds of the State in
4 accordance with any limitations, restrictions, conditions
5 or mandatory directions imposed by law upon such
6 obligation, expenditure, receipt or use;

7 (c) in the case of a State agency, whether the
8 audited agency has generally complied with applicable
9 laws and regulations, including the State uniform
10 accounting system, in its financial and fiscal
11 operations;

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

15 (e) in the case of a local or private agency,
16 whether the records, books and accounts of the audited
17 agency fairly and accurately reflect its financial and
18 fiscal operations relating to the obligation, receipt,
19 expenditures and use of public funds of the State to the
20 extent such operations must be reviewed to complete post
21 audit determinations under paragraphs (a) and (b) of this
22 Section;

23 (f) in the case of a State agency, whether the
24 audited agency is maintaining effective internal controls
25 accounting---control over revenues, obligations,
26 expenditures, assets and liabilities;

27 (g) whether collections of State revenues and
28 receipts by the audited agency are in accordance with
29 applicable laws and regulations and whether the
30 accounting and record keeping of such revenues and
31 receipts is fair, accurate and in accordance with law;

32 (h) in the case of a State agency, whether money or
33 negotiable securities or similar assets handled by the
34 audited agency on behalf of the State or held in trust by

1 the audited agency have been properly and legally
2 administered, and whether the accounting and record
3 keeping relating thereto is proper, accurate and in
4 accordance with law; and

5 (i) whether financial, program and statistical
6 reports of the audited agency contain useful data and are
7 fairly presented.

8 Compliance audits are to be performed in accordance with
9 attestation standards issued by the American Institute of
10 Certified Public Accountants (AICPA), related AICPA
11 Statements on Standards for Attestation Engagements, and
12 generally accepted government auditing standards (GAGAS)
13 current at the time the audit is commenced.

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

15 (30 ILCS 5/1-13.5 new)

16 Sec. 1-13.5. Financial audit. "Financial audit" means a
17 post audit primarily concerned with providing reasonable
18 assurance about whether financial statements are presented
19 fairly in all material respects in conformity with generally
20 accepted accounting principles (GAAP), or with a
21 comprehensive basis of accounting other than GAAP. Other
22 objectives of financial audits, which provide for different
23 levels of assurance and entail various scopes of work, may
24 include, as appropriate:

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

27 (2) reviewing interim financial information;

28 (3) issuing letters for underwriters and certain
29 other requesting parties;

30 (4) reporting on the processing of transactions by
31 service organizations; and

32 (5) auditing compliance with regulations relating
33 to federal award expenditures and other governmental

1 financial assistance in conjunction with or as a
2 byproduct of a financial statement audit.

3 Financial audits are to be performed in accordance with
4 generally accepted auditing standards issued by the American
5 Institute of Certified Public Accountants (AICPA) for field
6 work and reporting, generally accepted government auditing
7 standards (GAGAS), and AICPA Statements on Auditing Standards
8 (SAS) current at the time the audit is commenced.

9 (30 ILCS 5/1-14) (from Ch. 15, par. 301-14)

10 Sec. 1-14. Performance audit. "Performance audit" means
11 an objective and systematic examination of evidence in order
12 to provide an independent assessment of the performance and
13 management of a program against objective criteria.
14 Performance audits provide information to improve program
15 operations and facilitate decision-making by parties with
16 responsibility to oversee or initiate corrective action, and
17 improve public accountability.

18 Performance audits include management audits, which are
19 also called economy and efficiency audits, and program
20 audits. A program audit addresses the effectiveness of a
21 program and typically measures the extent to which a program
22 is achieving its goals and objectives. An economy and
23 efficiency audit concerns whether an agency is acquiring,
24 protecting, and using its resources in the most productive
25 manner to achieve program objectives. Program audits and
26 economy and efficiency audits may include an assessment of:

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

29 (2) the relative ability of alternative approaches
30 to yield better program performance or eliminate factors
31 that inhibit program effectiveness;

32 (3) the relative cost and benefits or cost
33 effectiveness of program performance;

1 (4) whether a program produced intended results or
2 produced effects that were not intended by the program's
3 objectives;

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

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

8 (7) the validity and reliability of performance
9 measures concerning program effectiveness and results or
10 economy and efficiency; and

11 (8) the reliability, validity, or relevance of
12 financial information related to the performance of a
13 program.

14 Performance audits may also encompass objectives related
15 to internal control and compliance with legal or other
16 requirements. Performance audits are to be performed in
17 accordance with generally accepted government auditing
18 standards (GAGAS) current at the time the audit is commenced.

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

22 (a)--whether-the-audited-agency-is-managing-or--utilizing
23 its---resources,---including---public--funds--of--the--State,
24 personnel,--property,--equipment-and-space-in-an-economical-and
25 efficient-manner;-and

26 (b)--causes-of-inefficiencies-or-uneconomical--practices,
27 including--inadequacies--in--management--information-systems,
28 internal--and--administrative--procedures,---organizational
29 structure,---use---of--resources,--allocation--of--personnel,
30 purchasing-policies-and-equipment.

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

32 (30 ILCS 5/1-16) (from Ch. 15, par. 301-16)

33 Sec. 1-16. Special audit. "Special audit" means a

1 financial audit, a compliance audit, or other attestation
2 engagement of limited scope.

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

4 (30 ILCS 5/2-11) (from Ch. 15, par. 302-11)

5 Sec. 2-11. Special assistant auditors.

6 (a) The Auditor General may contract with certified
7 public accountants licensed ~~and-registered-public-accountants~~
8 ~~certified--or--registered~~ in Illinois, qualified management
9 consultants, attorneys licensed in Illinois, and other
10 persons or firms necessary to carry out his duties. For the
11 purpose of assisting in performance ~~program~~ audits, the
12 Auditor General may contract with any State agency. The
13 Auditor General may contract with other governmental agencies
14 for the conduct of joint audits of a State agency or a
15 portion thereof.

16 (b) The Auditor General shall adopt rules establishing
17 qualifications for nonlicensed persons with whom he may
18 contract.

19 (c) The Auditor General may designate any person with
20 whom he contracts as a special assistant auditor for the
21 purpose of conducting a post audit or investigation under his
22 supervision. The Auditor General may delegate his powers and
23 authority respecting post audits and investigations to
24 special assistant auditors other than the power of subpoena,
25 but any delegation of authority to administer oaths or take
26 depositions must be made in writing and limited to a
27 particular audit or investigation.

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

29 (30 ILCS 5/3-2) (from Ch. 15, par. 303-2)

30 Sec. 3-2. Mandatory and directed post audits. The
31 Auditor General shall conduct a financial audit, a compliance
32 audit, or other attestation engagement, as is appropriate to

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

15 In any year the Auditor General shall conduct any special
16 audits as may be necessary to form an opinion on the
17 financial statements report of this State, as prepared by the
18 Comptroller, and to certify that this presentation is in
19 accordance with generally accepted accounting principles for
20 government.

21 Simultaneously with the biennial compliance ~~financial~~
22 audit of the Department of Human Services, the Auditor
23 General shall conduct a program audit of each facility under
24 the jurisdiction of that Department that is described in
25 Section 4 of the Mental Health and Developmental Disabilities
26 Administrative Act. The program audit shall include an
27 examination of the records of each facility concerning
28 reports of suspected abuse or neglect of any patient or
29 resident of the facility. The Auditor General shall report
30 the findings of the program audit to the Governor and the
31 General Assembly, including findings concerning patterns or
32 trends relating to abuse or neglect of facility patients and
33 residents. However, for any year for which the Inspector
34 General submits a report to the Governor and General Assembly

1 as required under Section 6.7 of the Abused and Neglected
2 Long Term Care Facility Residents Reporting Act, the Auditor
3 General need not conduct the program audit otherwise required
4 under this paragraph.

5 The Auditor General shall conduct a performance
6 ~~management-or--program~~ audit of a State agency when so
7 directed by the Commission, or by either house of the General
8 Assembly, in a resolution identifying the subject, parties
9 and scope. Such a directing resolution may:

10 (a) require the Auditor General to examine and
11 report upon specific management efficiencies or cost
12 effectiveness proposals specified therein;

13 (b) in the case of a program audit, set forth
14 specific program objectives, responsibilities or duties
15 or may specify the program performance standards or
16 program evaluation standards to be the basis of the
17 program audit;

18 (c) be directed at particular procedures or
19 functions established by statute, by administrative
20 regulation or by precedent; and

21 (d) require the Auditor General to examine and
22 report upon specific proposals relating to state programs
23 specified in the resolution.

24 The Commission may by resolution clarify, further direct,
25 or limit the scope of any audit directed by a resolution of
26 the House or Senate, provided that any such action by the
27 Commission must be consistent with the terms of the directing
28 resolution.

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

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

31 Sec. 3-3. Discretionary audits.

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

1 The Auditor General may initiate and conduct an economy
2 and efficiency audit of a State agency or program whenever
3 the findings of a post audit indicate that such an efficiency
4 audit is advisable or in the public interest, if he has given
5 the Commission at least 30 days' prior notice of his
6 intention to conduct the efficiency audit and the Commission
7 has not disapproved of that audit.

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

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

13 (30 ILCS 5/3-6) (from Ch. 15, par. 303-6)

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

25 The Auditor General may adopt regulations making such
26 standards applicable to financial audits, compliance audits,
27 and other attestation engagements conducted by State
28 agencies of local governmental agencies or private agencies
29 which are grantees or recipients of public funds of the State
30 or of federal funds not constituting public funds of the
31 State through projects administered by that State agency.
32 Notwithstanding any other statute to the contrary, those
33 regulations shall govern the audits to which they are

1 expressly applicable.

2 The Auditor General may make regulations providing for
3 the ordinary use of compliance audits conducted by State
4 agencies or by certified public accountants as part of
5 financial audits, if such compliance audits comply with the
6 standards and regulations applicable under this Act.

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

8 (30 ILCS 5/1-15 rep.)

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

11 Section 99. Effective date. This Act takes effect upon
12 becoming law.