

**STATE OF ILLINOIS
OFFICE OF THE AUDITOR GENERAL**

Compliance Examination

For the Two Years Ended June 30, 2013

**State of Illinois
Office of the Auditor General
Compliance Examination
For the Two Years Ending June 30, 2013**

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Office of the Auditor General
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**State of Illinois
Office of the Auditor General
Compliance Examination
For the Two Years Ending June 30, 2013**

Agency Officials

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

Agency Offices are located at:

Iles Park Plaza
740 East Ash
Springfield, Illinois 62703

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

SPRINGFIELD OFFICE:
ILES PARK PLAZA
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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

December 16, 2013

Management Assertion Letter

Mr. Mike Canny
Canny Accounting, LLC
348 Williams Lane
Chatham, IL 62629

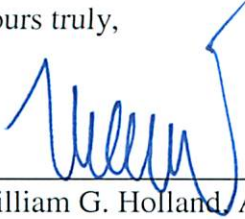
Dear Mr. Canny:

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 Illinois Office of the Auditor General. 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 Office of the Auditor General's compliance with the following assertions during the two-year period ended June 30, 2013. Based on this evaluation, we assert that during the year(s) ended June 30, 2013 and June 30, 2012, the Office of the Auditor General has materially complied with the assertions below.

- A. The Office 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 Office 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 Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Office 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. The money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

A handwritten signature in blue ink, appearing to read "William G. Holland", written over a horizontal line.

William G. Holland Auditor General

A handwritten signature in blue ink, appearing to read "Rebecca Patton", written over a horizontal line.

Rebecca Patton, Legal Counsel

A handwritten signature in blue ink, appearing to read "Roberta Pape", written over a horizontal line.

Roberta Pape, Fiscal Officer

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</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

Schedule of Findings and Questioned Costs

No findings or questioned costs.

Exit Conference

The Office declined a formal exit conference in communication dated December 16, 2013.

**Independent Accountant's 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

Compliance

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, 2013. 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 or held in trust by 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.

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; and, accordingly, included 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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2013.

Internal Control

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 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 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 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 purpose 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 for the years ended June 30, 2012 and June 30, 2013 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, 2012 and June 30, 2013 accompanying supplementary information. However, we do not express an opinion on the accompanying supplementary information. We have not applied procedures to the June 30, 2011 accompanying supplementary information and the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

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.

Canny Accounting, LLC

Canny Accounting, LLC
December 16, 2013

State of Illinois
Office of the Auditor General
Supplementary Information for State Compliance Purposes
Summary
For the Two Years Ending June 30, 2013

Supplementary Information 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 2013

Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2012

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

Comparative Schedule of Receipts, Disbursements, and Fund Balance (Cash Basis) – Audit Expense Fund

Schedule of Changes in State Property

Comparative Schedule of Cash Receipts

Analysis of Significant Lapse Period Spending

Analysis of Accounts Receivable

Analysis of Operations (Unaudited)

Agency Functions and Planning Program (Unaudited)

Average Number of Employees (Unaudited)

Annual Cost Statistics (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 supplementary information. However, the accountants do not express an opinion on the supplementary information. The accountants' 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
Office of the Auditor General
Schedule of Appropriations, Expenditures and Lapsed Balances
Appropriation for Fiscal Year 2013
Fourteen Months Ended August 31, 2013

	Final Appropriation (Net After Transfers)	Vouchered Expenditures Through June 30, 2013	Lapse Period Expenditures July 1, 2013 to August 31, 2013	Total Expenditures Through August 31, 2013	Appropriation Balances Lapsed
P.A. 97-0726					
<u>GENERAL REVENUE FUND (001):</u>					
Personal Services	\$ 5,551,000	\$ 5,550,252	\$ -	\$ 5,550,252	\$ 748
Social Security	406,500	406,428	-	406,428	72
Contractual Services	649,700	643,538	5,915	649,453	247
Commodities	12,300	4,665	1,123	5,788	6,512
Printing	9,600	6,008	25	6,033	3,567
Equipment	17,400	13,847	3,522	17,369	31
EDP	87,350	61,387	25,941	87,328	22
Telecommunication	70,000	63,071	5,344	68,415	1,585
Op of Auto	3,150	1,107	141	1,248	1,902
TOTAL GENERAL REVENUE FUND (001)	6,807,000	6,750,303	42,011	6,792,314	14,686
AUDIT EXPENSE FUND (342)	23,833,100	16,991,220	4,325,905	21,317,125	2,515,975
<u>TOTAL ALL FUNDS</u>	<u>\$ 30,640,100</u>	<u>\$ 23,741,523</u>	<u>\$ 4,367,916</u>	<u>\$ 28,109,439</u>	<u>\$ 2,530,661</u>

Notes:

A - 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.

B - 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.

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

State of Illinois
Office of the Auditor General
Schedule of Appropriations, Expenditures and Lapsed Balances
Appropriation for Fiscal Year 2012
Eighteen Months Ended December 31, 2012

	Final Appropriation (Net After Transfers)	Vouchered Expenditures Through June 30, 2012	Lapse Period Expenditures July 1, 2012 to December 31, 2012	Total Expenditures Through December 31, 2012	Appropriation Balances Lapsed
P.A. 97-0056					
<u>GENERAL REVENUE FUND (001):</u>					
Personal Services	\$ 5,551,000	\$ 5,549,819	\$ -	\$ 5,549,819	\$ 1,181
Social Security	409,500	408,973	-	408,973	527
Contractual Services	659,000	653,800	4,508	658,308	692
Commodities	10,400	5,256	979	6,235	4,165
Printing	12,000	7,051	161	7,212	4,788
Equipment	19,800	15,426	855	16,281	3,519
EDP	69,300	59,213	10,042	69,255	45
Telecommunication	71,000	58,749	11,471	70,220	780
Op of Auto	5,000	2,386	60	2,446	2,554
TOTAL GENERAL REVENUE FUND (001)	6,807,000	6,760,673	28,076	6,788,749	18,251
AUDIT EXPENSE FUND (342)	19,559,700	13,108,954	5,248,590	18,357,544	1,202,156
<u>TOTAL ALL FUNDS</u>	<u>\$ 26,366,700</u>	<u>\$ 19,869,627</u>	<u>\$ 5,276,666</u>	<u>\$ 25,146,293</u>	<u>\$ 1,220,407</u>

Notes:

A - 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.

B - 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.

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

State of Illinois
Office of the Auditor General
Comparative Schedule of Appropriations
Expenditures and Lapsed Balances
For the Fiscal Years Ending June 30, 2013, 2012 and 2011

	2013	Fiscal Year 2012	2011
	P.A. 97-0732	P.A. 97-0056	P.A. 96-0956
<u>Appropriations (Net of Transfers)(all funds)</u>	\$ 30,640,100	\$ 26,366,700	\$ 26,838,800
<u>Expenditures - General Revenue Fund (001)</u>			
Personal Services	\$ 5,550,252	\$ 5,549,819	\$ -
Social Security	406,428	408,973	-
Contractual Services	649,453	658,308	-
Commodities	5,788	6,235	-
Printing	6,033	7,212	-
Equipment	17,369	16,281	-
Electronic Data Processing	87,328	69,255	-
Telecommunications	68,415	70,220	-
Operation of Automotive Equipment	1,248	2,446	-
Operations - Lump Sum	-	-	6,793,643
<u>Expenditures - Audit Expense Fund (342)</u>			
Audits, studies and investigations	21,317,125	18,357,544	18,032,319
Total Expenditures (all funds)	\$ 28,109,439	\$ 25,146,293	\$ 24,825,962
<u>Lapsed Balance (all funds)</u>	\$ 2,530,661	\$ 1,220,407	\$ 2,012,838

Notes:

A - 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.

B - 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.

C - 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 2013 and 2012.

State of Illinois
Office of the Auditor General
Comparative Schedule of Receipts, Disbursements and
Fund Balance (Cash Basis) - Audit Expense Fund (342)
For the Two Years Ending June 30, 2013

General Revenue Fund/Audit Expense Fund	2013	2012
Reciepts		
Deposits	\$ 1,757,858	\$ 2,146,585
Transfers-in	<u>23,399,644</u>	<u>3,406,257</u>
Total Receipts	25,157,502	5,552,842
Disbursements		
Expenditures	22,239,810	17,812,930
Transfers-out	<u>419,021</u>	<u>221,536</u>
Total Disbursements	22,658,831	18,034,466
Net Increase (Decrease) in Fund Balance	2,498,671	(12,481,624)
Fund Balance - Beginning of the Year	<u>\$ 7,094,728</u>	<u>\$ 19,576,352</u>
Fund Balance - End of the Year	<u><u>\$ 9,593,399</u></u>	<u><u>\$ 7,094,728</u></u>

Note: These schedules have 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
Schedule of Changes in State Property
For the Two Years Ending June 30, 2013

Balance - July 1, 2011	\$ 1,489,372
Additions:	
Purchases	34,508
Deductions:	
Net transfers	<u>(1,602)</u>
Balance - June 30, 2012	\$ 1,522,278
Additions:	
Purchases	26,722
Deductions:	
Net transfers	<u>(55,245)</u>
Balance - June 30, 2013	<u><u>\$ 1,493,755</u></u>

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

State of Illinois
Office of the Auditor General
Schedule of Receipts
For the Two Years Ending June 30, 2013

General Revenue Fund/Audit Expense Fund	<u>2013</u>	<u>2012</u>
Reimbursement for Audits of Federal Programs	\$ 4,364,651	\$ 3,161,200
Reimbursement for Audits of State Trust Funds and other Local Funds	1,757,858	2,146,585
Miscellaneous receipts	<u>150</u>	<u>7,333</u>
Total Cash Receipts per Office of the Auditor General	\$ 6,122,659	\$ 5,315,118
Deposits in Transit at June 30,		
2011	-	79,111
2012	-	-
2013	<u>151,762</u>	<u>-</u>
Total Cash Receipts Per Comptroller	<u><u>\$ 5,970,897</u></u>	<u><u>\$ 5,394,229</u></u>

Comparative Schedule of Receipts by Fund
For the Two Years Ending June 30, 2013

	<u>2013</u>	<u>2012</u>
General Revenue Fund (0001)	\$4,364,801	\$3,168,533
Audit Expense Fund (0342)	<u>\$1,757,858</u>	<u>\$2,146,585</u>
Total Cash Receipts Per Agency Records	<u><u>\$6,122,659</u></u>	<u><u>\$5,315,118</u></u>

Note: These schedules have 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
Analysis of Significant Lapse Period Spending
For the Two Years Ending June 30, 2013**

In FY 12 the appropriation was changed from the FY 11 lump sum appropriation from the General Revenue Fund and Audit Expense Fund with FY 13 being consistent with the FY 12 appropriation. In FY 12 PA 97-0732 permitted prompt payments to be paid until December 31, 2012 which extended the lapse period for these vouchers until December 31, 2012. In both fiscal years some operational 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>2013</u>	<u>2012</u>
1. Audit Studies and Investigations	\$ 4,325,905	\$ 5,248,590
% of total	21%	29%

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 and final billings received during lapse period.

	<u>2013</u>
2. EDP	\$ 25,941
% of total	30%

Lapse period spending occurred due to delivery of goods by vendors and vouchers processed during lapse period.

**State of Illinois
Office of the Auditor General
Analysis of Accounts Receivable
For the Two Years Ending June 30, 2013**

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 receivable aging as of June 30, 2013 and 2012 per agency records:

Days Outstanding	General Revenue Fund			
	June 30, 2013		June 30, 2012	
1-30 Days	\$ 2,283,000	100%	\$ 2,735,000	100%
Total Gross Receivables	2,283,000	100%	2,735,000	100%
Less: Allowance for Uncollectibles	-	0%	-	0%
Net Receivable	\$ 2,283,000	100%	\$ 2,735,000	100%

Days Outstanding	Audit Expense Fund			
	June 30, 2013		June 30, 2012	
1-30 Days	\$ 1,807,000	100%	\$ 1,705,000	100%
Total Gross Receivables	1,807,000	100%	1,705,000	100%
Less: Allowance for Uncollectibles	-	0%	-	0%
Net Receivable	\$ 1,807,000	100%	\$ 1,705,000	100%

State of Illinois
Office of the Auditor General
Agency Functions and Planning Program (Unaudited)
For the Two Years Ending June 30, 2013

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 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
Average Number of Employees (Unaudited)
For the Two Years Ending June 30, 2013**

Personal Services

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Springfield	86	91	86
Chicago	<u>13</u>	<u>11</u>	<u>12</u>
Total Employees	<u>99</u>	<u>102</u>	<u>98</u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Auditor General	\$ 150,346	\$ 149,005	\$ 140,608 *
Deputy Auditor General	123,170	123,170	117,507 *

**Reflects furlough days*

**State of Illinois
Office of the Auditor General
Annual Cost Statistics (Unaudited)
For the Two Years Ending June 30, 2013**

Contractual Compliance Audits

Presented as follows is a schedule of compliance audit division 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>
2013	60	207,345	\$ 86.80	*
2012	67	179,239	\$ 87.43	*
2011	58	189,667	\$ 76.33	\$ 1,116,135

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>
2013	47	17,282	\$ 76.25	*
2012	47	17,016	\$ 74.95	*
2011	47	16,172	\$ 65.16	\$ 112,538

**Travel and Expense provisions are a component of the Average Rate Per Hour for FY 13 and FY 12*

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>2013</u>	<u>2012</u>	<u>2011</u>
Audit Fees and Expenses	\$ 20,067,696	\$ 17,763,485	\$ 17,622,235
Other Administrative Expenses	1,249,429	594,059	410,084
Total Audit Studies and Investigation Expenses	<u>\$ 21,317,125</u>	<u>\$ 18,357,544</u>	<u>\$ 18,032,319</u>