

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

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**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Acting Executive Director (08/01/17 – Present)	Joshua Davis
Executive Director (thru 07/31/17)	Tatiana Gant
Chief Fiscal Officer	Yazoo Hall

BOARD MEMBERS

Chair	Shirley Madigan
Vice Chair	Rhoda Pierce
Secretary	Cecilia Rodhe
Member	Jill Arena
Member	Lisa Dent Bielefeldt
Member	Beth Boosalis Davis
Member	Richard Daniels
Member	Christina Gidwitz
Member	Henry Godinez
Member	Desiree Grode
Member	Jodie Kavensky
Member	Valerie King
Member	Jennifer Levine
Member	Gary Matts
Member	Peggy Montes
Member	Sheila Marie O'Brien
Member	Gail Shiel
Member	Christina Steelman
Member	Tim Touhy
Member	Howard A. Tullman
Member	Donald T. Wiener

The Council's Office is located at:

James R. Thompson Center
100 West Randolph Street
Suite 10-500
Chicago, IL 60601-3298



ILLINOIS
ARTS
COUNCIL
AGENCY

Winkel, Parker & Foster, CPA PC
Certified Public Accountants
1301 19th Avenue NW
Clinton, Iowa 52732

May 23, 2018

Bruce Rauner
Governor

Shirley R. Madigan
Chairman

Joshua Davis
Executive Director

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Arts Council. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Illinois Arts Council's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016 and June 30, 2017, the State of Illinois, Illinois Arts Council has materially complied with the assertions below.

- A. The State of Illinois, Illinois Arts Council has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Arts Council has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The State of Illinois, Illinois Arts Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Arts Council are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Arts Council on behalf of the State or held in trust by the State of Illinois, Illinois Arts Council have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Illinois Arts Council

SIGNATURE ON FILE

Joshua Davis, Acting Executive Director

SIGNATURE ON FILE

Yazoo Hall, Chief Fiscal Officer

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	6	4
Repeated findings	2	2
Prior recommendations implemented or not repeated	2	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>FINDINGS (STATE COMPLIANCE)</u>			
2017-001	9	Failure to Adopt Formal Rules for Agency and Grant Procedures	Noncompliance and Significant Deficiency
2017-002	10	Inadequate Controls Over Grant Procedures	Noncompliance and Significant Deficiency

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
<u>FINDINGS (STATE COMPLIANCE)</u>			
2017-003	11	Lack of Controls Over Accounts Receivable	Noncompliance and Significant Deficiency
2017-004	12	Employee Evaluations Not Completed Timely	Noncompliance and Significant Deficiency
2017-005	13	Inadequate Controls Over Property and Equipment	Noncompliance and Significant Deficiency
2017-006	14	Noncompliance with the Arts Council Act	Noncompliance and Significant Deficiency

PRIOR FINDINGS NOT REPEATED

A	15	Improper Reconciliation of State Cash Receipts
B	15	Noncompliance with the Fiscal Control and Internal Auditing Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on May 16, 2018.

Attending were: Shirley Madigan, Illinois Arts Council, Chair
Joshua Davis, Illinois Arts Council, Acting Executive Director
Yazoo Hall, Illinois Arts Council, Chief Fiscal Officer
Pam Thomas, Illinois Arts Council, Executive Liaison
Kathy Lovejoy, Office of the Auditor General
Claire Buyert, Winkel, Parker & Foster, CPA PC
Kristyl McDaniel, Winkel, Parker & Foster, CPA PC

The responses to the recommendations were provided by the Chief Fiscal Officer on May 23, 2018.



**INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Arts Council's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2017. The management of the State of Illinois, Illinois Arts Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Arts Council's compliance based on our examination.

- A. The State of Illinois, Illinois Arts Council has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Arts Council has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Illinois Arts Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Arts Council are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Illinois Arts Council on behalf of the State or held in trust by the State of Illinois, Illinois Arts Council have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Arts Council complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Arts Council complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Arts Council's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Arts Council complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-001 through 2017-006.

The State of Illinois, Illinois Arts Council's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Arts Council's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Illinois Arts Council is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Illinois Arts Council's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the

Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Arts Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Arts Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance is a deficiency*, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2017-001 through 2017-006, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Illinois Arts Council's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Arts Council's responses and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017 and June 30, 2016 in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor

General to the June 30, 2017 and the June 30, 2016 accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and accordingly, we do not express an opinion or provide any assurance on it.

SIGNATURE ON FILE

Clinton, Iowa
May 23, 2018

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

CURRENT FINDINGS – STATE COMPLIANCE

2017-001 **Finding:** Failure to Adopt Formal Rules for Agency and Grant Procedures

The Illinois Arts Council (Council) did not draft or adopt formal agency rules, including rules relating to grant procedures. Grant expenditures were \$4,240,275 and \$817,365 for Fiscal Years 2017 and 2016, respectively.

The Illinois Administrative Procedure Act (5 ILCS 100/5 et seq.) requires each agency to maintain and file organizational rules, including a current description of the agency's organization, current procedures for information requests, and a current description of the agency's rulemaking procedures. Additionally, the Illinois Administrative Procedure Act (5 ILCS 100/5-10) requires that policy affecting external parties be adopted and implemented through public rules to fully inform affected persons.

Council management indicated they lack the resources to engage consultants with the expertise necessary to draft rules and procedures beyond those currently in place.

The lack of prescribed policies and procedures leaves the Council exposed to legal challenges from external parties and the lack of legitimacy to their actions and requests. (Finding Code No. 2017-001, 2015-001, 2013-001, 11-1, 09-1, 07-1)

Recommendation:

We recommend the Council draft organizational rules and grant procedures, then contact Joint Committee on Administrative Rules (JCAR) for assistance with the formal adoption process.

Agency Response: Agency Agrees.

The IACA Chairman will continue to seek guidance from the Office of the Governor. The IACA lacks the resources to engage consultants with the expertise to formalize its rules in the JCAR process. The IACA meets all state and federal requirements and our internal policies do cover the important areas in JCAR rules.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

2017-002 **Finding:** Inadequate Controls Over Grant Procedures

The Illinois Arts Council (Council) did not have adequate controls over grant procedures.

The Council failed to follow internal policies and procedures for grantees who filed their final reports late. Of the 60 grant files examined, 9 (15%) grantees had filed their final report late.

The Illinois Grant Funds Recovery Act (30 ILCS 705/4.1) allows grantor agencies to withhold or suspend the distribution of grant funds for failure to file required reports. Furthermore, the Council's internal policies require that failure to submit a final report within the prescribed time frame of 30 days in each grant contract would result in a 25% reduction to all current fiscal year awards or, the following fiscal year awards if applying for any grants during the following fiscal year.

Council management stated the grant period ended prior to most grant funds being released by the Office of the Comptroller and not all of the Council's grantees utilized the accrual basis of accounting and were unwilling to submit a final or quarterly report without first receiving the funds.

Failure to follow grant processing procedures may lead to State grants being awarded to ineligible recipients and is a violation of Council policies and procedures. (Finding Code No. 2017-002)

Recommendation:

We recommend the Council enhance grant monitoring procedures to ensure all grant requirements are met and documented.

Agency Response: Agency Agrees.

The IACA agrees to enhance its grant monitoring procedures to ensure all grant requirements are met and documented.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

2017-003 **Finding:** Lack of Controls Over Accounts Receivable

The Illinois Arts Council (Council) failed to maintain controls over accounts receivables.

Upon finalization of a grant, the grantee is to return to the Council unused grant funds. However, the Council did not maintain records of grant funds that were due back to the Council and as such did not maintain a record of accounts receivable at June 30, 2017 and 2016.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Council to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

The Comptroller's Statewide Accounting Management System Manual (Procedure 26.20.10) defines accounts receivable as amounts or claims owed to the State by any individual or entity, where payment is the only unconsummated act and the claim is measurable in terms of monetary value established by State law.

The State Records Act (5 ILCS 160/8) requires the Council make and preserve records containing adequate and proper documentation of the functions, decisions, and essential transactions of the Council designed to protect the legal and financial rights of the State and of persons directly affect by the Council's activities.

Council management indicated they were unaware the funds due back should have been recorded as accounts receivable.

The lack of controls over accounts receivable has resulted in the Council's financial information being misstated. (Finding Code No. 2017-003)

Recommendation:

We recommend the Council implement controls to properly identify and record accounts receivable from unspent grant funds.

Agency Response: Agency Agrees.

The IACA agrees to implement controls to properly identify and record accounts receivable from unspent grant funds.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

2017-004 **Finding:** Employee Evaluations Not Completed Timely

The Illinois Arts Council (Council) did not conduct annual employee performance evaluations in accordance with Personnel Rules.

The Council did not timely complete annual evaluations for 3 of 6 (50%) employees tested during the period. The evaluations were 10 to 22 months late.

Personnel Rules issued by the Department of Central Management Services (80 Ill. Adm. Code 302.270) require performance records to include an evaluation of employee performance prepared by each agency not less often than annually. In addition, the Council's internal personnel policy requires annual evaluations of employees based on either the anniversary date of hire or fiscal year.

Council management indicated there were competing priorities which caused the delays.

Failure to conduct timely performance evaluations could result in delays in salary adjustments, promotion, demotion, discharge, recall, and reinstatement decisions. (Finding Code No. 2017-004, 2015-004)

Recommendation:

We recommend the Council take appropriate measures to ensure performance evaluations are conducted annually as required by policy.

Agency Response: Agency Agrees.

The IACA has put in place a number of steps to ensure performance evaluations are conducted annually as required by policy.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

2017-005 **Finding:** Inadequate Controls Over Property and Equipment

The Illinois Arts Council (Council) did not have adequate controls over its property and equipment. The Council's eight quarterly State Property Forms (C-15's) were examined and the following was noted:

- The beginning balance on the C-15 did not agree to the ending balance of the previous C-15 for 1 of 8 (13%) quarterly reports tested. The beginning balance on the September 30, 2016 C-15 was adjusted by \$413 to adjust capital lease equipment to fair market value.
- Deletion of \$757 of property and equipment in Fiscal Year 2017 was incorrectly reported on the C-15's as a transfer out.

The Statewide Accounting Management System (Procedure 29.20.10) requires State agencies to report all additions to each asset class that occurred, during the quarter being reported. In addition, the Procedure requires agencies to report items as transfers if the items are moved between agencies, as opposed to being reported as deletions or additions.

Council management indicated the exceptions were the result of human error.

Failure to accurately report property and equipment information resulted in incorrect reporting and noncompliance with the Statewide Accounting Management System Procedure. (Finding Code No. 2017-005)

Recommendation:

We recommend the Council strengthen procedures to ensure that property and equipment is accurately reported.

Agency Response: Agency Agrees.

The IACA has taken the appropriate measures to strengthen its procedures to ensure that property and equipment is accurately reported.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

2017-006 **Finding:** Noncompliance with the Arts Council Act

The Illinois Arts Council (Council) did not comply with the Arts Council Act.

The Arts Council Act (20 ILCS 3915/1) requires the Council to be comprised of 21 members appointed by the Governor serving a four year term. As of July 1, 2015, three of the 21 (14%) council members terms had expired. The three members continued to serve on the Council although they had not been reappointed.

Council management indicated it was the responsibility of the Governor to appoint the Council members.

Failure to appoint Council members is noncompliance with the Arts Council Act. (Finding Code No. 2017-006)

Recommendation:

We recommend the Council work with the Governor's Office to ensure Council members are timely appointed or reappointed.

Agency Response: Agency Agrees.

The Board Chairman and Board members will continue to work with the Office of the Governor to ensure Board members are timely appointed or reappointed. Ultimately, it is at the Governor's discretion to appoint or renew each Board member's term.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017**

PRIOR FINDINGS NOT REPEATED – STATE COMPLIANCE

A. Finding (Improper Reconciliation of State Cash Receipts)

During the prior examination, the Council failed to properly reconcile State cash receipts.

Status: Not Repeated

During the current examination, the Council properly reconciled State cash receipts. (Finding Code No. 2015-002, 2013-002, 11-2)

B. Finding (Noncompliance with the Fiscal Control and Internal Auditing Act)

During the prior examination, the Council did not comply with the Fiscal Control and Internal Auditing Act (FCIAA).

Status: Not Repeated

During the current examination, the Council's noncompliance with the requirements of the FCIAA was less significant and as such moved to the Immaterial Letter. (Finding Code 2015-003)

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2017
- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2016
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Notes to Schedule of Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined)

- Agency Functions and Planning Program (Not Examined)
- Analysis of Significant Variations in Expenditures (Not Examined)
- Analysis of Significant Variations in Receipts (Not Examined)
- Analysis of Significant Lapse Period Spending (Not Examined)
- Budget Impasse Disclosures (Not Examined)
- Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
- Interest Costs on Fiscal Year 2017 Invoices (Not Examined)
- Interest Costs on Fiscal Year 2016 Invoices (Not Examined)
- Average Number of Employees (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017 and June 30, 2016 accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017
Fifteen Months Ended September 30, 2017

<u>Public Act - 99-00524 and Court Ordered Expenditures</u>	<u>Expenditure Authority (Net of Transfers)</u>	<u>Expenditures Through 6/30/17</u>	<u>Lapse Period Expenditures 7/01 - 9/30/17</u>	<u>Total Expenditures 15 Months Ended 9/30/17</u>	<u>Balances Lapsed</u>
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Lump Sum - Operations	\$ 1,430,852	\$ 767,071	\$ -	\$ 767,071	\$ 663,781
Awards and Grants, Lump Sums and Other Purposes	<u>3,875,000</u>	<u>3,875,000</u>	<u>(14,517)</u>	<u>3,860,483</u>	<u>14,517</u>
Subtotal - Fund 001	<u>5,305,852</u>	<u>4,642,071</u>	<u>(14,517)</u>	<u>4,627,554</u>	<u>678,298</u>
ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657					
Awards and Grants	935,000	822,465	58,130	880,595	54,405
Awards and Grants, Lump Sums and Other Purposes	<u>65,000</u>	<u>15,604</u>	<u>119</u>	<u>15,723</u>	<u>49,277</u>
Subtotal - Fund 657	<u>1,000,000</u>	<u>838,069</u>	<u>58,249</u>	<u>896,318</u>	<u>103,682</u>
ILLINOIS ARTS COUNCIL BUDGET STABILIZATION FUND - 686					
Lump Sums and Other Purposes	<u>125,000</u>	<u>124,837</u>	<u>-</u>	<u>124,837</u>	<u>163</u>
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 6,430,852</u>	<u>\$ 5,604,977</u>	<u>\$ 43,732</u>	<u>\$ 5,648,709</u>	<u>\$ 782,143</u>

See Notes to Schedule of Appropriations, Expenditures and Lapsed Balances.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016
Fourteen Months Ended August 31, 2016**

<u>Public Act - 99-0409 and Court Ordered Expenditures</u>	<u>Expenditure Authority (Net of Transfers)</u>	<u>Expenditures Through 6/30/16</u>	<u>Lapse Period Expenditures 7/01 - 8/31/16</u>	<u>Total Expenditures 14 Months Ended 8/31/16</u>	<u>Balances Lapsed</u>
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Lump Sum - Operations	\$ 2,000,000	\$ 1,005,337	\$ 7,241	\$ 1,012,578	\$ 987,422
Subtotal - Fund 001	<u>2,000,000</u>	<u>1,005,337</u>	<u>7,241</u>	<u>1,012,578</u>	<u>987,422</u>
ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657					
Awards and Grants	935,000	734,565	82,800	817,365	117,635
Awards and Grants, Lump Sums and Other Purposes	<u>65,000</u>	<u>17,353</u>	<u>182</u>	<u>17,535</u>	<u>47,465</u>
Subtotal - Fund 657	<u>1,000,000</u>	<u>751,918</u>	<u>82,982</u>	<u>834,900</u>	<u>165,100</u>
TOTAL - ALL APPROPRIATED FUNDS	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 1,757,255</u></u>	<u><u>\$ 90,223</u></u>	<u><u>\$ 1,847,478</u></u>	<u><u>\$ 1,152,522</u></u>

See Notes to Schedule of Appropriations, Expenditures and Lapsed Balances.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016, and 2015**

	FISCAL YEAR		
	2017	2016	2015
	P.A. 99-0524 Court Ordered Expenditures	P.A. 99-0409 Court Ordered Expenditures	P.A. 98-0679 P.A. 99-0001
GENERAL REVENUE FUND - 001			
Expenditure Authority (Net of Transfers)	\$ 5,305,852	\$ 2,000,000	\$ 9,891,300
Expenditures			
Lump Sum - Operations	767,071	1,012,578	1,457,792
Awards and Grants, Lump Sums and Other Purposes	3,860,483	-	-
Creative Sector Grants & Financial Assistance	-	-	3,671,920
Underserved Constituencies Grants	-	-	311,930
Arts Education Grants & Financial Assistance	-	-	367,765
Humanities Programs and Activities Grants	-	-	642,995
Public Radio and TV Administration Grants	-	-	1,103,600
Illinois Humanities Council Grant	-	-	417,000
Total Expenditures	<u>4,627,554</u>	<u>1,012,578</u>	<u>7,973,002</u>
Lapsed Balances	<u>678,298</u>	<u>987,422</u>	<u>1,918,298</u>
FEDERAL GRANT FUND - 657			
Expenditure Authority (Net of Transfers)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Expenditures			
Awards and Grants	880,595	817,365	779,990
Awards and Grants, Lump Sums and Other Purposes	15,723	17,535	40,487
Total Expenditures	<u>896,318</u>	<u>834,900</u>	<u>820,477</u>
Lapsed Balances	<u>103,682</u>	<u>165,100</u>	<u>179,523</u>
ILLINOIS ARTS COUNCIL BUDGET STABILIZATION FUND - 686			
Expenditure Authority (Net of Transfers)	<u>125,000</u>	<u>-</u>	<u>-</u>
Expenditures			
Lump Sums and Other Purposes	<u>124,837</u>	<u>-</u>	<u>-</u>
Lapsed Balances	<u>163</u>	<u>-</u>	<u>-</u>
TOTAL - ALL APPROPRIATED FUNDS			
Expenditure Authority (Net of Transfers)	6,430,852	3,000,000	10,891,300
Total Expenditures	<u>5,648,709</u>	<u>1,847,478</u>	<u>8,793,479</u>
Lapsed Balances	<u>\$ 782,143</u>	<u>\$ 1,152,522</u>	<u>\$ 2,097,821</u>

See Notes to Schedule of Appropriations, Expenditures and Lapsed Balances.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**NOTES TO SCHEDULE OF APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Two Years Ended June 30, 2017**

APPROPRIATION AUTHORIZATION, FISCAL YEAR 2017

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to the Council's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Council and submitted to the State Comptroller for payment to the vender.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rate of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supersede any court order directing the expenditures of funds and states such payments are added to the appropriations granted by the General Assembly, the Council was able to submit vouchers to pay it employees in full from Fund 001, which the Council was unable to pay until the passage of Public Act 100-0021.

Note 4: Public Act 99-0524 authorized the Council to pay Fiscal Year 2016 cost using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section on page 31 includes information from the Council's management about the number of invoices and the total dollar amount of invoices held by the Council submitted against its Fiscal Year 2017 appropriations.

Note 5: During Fiscal Year 2017, the Council operated without enacted appropriations until Public Act 100-0021 was approved on July 6, 2017. During the impasse, the Council incurred non-payroll obligations with Fund 001 and Fund 657, which the Council was unable to pay until the passage of Public Act 100-0021.

Note 6: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 10-0021 authorized the Council to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section on page 31 includes information from the Council's management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Council and submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriations.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**NOTES TO SCHEDULE OF APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Two Years Ended June 30, 2017**

APPROPRIATION AUTHORIZATION, FISCAL YEAR 2016

Note 1: Expenditure authority, appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to the Council's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Council and submitted to the State Comptroller for payment to the vender.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rate of pay." As the Council never received enacted personal service appropriations for Fund 001, the Council was unable to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Council operated without enacted appropriations until Public Act 99-0409 and Public Act 99-0524 were signed into law on August 20, 2015, and June 30, 2016, respectively. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rate of pay." As such, the Council's court-ordered payroll payments were merged into the enacted appropriations for Fund 001. Further, the Council incurred non-payroll obligations within Fund 001 and Fund 657, which the Council was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Council to pay Fiscal Year 2016 costs using Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section on page 31 includes information from the Council's management about the number of invoices and the total dollar amount of invoices held by the Council submitted against its Fiscal Year 2017 appropriations.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2017**

	<u>State Property</u>
Balance at July 1, 2015	\$ 200,657
Additions	-
Deletions	(12,148)
Net Transfers	-
Balance at June 30, 2016	<u>\$ 188,509</u>
Balance at July 1, 2016	\$ 188,509
Additions	38,076
Deletions	(6,724)
Net Transfers	(33,293)
Balance at June 30, 2017	<u>\$ 186,568</u>

Note: This schedule has been derived from the Council's records, which were reconciled to property reports submitted to the Office of the State Comptroller.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2017, 2016, and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
GENERAL REVENUE FUND - 001			
Prior Year Refund	\$ 5,373	\$ 61,625	\$ 56,286
Miscellaneous Receipts	73	75	12
Total Receipts - Fund 001	<u>\$ 5,446</u>	<u>\$ 61,700</u>	<u>\$ 56,298</u>
Receipts, per Council Records	\$ 5,446	\$ 61,700	\$ 56,298
Add: Deposits in Transit, Beginning of the Year	-	-	-
Less: Deposits in Transit, End of the Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 5,446</u>	<u>\$ 61,700</u>	<u>\$ 56,298</u>
ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657			
National Endowment for the Arts	\$ 875,900	\$ 841,900	\$ 846,812
Prior Year Refund	16,906	-	-
Prior Year Warrant Voids	7,235	-	-
Total Receipts - Fund 657	<u>\$ 900,041</u>	<u>\$ 841,900</u>	<u>\$ 846,812</u>
Receipts, per Council Records	\$ 900,041	\$ 841,900	\$ 846,812
Add: Deposits in Transit, Beginning of the Year	-	-	-
Less: Deposits in Transit, End of the Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 900,041</u>	<u>\$ 841,900</u>	<u>\$ 846,812</u>
GRAND TOTAL - ALL FUNDS			
National Endowment for the Arts	\$ 875,900	\$ 841,900	\$ 846,812
Prior Year Refund	22,279	61,625	56,286
Prior Year Warrant Voids	7,308	75	12
Total Receipts - Fund 657	<u>\$ 905,487</u>	<u>\$ 903,600</u>	<u>\$ 903,110</u>
Receipts, per Council Records	\$ 905,487	\$ 903,600	\$ 903,110
Add: Deposits in Transit, Beginning of the Year	-	-	-
Less: Deposits in Transit, End of the Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 905,487</u>	<u>\$ 903,600</u>	<u>\$ 903,110</u>

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Arts Council was created by the Illinois General Assembly in 1965 through the Arts Council Act (20 ILCS 3915). The Council is governed by 21 private citizens from throughout Illinois. These members are chosen for their commitment to the arts and are appointed by the Governor. The members serve in a voluntary, non-paid capacity and are responsible for developing the State's public arts policy, fostering quality culturally diverse programs, and approving grant expenditures. The Council members are appointed for four year terms. The Governor designates the Chairman. Many of the Council members are reappointed by the Governor for an additional four year term.

Advisory panels are composed of volunteer experts from Illinois and are appointed by the Council's Chair to assist the Council in the review of grant applications and to provide expertise on policy and program development. Panelists are selected through open nominations and serve for one year terms.

Functions

The functions of the Council are directed by the Council's mission statement: "to build a strong, creative, and connected Illinois through the arts."

The Council received funds through the State of Illinois General Revenue Fund appropriations and federal grants from the National Endowment for the Arts.

The State of Illinois' support of the arts includes production of theater, music, dance, ethnic and folk art, literature, exhibitions, media and visual art, as well as public benefits to the community. These benefits include: attracting and retaining businesses and residents, revitalizing downtowns, drawing tourists, providing a basis for quality elementary and secondary education, vitalizing neighborhoods, connecting people, and improving the quality of life. People of all regions, ages, cultures, abilities and economic conditions make arts happen throughout Illinois, through numerous grant programs from the Illinois Arts Council.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

Funding from the Council benefits artists and arts organization, support art organization's education programs that provide art experiences for schools and communities, provides operating support to art institutions and support for seminars and workshops. The Illinois Arts Council believes the arts are the first and a basic building block for education. The grants they provide help allow this to happen.

Planning Program

The Council developed a Strategic Plan for 2013-2018. Basing their core value off of the Greek phrase *E pluribus unum* (out of many, one); the Illinois Arts Council declares with One Voice that we shall be Better Together with the Arts.

The Council identified guiding principles to help fulfill their goals and purpose. The arts are not practiced in isolation. The creativity of many can be united in one common purpose which can build a more creative society in Illinois, help keep vibrant and strengthen the economy, all leading to the expression of excellence.

The Council has set forth the following driving forces in its Strategic Plan:

- Investment in arts education is an investment in our future. Education in the arts helps develop skills and motivate a creative workforce within the competitive global economy. This lifelong learning must be available to all Illinoisans.
- The Illinois Arts Council will build and sustain collaborations and partnerships with governmental bodies and private entities. Connected together, all will work towards a shared vision and one voice.
- Through grants and programs, the Council will promote artists and organizations which are vital to the advancement of the Illinois economy, quality of life, and mind.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)

The Illinois Arts Council has implemented many of their strategic objectives and strategies despite a steady decline of funding over the last many years. Some of the accomplishments include expanding or reinstating suspended programs. The existing Quick Start Program, which supports arts learning beyond schools, was expended. Reinstated programs include The Arts Tour & Live Music program, Literary Awards Program, Artist Fellowship Awards, and Summer Youth Employment in the Arts. In addition to program accomplishments, the Illinois Arts Council accepts on-line applications for nearly all programs. The Slide Room system is being used for submission and review of grant applications.

The Illinois Arts Council board members meet periodically and actively plan aspects of the Council. The current members are:

Shirley Madigan – Chair
Rhonda Pierce – Vice Chairman
Cecilia Rodhe – Secretary
Jill Arena
Lisa Dent Bielefeldt
Beth Boosalis Davis
Richard Daniels
Christina Gidwitz
Henry Godinez
Desiree Grode
Jodie Kavensky

Valerie King
Jennifer Levine
Gary Matts
Peggy Montes
Sheila Marie O'Brien
Gail Shiel
Christina Steelman
Tim Touhy
Howard A. Tullman
Donald T. Wiener

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

Significant variances in expenditures, determined to be variances of \$10,000 and 20% or more on an annual basis, are explained below:

Between Fiscal Years 2017 and 2016

General Revenue Fund – 001

Lump Sum – Operations

The most significant portion of this is personal services. The decrease is a result of budget cutbacks. As employees retire or leave for other reasons the Council has not been allowed to replace them.

Awards and Grants, Lump Sums and Other Purposes

The Council received no expenditure authority for this in Fiscal Year 2016. In Fiscal Year 2017 the expenditure authority was partially restored.

Illinois Arts Council Budget Stabilization Fund – 686

Lump Sums and Other Purposes

This was a new category of expenditure authority for the Council in Fiscal Year 2017 and did not exist for Fiscal Year 2016.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)

Between Fiscal Years 2016 and 2015

General Revenue Fund – 001

Lump Sum – Operations

The most significant portion of this is personal services. The decrease is a result of budget cutbacks. As employees retire or leave for other reasons the Council has not been allowed to replace them.

Awards and Grants, Lump Sums and Other Purposes

The Council received no expenditure authority in Fiscal Year 2016. In Fiscal Year 2015 the expenditure authority still existed.

Illinois Arts Council Federal Grant Fund – 657

Awards and Grants, Lump Sums and Other Purposes

The decrease in administrative costs charged to Federal Programs for Fiscal Year 2016 compared to Fiscal Year 2015 is a result of the budget cuts.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

Significant variances in receipts, determined to be variances of \$4,000 and 20% or more on an annual basis, are explained below:

Between Fiscal Years 2017 and 2016

General Revenue Fund – 001

Prior Year Refund

Prior Year Refunds for Fiscal Year 2017 are received from unexpended grants which were awarded during previous fiscal years. Since the grants awarded during Fiscal Year 2016 were significantly lower compared to prior years the Prior Year Refunds for Fiscal Year 2017 are considerably lower than they were in Fiscal Year 2016.

Illinois Arts Council Federal Grant Fund – 657

Prior Year Refund

There were no prior year refunds for this fund prior to Fiscal Year 2017.

Prior Year Warrant Voids

There were no prior year warrant voids for this fund prior to Fiscal Year 2017.

Between Fiscal Years 2016 and 2015

No significant variations in receipts.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

Significant lapse period spending, determined to be at least \$10,000 and 15% or more of total fiscal year expenditures, are explained below:

Fiscal Year 2017

No significant lapse period spending.

Fiscal Year 2016

No significant lapse period spending.

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

BUDGET IMPASSE DISCLOSURES

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Illinois Arts Council to pay Fiscal Year 2016 costs using the Illinois Arts Council's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Illinois Art Council to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Illinois Arts Council's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Illinois Arts Council Agency's plan to pay its prior costs using future appropriations:

Fiscal Year 2016 Invoices Paid From Fiscal Year 2017 Appropriations

<u>Fund #</u>	<u>Fund Name</u>	<u>Number</u>	<u>Dollar Value</u>
001	General Revenue Fund	34	\$ 29,275

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS

Transactions Involving the Illinois Finance Authority

The Illinois Arts Council and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

During Fiscal Year 2016 and Fiscal Year 2017, none of the Illinois Arts Council Agency's vendors participated in the Vendor Payment Program (VPP).

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS TO
ADDRESS UNTIMELY PAYMENTS TO VENDORS** (Continued)

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Illinois Arts Council Agency lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Illinois Arts Council Agency was required to determine a participating vendor's invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid/pays the invoice after the Illinois Arts Council Agency receives/received appropriations or other legal expenditure authority to pay the invoice, the participating vendor receives/received the remaining 10% due (less any offsets).

During Fiscal Year 2016, the Illinois Arts Council Agency had one vendor participate in VSI for one invoice, totaling \$2,696.

During Fiscal Year 2017, none of the Illinois Arts Council vendors participated in Vendor Support Initiative Program (VSI).

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
For the Two Years Ended June 30, 2017**

PROMPT PAYMENT INTEREST COSTS

The Illinois Arts Council plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Illinois Arts Council. The following chart shows the Illinois Arts Council's prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016 and June 30, 2017, by fund:

Prompt Payment Interest Incurred for the Year Ended June 30, 2017

<u>Fund #</u>	<u>Fund Name</u>	<u>Invoices</u>	<u>Dollar Value</u>
001	General Revenue Fund	115	\$ 18,668

Prompt Payment Interest Incurred for the Year Ended June 30, 2016

None

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
FOR THE TWO YEARS ENDED JUNE 30, 2017**

AVERAGE NUMBER OF EMPLOYEES (Not Examined)

A comparative statement of the average number of persons employed by the Illinois Arts Council at full-time equivalents is presented below:

	Fiscal Year		
	2017	2016	2015
Administration			
Executive Director	1	1	1
Deputy Director	1	0	0
Director of Operations	1	1	1
Accountant Supervisor	1	1	1
Grants Office	1	2	2
Support Staff	2	2	2
Total Administration	7	7	7
Programs			
Program Coordinators	2	4	1
Program Assistants	0	0	4
Total Programs	2	4	5
Total Employees	9	11	12

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**ANALYSIS OF OPERATIONS (NOT EXAMINED)
FOR THE TWO YEARS ENDED JUNE 30, 2017**

SERVICE EFFORTS AND ACCOMPLISHMENTS

The Illinois Arts Council Agency (Council) improves economic vitality and quality of life in Illinois by investing grant funds in the nonprofit arts sector, advancing arts education, providing technical assistance, and promoting an encouraging atmosphere for creative artists to live and work.

The Council recognizes that the best work happens outside of isolation. We are Better Together. Our goal is to “Connect” through communication, cooperation, and celebration. The Council continues to exercise its mandate by building and sustaining collaborations and partnerships across Illinois.

In 2017, the Council met its goal to “Connect” by equalizing opportunities in communities in which individuals lack access to arts programs due to geography, economic conditions, age and diversity:

- Southern Illinois Culture and Arts in Bilingual Education Music Festival – Encuentro de Jaraneros - *‘Eclipse total de la musica’*
 - ✓ Held in various locations throughout Carbondale, IL featuring musicians from across North America.
 - ✓ Held presentations for school children, workshops, dancing, and public, outdoor concerts.
- Art Encounter
 - ✓ Train 10 care-givers for the elderly on how to engage clients in talking about and creating art.
 - ✓ Linked elderly people with art, stimulating experiences and creating activities.
- Antonia Davis
 - ✓ Supported visual artist-mouth painter, in collaboration with the Annual ADA Celebration *‘Pathways to Work Opportunities’*.
 - ✓ Linked elderly people with art, stimulating experiences and creating activities.

The Council’s continued collaborations and partnerships include:

- Poetry Out Loud (POL):
 - ✓ Assist in the development of teaching students to master public speaking skills, build self-confidence, and learn about literary history and contemporary life.
 - ✓ In Illinois 57 High Schools and 8,973 Students Participated.
- Arts Midwest Partnership
 - ✓ Through Arts Midwest Touring Fund 23 Illinois performing arts organizations were awarded \$66,687, engaging 26,522 individuals including 14,437 children and youth.
 - ✓ 13 Illinois artists earned \$213,500 by participating in the Touring Fund programming.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS (NOT EXAMINED)
FOR THE TWO YEARS ENDED JUNE 30, 2017

SERVICE EFFORTS AND ACCOMPLISHMENTS (Continued)

	<u>FY 17</u>	<u>FY 16</u>	<u>FY 15</u>
Grant applications received	813	164	1,753
Grant applications funded	747	146	917
Grants (in thousands)	\$4,717	\$821	\$7,262