

STATE OF ILLINOIS
OFFICE OF THE AUDITOR GENERAL

Compliance Examination
For The Two Years Ended June 30, 2011

State Of Illinois
Office Of The Auditor General
Financial And Compliance Audit
For The Two Years Ended June 30, 2011

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State of Illinois
Office of the Auditor General
Agency Officials

Auditor General	Mr. William G. Holland
Deputy Auditor General	Mr. John Kunzeman
Fiscal Officer	Ms. Roberta Pape
Legal Counsel	Ms. Rebecca Patton

Agency offices are located at:

Iles Park Plaza
740 E. Ash Street
Springfield, IL 62703

Michael A. Bilandic Building
Suite S-900
160 North LaSalle
Chicago, IL 60601

State of Illinois
Office of the Auditor General
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.

Accountants' Report

The Independent Accountants' 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>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated Findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule Of Findings And Questioned Costs

None

Exit Conference

The office declined a formal exit conference in a letter dated November 18, 2011.

Independent Accountants' Report On State Compliance
On Internal Control Over Compliance, And On
Supplementary Information For State Compliance Purposes

Legislative Audit Commission
State of Illinois
Springfield, Illinois

We have examined the Illinois Office of the Auditor General'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, 2011. The management of the Illinois Office of the Auditor General is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Illinois Office of the Auditor General's compliance based on our examination.

- A. The Illinois Office of the Auditor General 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 Illinois Office of the Auditor General 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 Illinois Office of the Auditor General 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 Illinois Office of the Auditor General 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 Illinois Office of the Auditor General on behalf of the State of held in trust by the Illinois Office of the Auditor General have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination 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 Audit Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, including examining, on a test basis, evidence about the Illinois Office of the Auditor General's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Illinois Office of the Auditor General's compliance with specified requirements.

In our opinion, the Illinois Office of the Auditor General complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2011.

Internal Control

The management of the Illinois Office of the Auditor General 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 Illinois Office of the Auditor General's internal control over compliance with requirements listed in the first paragraph of this report as a basis for designing our examination procedures 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 Illinois Office of the Auditor General's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Illinois Office of the Auditor General's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control 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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

There were no immaterial findings that have been excluded from this report.

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 as listed in the table of contents as Supplementary Information for State Compliance Purposes 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 2011 and the 2010 Supplementary Information for State Compliance Purposes, except for annual cost statistics on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2009 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Lawrence Travis & Co., P. C.
Certified Public Accountants

November 18, 2011

State Of Illinois
Office Of Auditor General
Schedule Of Appropriations, Expenditures And Lapsed Balances
Appropriations For Fiscal Year 2011
Fourteen Months Ended August 31, 2011

<u>P.A. 96-0956</u>	FINAL APPROPRIATION (NET AFTER TRANSFERS)	VOUCHER EXPENDITURES THROUGH <u>June 30, 2011</u>
<u>GENERAL REVENUE FUND (001):</u>		
Operations	\$ 6,807,000	\$ 6,778,727
TOTAL GENERAL REVENUE FUND (001)	\$ 6,807,000	\$ 6,778,727
AUDIT EXPENSE FUND (342)	<u>20,031,800</u>	<u>13,328,343</u>
<u>TOTAL ALL FUNDS</u>	\$ 26,838,800 =====	\$ 20,107,070 =====

Notes:

Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Office of the Auditor General's records.

Expenditure amounts are vouchers approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment to the vendor.

Total expenditures include interest payments approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment after August 2010.

LAPSED PERIOD EXPENDITURES JULY 1, 2011 TO <u>August 31, 2011</u>	TOTAL EXPENDITURES THROUGH <u>December 31, 2011</u>	APPROPRIATION BALANCES <u>LAPSED</u>
\$ <u>14,916</u>	\$ <u>6,793,643</u>	\$ <u>13,357</u>
\$ 14,916	\$ 6,793,643	\$ 13,357
<u>4,703,976</u>	<u>18,032,319</u>	<u>1,999,481</u>
\$ 4,718,892 =====	\$ 24,825,962 =====	\$ 2,012,838 =====

State Of Illinois
Office Of Auditor General
Schedule Of Appropriations, Expenditures And Lapsed Balances
Appropriations For Fiscal Year 2010
Fourteen Months Ended August 31, 2010

<u>P.A. 96-0042 & P.A.-0046</u>	<u>FINAL APPROPRIATION (NET AFTER TRANSFERS)</u>	<u>VOUCHER EXPENDITURES THROUGH June 30, 2010</u>
<u>GENERAL REVENUE FUND (001):</u>		
Personal Services	\$ 5,003,741	\$ 5,003,740
Social Security	379,459	368,513
Operations	<u>1,423,800</u>	<u>841,212</u>
TOTAL GENERAL REVENUE FUND (001)	\$ 6,807,000	\$ 6,213,465
AUDIT EXPENSE FUND (342)	<u>22,339,103</u>	<u>13,742,858</u>
<u>TOTAL ALL FUNDS</u>	\$ 29,146,103 =====	\$ 19,956,323 =====

Notes:

Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Office of the Auditor General's records.

Expenditure amounts are vouchers approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment to the vendor.

Total expenditures include interest payments approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment after August 2011.

LAPSED PERIOD EXPENDITURES JULY 1, 2010 TO <u>August 31, 2010</u>	TOTAL EXPENDITURES THROUGH <u>December 31, 2010</u>	APPROPRIATION BALANCES <u>LAPSED</u>
\$ 0	\$ 5,003,740	\$ 1
0	368,513	10,946
<u>122,547</u>	<u>963,759</u>	<u>460,041</u>
\$ 122,547	\$ 6,336,012	\$ 470,988
<u>4,238,600</u>	<u>17,981,458</u>	<u>4,357,645</u>
\$ 4,361,147	\$ 24,317,470	\$ 4,828,633
=====	=====	=====

State Of Illinois
Office Of The Auditor General
Comparative Schedule Of Appropriations
Expenditures And Lapsed Balances
For The Fiscal Years Ending June 30, 2011, 2010 And 2009

	<u>2011</u>	<u>Fiscal Year</u>	
	<u>P.A. 96-0956</u>	<u>2010</u>	<u>2009</u>
		<u>P.A. 96-0042</u>	<u>P.A. 95-0371</u>
		<u>P.A. 96-0046</u>	
Appropriations (Net of Transfers)	\$ 26,838,800	\$ 29,146,103	\$ 28,409,635
<u>Expenditures – General Revenue Fund (001)</u>			
Personal Services	\$	\$ 5,003,740	\$ 5,606,333
Retirement			1,180,889
Social Security		368,513	412,044
Contractual Services			734,527
Travel			49,406
Commodities			10,894
Printing			22,107
Equipment			98,892
Electronic Data Processing			102,482
Telecommunications			71,222
Operation of Automotive Equipment			2,453
Operations	6,793,643	963,759	
<u>Expenditures – Audit Expense Fund (342)</u>			
Audits, studies and investigations	<u>18,032,319</u>	<u>17,981,458</u>	<u>17,095,561</u>
Total Expenditures	\$ <u>24,825,962</u>	\$ <u>24,317,470</u>	\$ <u>25,386,810</u>
Lapsed Balance	\$ 2,012,838	\$ 4,828,633	\$ 3,022,825
	=====	=====	=====

Notes:

Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records, which have been reconciled to the Office of the Auditor General's records.

Expenditure amounts are vouchers approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment to the vendor.

Total expenditures include interest payments approved for payment by the Office of the Auditor General and submitted to the State Comptroller for payment for Fiscal Years 2011 and 2010.

State Of Illinois
Office Of The Auditor General
Schedule Of Changes In Property And Equipment
For The Two Years Ending June 30, 2011

<u>Balance - July 1, 2009</u>	\$ 1,466,495
<u>Additions:</u>	
Purchases	132,129
<u>Deductions:</u>	
Net transfers	<u>(66,649)</u>
<u>Balance - June 30, 2010</u>	\$ 1,531,975
<u>Additions:</u>	
Purchases	41,170
<u>Deductions:</u>	
Net transfers	<u>(83,773)</u>
<u>Balance - June 30, 2011</u>	\$ 1,489,372 =====

This schedule has been prepared from the records of the Office of the Auditor General, which have been reconciled to those property reports submitted to the Office of the Comptroller.

State Of Illinois
Office Of The Auditor General
Schedule Of Receipts
For The Three Years Ending June 30, 2011

<u>General Revenue Fund/Audit Expense Fund</u>	<u>Fiscal Year Ending June 30,</u>	
	<u>2011</u>	<u>2010</u>
Reimbursement for Audits of Federal Programs	\$ 3,684,728	\$ 2,675,650
Reimbursement for Audits of State Trust Funds and other Local Funds	1,268,681	1,987,673
Miscellaneous receipts	<u>106</u>	<u>77</u>
 Total Cash Receipts per Office of the Auditor General	 \$ 4,953,515	 \$ 4,663,400
 Deposits in Transit at June 30,		
2009	0	391,929
2010	357,912	(357,912)
2011	<u>(79,111)</u>	<u>0</u>
 Total Cash Receipts Per Comptroller	 \$ 5,232,316 =====	 \$ 4,697,417 =====

Comparative Schedule Of Receipts By Fund
For The Two Years Ending June 30, 2011

	<u>2011</u>	<u>2010</u>
General Revenue Fund (0001)	\$ 3,684,834	\$ 2,675,727
Audit Expense Fund (0342)	<u>1,268,681</u>	<u>1,987,673</u>
 Total Cash Receipts Per Agency Records	 \$ 4,953,515 =====	 \$ 4,663,400 =====

Note: This schedule has been prepared from the records of the Office of the Auditor General, which have been reconciled to those of the State Comptroller.

State Of Illinois
Office Of The Auditor General
Comparative Schedule Of Receipts, Disbursements, And Fund Balance
(Cash Basis) – Audit Expense Fund (342)
For The Years Ended June 30,

	<u>2011</u>	<u>2010</u>
RECEIPTS:		
Deposits	\$ 1,563,723	\$ 1,987,673
Transfers-in	<u>25,424,644</u>	<u>18,445,038</u>
Total Receipts	\$ <u>26,988,367</u>	\$ <u>20,432,711</u>
DISBURSEMENTS:		
Expenditures	\$ 17,565,898	\$ 17,570,936
Transfers-out (refunds/OMB transfers)	<u>1,092,723</u>	<u>6,432,285</u>
Total Disbursements	\$ <u>18,658,621</u>	\$ <u>24,003,221</u>
Net Increase (Decrease) In Fund Balance	\$ 8,329,746	\$ (3,570,510)
Fund Balance – Beginning of the Year	<u>11,541,658</u>	<u>15,112,168</u>
Fund Balance – End of the Year	\$ 19,871,404 =====	\$ 11,541,658 =====

Note: This schedule was prepared from the records of the Office of the Auditor General and reconciled to the State Comptroller records.

State of Illinois
Office of the Auditor General
Analysis of Operations
For The Two Years Ending June 30, 2011

Accounts Receivable

The accounts receivables generated by the Office of the Auditor General primarily represent billings to other State agencies for reimbursement of audit costs. Reimbursements for federal single audits are deposited into the General Revenue Fund. Reimbursements for audits not associated with federal single audits are deposited or transferred to the Audit Expense Fund. If normal collection methods fail, we request assistance from the Office of the Attorney General. To date we have never used the services of a private collection agency.

Accounts receivables aging as of June 30, 2011 and 2010 per agency records:

<u>Days Outstanding</u>	<u>General Revenue Fund</u>			
	<u>06/30/11</u>		<u>06/30/10</u>	
1-30 days	\$2,235,000	100%	\$2,588,000	100%
Total Gross Receivables	2,235,000	100%	2,588,000	100%
Less: Allowance for Uncollectibles	<u>0</u>		<u>0</u>	
Net Receivable	\$2,235,000	100%	\$2,588,000	100%
	=====	====	=====	====
	<u>Audit Expense Fund</u>			
	<u>06/30/11</u>		<u>06/30/10</u>	
1-30 days	\$2,022,000	100%	\$1,460,000	100%
Total Gross Receivables	2,022,000	100%	1,460,000	100%
Less: Allowance for Uncollectibles	<u>0</u>		<u>0</u>	
Net Receivable	\$2,022,000	100%	\$1,460,000	100%
	=====	====	=====	====

Significant Variations in Expenditures and Lapse Period Spending

The appropriation authorization was changed in FY 11. In FY 11 there was a single lump sum appropriation from the general revenue fund and audit expense fund; in FY 10 appropriations were made for the following lines: personal services, social security and operations. In both fiscal years some expenditures including personal services were paid out of both the general revenue and audit expense appropriations.

Significant lapse period spending occurred in the following appropriations:

	<u>2011</u>	<u>2010</u>
1. Audit Studies and Investigations	\$4,703,976	\$4,238,000
% of total	26%	24%

The lapse period expenditures for this purpose traditionally run over 20% due to interim contracts done in the spring to facilitate earlier completion of audits.

State of Illinois
Office of the Auditor General
Agency Functions and Planning Program

The Office of the Auditor General maintains offices in Springfield at 740 East Ash Street in Springfield and in the Michael A. Bilandic Building at 160 N. LaSalle Street in Chicago. The Auditor General is William G. Holland.

The function of the Office of the Auditor General is to assist the General Assembly in achieving oversight of State government and improvement in agency operations by:

- a) Performing objective audits and evaluations of agency programs and operations;
- b) Providing useful information generated by such audits and evaluations to the General Assembly and other concerned parties;
- c) Offering recommendations to bring governmental operations into conformity with applicable laws and regulations; and
- d) Providing information to the General Assembly for its use in evaluating agency and program performance and making informed policy decisions.

The manner in which the Office is organized to accomplish the above functions is elaborated in the annual report of the Office of the Auditor General.

The Office maintains ongoing formal planning for internal operations and to meet the requirements of the State Auditing Act and the various specific directives given it by the General Assembly.

State of Illinois
Office of the Auditor General
Analysis of Operations
For The Two Years Ending June 30, 2011

Personal Services

The number of personnel by office location at June 30, was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Springfield	86	91	88
Chicago	<u>12</u>	<u>13</u>	<u>13</u>
Total Employees	<u>98</u>	<u>104</u>	<u>101</u>

The following salaries were paid from the State Officers Salary Appropriation for the three fiscal years:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Auditor General	\$140,608*	\$143,649	\$139,736
Deputy Auditor General	117,507*	123,170	123,170

* reflects furlough days

Contractual Compliance Audits

Presented as follows is a schedule of compliance contractual audit statistics, by fiscal year, compiled from information provided by the Office of the Auditor General. The statistics do not include data concerning audits performed by the staff of the office:

<u>Fiscal Year</u>	<u>Number of Contract Audits</u>	<u>Audit Hours Required</u>	<u>Average Rate Per Hour</u>	<u>Travel & Expense</u>
2011	58	189,667	\$76.33	\$1,116,135
2010	74	175,917	\$78.21	\$1,073,113
2009	110	202,375	\$71.92	\$1,284,478

Contractual Financial Audits of Regional Office of Education Audits

Presented as follows is a schedule of contractual financial audit statistics for audits of regional offices of education (44) and intermediate service centers (3), by fiscal year, compiled by the Office of the Auditor General.

<u>Fiscal Year</u>	<u>Number of Contract Audits</u>	<u>Audit Hours Required</u>	<u>Average Rate Per Hour</u>	<u>Travel & Expense</u>
2011	47	16,172	\$65.16	\$112,538
2010	47	17,309	\$61.01	\$115,154
2009	47	17,401	\$58.41	\$106,149

State of Illinois
Office of the Auditor General
Analysis of Operations
For The Two Years Ending June 30, 2011

An analysis of the disbursement of funds from the appropriation for audits, studies and investigations for the two fiscal years of the audit are presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Audit Fees and Expenses	\$17,622,235	\$16,670,966	\$16,850,430
Other Administrative Expenses	<u>410,084</u>	<u>1,310,492</u>	<u>245,131</u>
Total Audit Studies And Investigation Expenses	<u>\$18,032,319</u>	<u>\$17,981,458</u>	<u>\$17,095,561</u>