

2011 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

FIFTY- THIRD ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION

Submitted to the Members of the
General Assembly of the State of Illinois



MEMBERSHIP

Senate Members

Senator Bill Brady
Senator Dan Duffy
Senator Dan Kotowski
Senator Chris Lauzen
Senator Iris Y. Martinez
Senator John Mulroe

House Members

Representative Rich Brauer
Representative Linda Chapa LaVia
Representative Sidney Mathias
Representative Frank Mautino
Representative Sandra Pihos
Representative Robert Rita

Room 622
William G. Stratton Building
Springfield, Illinois 62706

To the Members of the General Assembly:

Given the responsibility of appraising the stewardship of State government, it is appropriate that the Audit Commission submits to the General Assembly each year a self-assessment of its activities.

This report, submitted in accordance with the Act creating the Commission, presents a summary of the Commission's activities and accomplishments as the legislature's oversight agency during 2011. This document also presents a number of areas in which State government could improve its performance to achieve greater efficiency, improve effectiveness, and comply with statutory directives.

The ability to make government more effective and more efficient is attributable to the members of the Legislative Audit Commission who are dedicated to meeting the challenges of government in this new century. Worthy of special note is the Commission's review 153 audit reports, one special report, and five performance audits during 2011.

The Audit Commission exists by and for the legislative branch of government. The Commission encourages your suggestions on becoming of greater service to the General Assembly.

Respectfully,



Senator Chris Lauzen
Co-chair



Representative Frank J. Mautino
Co-chair

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53rd Annual Report

Report Highlights

The Legislative Audit Commission is a support services agency having the principal responsibility for the oversight of the State audit program. Major accomplishments during the past year include:

- Review of 152 financial audits and compliance examinations, one statewide single audit, one special report, and five performance audits.
- Support and enactment of remedial and other legislation.
- Review of all emergency purchases and awards to other than the lowest bidder made by State agencies.
- Maintenance of a web page as a source of up-to-date information about Audit Commission activities. This site includes reports and forms associated with the Commission.
- Publication of booklets on revised Purchasing Laws and University Guidelines.

Overview

The Legislative Audit Commission is mandated by law (25 ILCS 150/0.01-0.06) to review all audits conducted by the State Auditor General. Primary responsibilities of the Commission are:

- Conduct public hearings on all major audits of State agencies to review problems, assess agency stewardship, and secure remedial action.
- Initiate and review management and program audits and investigations.
- Make recommendations to the General Assembly and agency management for corrective legislation and other measures to remedy weaknesses disclosed through audits or at Commission hearings.
- Monitor agency progress in implementing corrective action.

The statutory direction is made clear in this excerpt from the Commission's enabling legislation:

The Commission shall ascertain facts, review reports and take action thereon, and make recommendations and reports to the General Assembly and to the houses thereof concerning the audit, revenue and expenditures of the State....The Commission shall receive the reports of the Auditor General and other financial statements and shall determine what remedial measures, if any, are needed, and whether special studies and investigations are necessary.

The Commission works closely with the Office of the Auditor General. Although separate agencies, the two have many common interests. The Commission makes use of the Auditor General's specialized staff to minimize unnecessary duplication of effort and expenditure of tax funds. Nevertheless, the Commission also recognizes the specific separation of responsibilities between the conduct and the review of audits.

This report is one means used to inform the General Assembly, State agencies, the accounting profession, and the public of the Commission's activities and concerns. In addition, the Commission's membership and staff maintain open and active communication with the legislature and its staff and service agencies through personal contact and other means.

Information about the Commission's work and findings is supplied to individual members of the General Assembly upon request. This service can include supplying available information, reviewing proposed legislation, or assisting in the analysis of fiscal matters.

A final and important means of communicating with the members of the General Assembly is the sponsorship of legislation. The Legislative Audit Commission has a structured process for identifying and acting upon matters requiring new or amendatory legislation.

Commission's Home Page

Information about the Legislative Audit Commission is also available on a home page on the Internet. The information includes Commission authority and membership, the agenda of the Commission's next scheduled meeting, reviews of audits for the next scheduled meeting, a list of audit reports passed on the Commission's Consent Calendar since January 2006, the most recent Annual Report, the Purchasing Laws Publication, the University Guidelines publication, and the Headquarters designation (TA-2) form. Reviews of all audit reports heard by the Commission in the current audit cycle are also available. The home page enhances public access to information concerning the Commission's activities.

To reach the Commission's home page, go to **www.ilga.gov** and click on "Legislative Support Services" then follow the link to the Legislative Audit Commission.

Commission Membership

The Commission consists of 12 members who are appointed by the legislative leadership. Membership is equally apportioned between the two chambers and the two political parties. Finally, the co-chairs may not be members of the same political party, nor may they serve in the same chamber of the General Assembly.

The members receive no compensation for the substantial amount of time devoted to Legislative Audit Commission activities, but are reimbursed for travel expenses incurred.

The Commission maintains a full-time staff of three persons in the William G. Stratton Building in Springfield.

Appearing on the next page are lists of legislators now serving and those who have served on the Legislative Audit Commission.

**Commission Membership and
Date of Appointment
at December 31, 2011**

Senate Members

Senator Bill Brady	February 2011
Senator Dan Duffy	February 2011
Senator Dan Kotowski	January 2009
Senator Chris Lauzen	January 1997
Senator Iris Y. Martinez	February 2005
Senator John Mulroe	January 2011

House Members

Representative Rich Brauer	February 2003
Representative Linda Chapa LaVia	July 2010
Representative Sidney Mathias	February 2005
Representative Frank J. Mautino	March 1997
Representative Sandra Pihos	February 2005
Representative Robert Rita	February 2005

Former Members

Raymond E. Anderson	Dwight P. Friedrich	Dawn Clark Netsch
Victor Arrigo	John S. Graham	Daniel J. O'Brien
W. Russell Arrington	Harber H. Hall	Mary K. O'Brien
Louis E. Beckman	Kenneth Hall	John T. O'Connell
Robert A. Biggins	Julie Hamos	Frank M. Ozinga
Kenneth Boyle	Gary Hannig	Margaret R. Parcells
Michael I. Brady	Dennis Hastert	Glenn Poshard
Richard H. Brummer	Jay Hoffman	Paul Powell
George M. Burditt	Gene Johns	Kwame Raoul
Robert E. Cherry	Timothy V. Johnson	Walter J. Reum
Clyde L. Choate	Nancy Kaszak	Dale A. Righter
Terrel E. Clarke	James F. Keane	Dale E. Risinger
Earlean Collins	Jack L. Kubick	Calvin W. Schuneman
Jacqueline Collins	Bob Kustra	Penny Severns
Philip W. Collins	Leo D. LaFleur	George P. Shadid
Marlow H. Colvin	John J. Lanigan	W. Timothy Simms
John Connolly	Richard R. Larson	Cal Skinner, Jr.
Michael D. Curran	Ted E. Leverenz	Fred J. Smith
Julie A. Curry	Ellis B. Levin	Arthur W. Sprague
John M. Daley	James P. Loukas	George F. Stastny
Richard M. Daley	Eileen Lyons	Celeste M. Stiehl
Corneal A. Davis	Lynn Martin	Arthur Tenhouse
Aldo A. DeAngelis	Jeffrey D. Mays	Judy Barr Topinka
Terry W. Deering	David B. McAfee	Donne E. Trotter
Miguel A. del Valle	Edward McBroom	Louis S. Viverito
Deanna Demuzio	Dean McCulley	Thomas J. Walsh
Vince Demuzio	Andrew J. McGann	Frank C. Watson
Brian B. Duff	Robert F. McPartlin	Jerry Weller
Thomas Dunn	Robert W. Mitchler	Rick Winkel
George W. Dunne	Edward A. Nedza	Anne Zickus
Paul F. Elward	Clarence E. Neff	

Audit Review Program

Audits are, by their nature, a look at the past. Transactions are reviewed, statistical and compliance tests are performed, and an evaluation is made of conditions during the period covered by the report. The Commission's audit review activities seek to change this focus by involving legislators, agency directors and managers, and members of the audit team in a structured process, which emphasizes implementation of corrective action to remedy existing weaknesses and to prevent lapses of control in the future. While the audit report cites deficiencies at the time of the examination, the Commission looks forward, seeking to view the audit report as a blueprint for improved agency service and accountability. In this way, the Commission maximizes the value of these reports as management tools.

Two important benefits result from frequent hearings on major audits:

1. Legislators are directly involved in the audit process, increasing communication within government and supplying feedback to the legislative and appropriations processes; and
2. Opportunities are increased for both administrative and legislative action to correct weaknesses and deficiencies disclosed in the audit reports.

Basic elements of the Commission's review include:

- Disclosure and public scrutiny of weaknesses and illegal or improper conduct in the use of public funds and the management of public business.
- Study, development, and introduction of legislation to correct weaknesses and improve the statutory framework of Illinois government.
- Initiation of management and program audits, investigations, and other studies, as required.
- Review of the delivery of State services, based both on audit findings and on members' contact with their constituents and the various agencies.

The participation of the Office of the Auditor General and accounting profession enhances discussion of accountability issues by both the agency and the Commission. In many instances, their comments help to clarify complex accounting issues. The Commission extends its appreciation to the accounting professionals who have participated during the past year. Hopefully they have found their association with the audit program rewarding, and have gained an appreciation of legislative oversight concerns as the result of their participation in Commission meetings. A listing of these individuals, by accounting firm name, appears on the following page.

Borschneck & Pelletier

Paul Pelletier

Doehring, Winders & Co.Robert Arnholt
Matthew Clarkson**E. C. Ortiz**

Ed Ortiz

Kerber Eck & Braeckel

Pam McClelland

KPMG

Cathy Baumann

McGladrey & PullenLinda Abernathy
Joe Evans**Schorb & Schmersahl**Maureen Downs
James Schmersahl**Sikich**

Nick Applebaum

Washington, Pittmann & McKeeverDonald Crosswell
Marsha Lopez
Lester McKeever

Compliance Examinations

Compliance audits, or compliance examinations, stress the fundamentals of governmental accountability—compliance with statutes and regulations, sound business practices, safeguarding of assets and property, and proper expenditure of State funds. The Commission took action on 152 financial and compliance reports during 2011 ranging from reports disclosing no material findings to reports containing as many as 43 recommendations. Obviously, this large number of reports represents the foundation of the Commission's workload. A listing of these audits is included in Appendix A on pages 31-34.

Prior to a Commission hearing, an audit review is prepared by Commission staff, summarizing all of the recommendations made by the auditors and pertinent financial data. The recommendations are classified as to implementation and acceptance status based on current information requested from the agency involved.

The Commission's public hearings stress implementation of corrective action, review of disputed findings, and an assessment of the fiscal and programmatic achievements of the agency. Corrective action is stressed to minimize the repetition of adverse findings in future reports. The Commission expects that each recommendation accepted by an agency will be implemented within a reasonable time. Priority attention is devoted to correcting past problems so that they will not recur. The Commission considers no audit recommendation fully disposed of until:

- it has been accepted by the agency;

- equally acceptable procedures have been implemented; and
- the Commission members are convinced that the position taken by the agency in not accepting a given recommendation is proper in the circumstances involved.

If implementation is not feasible, the Legislative Audit Commission may urge elimination of the recommendation in future reports.

Although infrequent, the Commission may be dissatisfied with an agency's lack of progress implementing audit recommendations and require the State agency to return to the Commission to report on the status of implementing audit report recommendations. As well, the Commission may notify the Governor if an executive agency or department refuses to comply with an audit recommendation. As well, the Audit Commission may request an opinion from the Attorney General for the interpretation of statute, and whether an agency is operating within statutory requirements. The Audit Commission requested no opinions from the Attorney General during 2011.

The Audit Commission received an opinion on December 31, 2011 agreeing with an audit recommendation for the Department of Revenue which stated the Department should not award a contract until all outstanding protests involving the contract have been resolved. Prior to the issuance of this opinion, the contract between DOR and the award winner was dissolved.

The Office of the Auditor General contracts with an independent auditor to perform a Statewide Single Audit of federal funds. This Statewide Single Audit fulfills the mandate for accepting federal funding. It includes all State agencies that are part of the primary government and expend federal awards. In total, 43 State agencies expended about \$23.7 billion in federal financial assistance in FY09. The State agencies not included in the Statewide Single Audit are the various universities, the bonding authorities, and the Conservation Foundation. Federal findings continue to be noted in the State compliance audit reports of these agencies.

The Statewide Single Audit for FY09 contained 93 findings with 65 repeat findings. The audit noted that the State does not have an adequate process in place to permit the timely completion of a complete and accurate schedule of expenditures of federal awards. As a result, the State has a material weakness, or a significant deficiency, on all federal programs.

Several findings in the Statewide Single Audit focus on deficiencies within agencies that fail to adequately perform determinations of eligibility for various federal programs such as TANF, SCHIP, Medicaid, adoption assistance, and HIV drug assistance. Agencies also failed to maintain and control case file documents, process medical billings timely, sanction a local education entity that has not met federal requirements for Title I funds since 2006. Twenty-five of the audit report's 93 findings related to agencies' deficiencies in monitoring subrecipients such as inadequate review of subrecipient audit reports, inadequate on-site monitoring of subrecipients, or inadequate monitoring of programs for which \$5.2 billion is passed-through to subrecipients.

Audit Review Highlights

During 2011, the Legislative Audit Commission reviewed 152 compliance examinations and financial audit reports. Obviously, this statistic is of limited significance because there are wide variations in the reports regarding length, complexity of agency operations, and other factors. This figure, however, is not without meaning because it does reflect the wide range of the State's fiscal activities subjected to review by the General Assembly during this period.

The Commission continues to be concerned with the timely review of compliance, financial and performance audits. As a post-facto examination, there is, of necessity, a certain delay in the completion and review of audits. However, it is important that the process be concluded in a timely fashion to maximize the benefits of the audit program.

The Commission attempts to reach a satisfactory agreement regarding each audit recommendation. In some instances, the agency reports acceptance of the recommendations, but when answering questions at an Audit Commission meeting, corrective action has not been implemented.

- The Illinois Power Agency appeared before the Audit Commission in August of 2010 on the FY09 audit report which contained 22 findings. The Agency appeared before the Audit Commission in March 2011 on the FY10 audit report which contained 18 of the same findings repeated from the FY09 report. For FY09 and FY10, the Illinois Power Agency, a new Agency charged with procuring the best priced electrical service for residential and small commercial customers of ComEd and Ameren, did not provide auditors with accurate and complete financial information. Specifically, the financial information provided did not contain all the necessary information regarding funds held outside of the State Treasury. In addition, certain financial information could not be supported by the Agency. As a result, the auditors were unable to express an opinion on the financial statements. The Agency did not follow SAMS procedures for obligating, receipting or expending funds; had no procedures for cash receipts, cash disbursements, accounts receivable or accounts payable, no formal budgeting process, or no Agency rules; held funds outside the State Treasury; had no basic office equipment or employees aside from the Executive Director. When the Agency could not offer the Audit Commission reasonable assurance that the recommendations would be implemented, the Audit Commission once again notified the Governor of the deficiencies and asked him to support the placement of the Agency under the auspices of another operating Agency. Overriding the Governor's Veto, the General Assembly passed Senate Bill 2062 (PA97-0618) placing the director and staff of Illinois Power Authority under the jurisdiction of the Executive Ethics Commission.

Whenever the State implements the recommendations of compliance examinations and other types of audits, budget savings can occur, accountability will increase and the authority of the appropriations process is returned to the Legislature.

- As a result of the program audit on the ALL KIDS Health Insurance Program and other efforts, legislation was adopted and the Department of Healthcare and Family Services is planning the implementation of Medicaid Program reforms that could save hundreds of millions of dollars in program expenditures by decreasing the chances of fraudulent use of the program; directing the use of the program paid for by the State of Illinois to actual Illinois residents; and reducing overall use of the program. The Department plans to require documentation of one full month's income and documentation of Illinois residency; and the Department will eliminate passive redetermination which means only those who actively elect to remain on the Program will be allowed to remain on the program.

During 2003, the administration consolidated the internal audit function active in 26 departments and agencies into one Office of Internal Audit. The external audits of the executive agencies under this new system revealed more audit findings among the reports released in 2008, 2009 and 2010. The Commission concluded that the increase in findings was due in part to a lack of internal auditors within the agencies and fewer staff, particularly fiscal staff, in almost every agency. As a result of SB 51 becoming law (PA 96-795), the internal auditors returned to the various agencies effective July 1, 2010. The first audit reports to be released after the return of the internal auditors to the agencies will be for the audit period ending June 30, 2011.

During 2007 when growth began to moderate in the Illinois economy and employment and payrolls in industry, education, healthcare, business and hospitality slowed, many techniques used by the previous administration to move the State through financially slow periods were no longer available or had limited value. Stop gap methods of borrowing eased the pain, but no meaningful solution was found. In 2008, the State and national economy slowed to the point of recession and by the end of 2009, unemployment in Illinois was 11% and hovered around 10% in 2010. For 2011, unemployment was at 9.7% in December of 2011, but compared to a national average of 8.5%, and the shrinking of the workforce by 42,100 jobs compared to 2010, clearly Illinois lacked jobs. Early in 2011, the State enacted a tax increase causing corporate income taxes to rise from 4.8% to 7% and the income tax on individuals to rise from 3% to 5%. Although the State revenues increased about \$3 billion in 2011, federal sources decreased about \$1.6 billion. Despite the tax increase in 2011 and about \$1 billion in spending cuts compared to 2010, the State carried payables of about \$4.2 billion in delayed payments for goods and services, not including unsubmitted Medicaid claims and interfund borrowing and corporate tax refunds. The Audit Commission continues to be concerned about the imbalance between revenues and expenditures and the effects the deficit is having on schools, universities, cities, towns, infrastructure, the various pension systems and the State's overall credit rating.

Appendix B, appearing on pages 35-36 summarizes the audits considered at Legislative Audit Commission hearings during 2011, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During the past year, the Commission gave special attention in its review activity to the topics which follow. The various departments and agencies listed usually agreed to implement specific audit recommendations or other changes, so that these weaknesses

would no longer exist. In most instances, the findings were for the period ending June 30, 2010.

Failure of Internal Controls

The **Department of Financial and Professional Regulation** was unable to locate \$147,000 in computer equipment including 21 laptops and five desktops. The Department could not determine if any confidential information was contained on the missing computers.

The **Department of Public Health** processed 285 vouchers totaling \$1 million for legal expenses pursuant to an agreement with the Governor's Office. However, there was no documentation of the share of expenses allocated to the Department.

The **East St. Louis Financial Advisory Authority** improperly made a severance payment to its former Executive Director. The Authority requested an Attorney General's opinion on the matter.

Auditors found multiple problems with the **Department of Revenue's** procurement of a private manager to manage the day-to-day operations of the Lottery. Auditors noted deficiencies in the process of granting awards for other services at the **Department of Revenue** and the **Illinois Gaming Board**.

Chicago State University, Department on Aging, Departments of Financial and Professional Regulation, Human Services, Labor, Natural Resources, Public Health, Revenue and Transportation, Environmental Protection Agency, East St. Louis Financial Advisory Authority, Governors State University, Governor's Office of Management and Budget, Illinois Gaming Board and the **University of Illinois** lacked control over certain areas involving Human Resources such as timekeeping, attendance, overtime, employee evaluations, training or personnel files.

Chicago State University, Department on Aging, Departments of Human Services, Labor, Natural Resources, Public Health, Revenue, Transportation, East St. Louis Financial Advisory Authority, Governor's Office of Management and Budget and the **University of Illinois** lacked controls over revenues, deposits, drawdowns, reimbursements, disbursements, segregation of duties or transfers or did not reconcile all receipts.

Chicago State University, Department on Aging, Departments of Human Services, Public Health, Revenue and Transportation, East St. Louis Financial Advisory Authority, Illinois Housing Development Authority, and the **University of Illinois** had inaccurate, incomplete or untimely financial reporting, GAAP reporting, or year-end reporting.

Chicago State University, the Departments of Financial and Professional Regulation, Human Services, Labor, Public Health, Revenue and Transportation, Governor's Office of Management and Budget and the University of Illinois had inadequate vehicle policies or other policies concerning travel or accuracy of travel claims.

Chicago State University, the Departments of Financial and Professional Regulation, Human Services, Revenue and Transportation, East St. Louis Financial Advisory Authority, Governors State University, Governor's Office of Management and Budget and the University of Illinois did not timely, accurately or properly complete interagency agreements, contracts or lease agreements.

Chicago State University, Department of Financial and Professional Regulation, Governors State University and the University of Illinois had inadequate documentation of reports or incomplete case files.

Chicago State University, Department of Public Health, Governors State University and the University of Illinois lacked a comprehensive grant administration program, did not determine allowable costs or provide timely close-out.

The **Department on Aging, Departments of Human Services, Labor, Revenue and Transportation, Illinois Gaming Board, Illinois Housing Development Authority and the University of Illinois** misstated or had errors in accounts receivable, accounts payable or taxes receivable or inadequate policies concerning loan loss.

The **Departments of Financial and Professional Regulation, Human Services and Public Health** did not adhere to cell phone policies or had inadequate telecomm policies.

The **Department of Labor, Environmental Protection Agency and the Illinois Housing Development Authority** had deficiencies in voucher processing, refund processing or vendor payments.

The **Departments of Labor, Human Services, Natural Resources, Public Health and Transportation, Environmental Protection Agency, Governors State University, Governor's Office of Management and Budget, Illinois Gaming Board and the University of Illinois** had deficiencies in property control, inventory, commodity reporting or capital asset reporting. Auditors noted \$135 million in errors in capital asset reporting at the **Department of Transportation**.

The **Departments of Labor, Revenue and Transportation and the University of Illinois** made improper use of appropriated funds or inappropriate use of appropriation codes.

The **Department of Human Services** did not monitor unemployment insurance claims.

The **Department of Revenue, Illinois Gaming Board and University of Illinois** did not adhere to or establish rules for accounting practices or verify rate, interest or transfer calculations.

The **Department of Revenue, Department of Transportation, Governor's Office of Management and Budget** and the **University of Illinois** did not properly conduct audits, review audits or provide required reports of the Fiscal Control and Internal Audit Act.

The **University of Illinois** had inadequate internal controls over procurement card transactions which had approximately 5,170 active p-cards and expenditures over \$101 million.

Failure to Monitor Computer Systems

Chicago State University, the Department of Human Services, Governors State University and the **University of Illinois** did not adequately secure their computing systems or establish appropriate access rights.

Several State agencies including the **Department on Aging, Department of Labor** and **Department of Transportation** were still using antiquated computer systems for day-to-day operations.

CMS did not provide the **Department on Aging** or the **Departments of Public Health, Revenue** or **Transportation** with adequate disaster contingency plans.

The **Department of Human Services** and the **Department of Public Health** in conjunction with the Department of Central Management Services did not establish adequate security controls over computer resources or the computing environment.

The **Department of Revenue's** GenTax system was supposed to be GAAP compliant and interface with the Comptroller's statewide accounting system, but the system does neither.

Failure to Adequately Monitor Subrecipients and Contractors

Chicago State University allowed 449 students to continue attending the University and receiving financial aid even though their GPAs were lower than 1.9 including 106 individuals who had 0.00 GPAs.

The **Department on Aging** and the **Illinois Housing Development Authority** did not adequately monitor service providers or other recipients of State or federal funds.

The **Department of Natural Resources** did not enforce concessionaire lease agreements.

The **Department of Public Health** lacked a consistent methodology for reviewing \$178 million in awards and grants.

Failure to Operate Within Statutory Authority

Chicago State University, the **Departments on Aging** and the **Departments of Financial and Professional Regulation, Human Services, Natural Resources, Public Health, Revenue and Transportation**, the **Environmental Protection Agency**, the **East St. Louis Financial Advisory Authority**, **Governors State University**, **Governor's Office of Management and Budget**, and the **Illinois Housing Development Authority** did not comply with various statues as required in the issuing of reports or the establishment of studies, boards or programs.

The **Department of Public Health** did not inspect migrant labor camps or tattoo and body piercing establishments as required, or issue youth camp license renewals.

The **Department of Revenue** could not comply with statutory requirements regarding payment to certain county officials due to insufficient appropriation. The **East St. Louis Financial Advisory Authority** exhausted its appropriation authority and used local funds to cover operating costs.

Failure to Protect the State's Interest

The Department of **Financial and Professional Regulations'** completion of investigative reports ranged from 526 to 1,171 days. Witnesses were not interviewed timely and files were missing information and signatures. The Department responded that it handled 10,634 complaints in FY10 in one of its three divisions, and with limited staff they must identify which complaints are direct threats to the public and which are less serious.

The **Department of Human Services'** facilities at Howe and Tinley Park remained decertified as eligible Medicare or Medicaid service providers.

The addresses of 90 child care providers paid by the **Department of Human Services** matched addresses of sex offenders contained in the Illinois Sex Offender Registry.

The **Department of Public Health** did not timely complete background checks or adequately document background checks as requested by nursing homes.

The **Department of Public Health** did not verify that all nursing homes had a written policy for the use of restraints.

The **Department of Revenue** allowed employees to have cell phones with cameras while processing taxpayer receipts and information. Taxpayer forms were stored on desks and in open shelving units that were not locked or secured. Laptops containing confidential taxpayer information were not encrypted. The **Department of Human Services** lacked adequate control over confidential information.

Collection of Receivables

Accounts receivable are a valuable asset to the State, and as such, must be effectively accounted for and pursued for collection. Each agency must maintain an accounting system that enables them to establish, record, follow-up, collect, and possibly write off individual receivables.

According to the Comptroller's December 31, 2011 Receivables Report, the gross receivables balance was \$14.712 billion. Of this amount, \$4.798 billion was deferred/ installment receivables and \$7.119 billion was estimated to be uncollectible. Thus, \$2.795 billion (19%) was estimated to be collectible.

Performance Audits

Performance audits, a category that includes program, management, and efficiency audits, provide a more detailed and thorough examination of a topic than is possible in a compliance examination. The Auditor General is authorized to conduct performance audits when directed by either chamber of the Illinois General Assembly or by the Legislative Audit Commission. A performance audit means a post audit which determines:

- Whether the audited agency is managing or utilizing its resources in an economical and efficient manner;
- Causes of inefficiencies or uneconomical practices;
- Whether the objectives and intended benefits are being achieved, and whether efficiently and effectively;
- Whether the program is being performed or administered as authorized or required by law; and
- Whether the program duplicates, overlaps, or conflicts with another State program.

One of the methods by which performance audits may be initiated is through the adoption of a resolution by the Legislative Audit Commission. The Commission adopted three resolutions in 2011 requiring performance audits as follows:

- LAC Resolution #141 directs the Auditor General to conduct a management audit of management positions in the Executive Branch of State government, excluding public universities.
- LAC Resolution #142 directs the Auditor General to conduct a management audit of the State's procurement of health insurance vendors for the State's group health insurance program.
- LAC Resolution #143 directs the Auditor General to conduct a management audit comparing the administrative costs of the State's nine public universities.

The following is a summary of the five performance audits reviewed by the Legislative Audit Commission during 2011.

Financial, Compliance and Program Audit of the Village of Robbins' Use of Municipal Economic Development Funds (2009)

The Public Utilities Act requires the Auditor General to conduct an annual audit of distributions received by a municipality from the Municipal Economic Development Fund.

Robbins, the only entity to receive distributions from the Fund, received \$380,568.94 from the Fund in quarterly disbursements plus \$56.12 in interest income. Robbins began the year with \$78.53 balance in its bank account. Robbins disbursed \$380,645.94 from Fund receipts. The auditors concluded that based on their review of documentation provided by the Village of Robbins, 2009 expenditures and Fund receipts appeared to comply with Public Utilities Act guidelines.

Program Audit of the Office of the Inspector General, Department of Human Services

The Office of the Inspector General was initially established in 1987 to conduct investigations of abuse and neglect within State-operated facilities serving the mentally ill and developmentally disabled. In 1995, the role was expanded to include the authority to investigate reports of abuse or neglect at facilities or programs licensed, certified, or funded by DHS (community agencies). This includes State-operated mental health centers and developmental centers, Community Integrated Living Arrangements (CILAs), developmental training programs, and outpatient mental health services.

During FY10, the Department of Human Services operated 18 facilities statewide that served 12,722 individuals. Nine facilities served the developmentally disabled, and nine facilities served the mentally ill. In addition, DHS licenses, certifies, or provides funding for 376 community agencies operating 3,473 programs providing services to individuals with developmental disabilities or mental illness in community settings within Illinois. These community agency programs provide transportation services, workshops, or community living arrangements. In FY10, approximately 37,500 individuals with developmental disabilities and approximately 163,147 individuals with mental illness were served in community agencies required to report to the OIG.

This is the Office of the Auditor General's eleventh audit of the Department of Human Services' Office of the Inspector General. The audit is required by statute. The audit reports the following:

- After decreasing for several years, the number of allegations reported at State facilities has also increased since the 2008 audit. Of the 2,026 allegations reported in FY08, 798 allegations were reported at State facilities and 1,228 allegations were reported at community agencies. For FY10, of the total of 2,468 allegations of abuse or neglect, 967 were from State facilities and 1,501 from community agencies.

- The timeliness of OIG investigations continued to improve since the last audit. In FY10, 69% of investigations were completed within 60 calendar days. 85% were completed within 60 working days, the OIG's standard of timeliness.
- The timeliness of reporting allegations of abuse and neglect by community agencies improved substantially. For FY10, 13% of allegations were not reported within the required four hours, as compared to 25% in FY08. In FY10, 10% of State-operated facility incidents were not reported within the four-hour time requirement.
- In 18% (5 of 28) of the cases sampled, more than six months passed from the date the case was completed to the date when a written response delineating the corrective actions taken was submitted by the State facility or community agency and approved by DHS.
- Two facilities remained decertified from participation in Medicare and Medicaid—Howe and Tinley Park. The U.S. Department of Justice released reports in 2009 with serious concerns about two facilities—Howe and Choate. Howe closed effective June 21, 2010.

Management Audit of Exemptions Granted by the Civil Service Commission

In May 2009, the Illinois House adopted House Resolution Number 140 which directed the Auditor General to conduct an audit of exemptions granted by the Civil Service Commission from January 1, 2003 to December 31, 2008. The Civil Service Commission, upon written recommendation of the Director of Central Management Services shall exempt from jurisdiction B positions which, in the judgment of the Commission, involve either principal administrative responsibility for the determination or policy or principal administrative responsibility for the way in which policies are carried out. Jurisdiction B covers the application, testing and hiring procedures as well as eligibility lists, promotions and transfers. Exempt positions numbered 396 as of December 31, 2002 and grew to 840 (112%) as of December 31, 2008.

The audit concluded that for all 50 positions sampled, the granting of the exemption was consistent with State law; however for 20 of the positions, the granting of the exemptions was not consistent with the more restrictive administrative rule requirements. The Commission proposed new administrative rules which became effective in March 2010, after the audit period. The majority of exempt positions (341 of 559, or 61%) were approved during the first two years of the audit period. At the end of the audit period, 205 of 840 (24%) exempt positions were vacant. The Commission identified positions that were vacant for extended periods and rescinded the exempt status of 52 of those positions.

The Management Audit consisted of six recommendations for the Civil Service Commission regarding rules, precedents, job descriptions, abolished positions, unneeded positions, and rescinded positions. According to the report and updated responses, the recommendations were all accepted and substantially implemented by the Commission.

Management Audit of the State's Financial Reporting System

Senate Resolution Number 609 adopted in March 2010 directed the Auditor General to conduct a Management Audit of the State's Financial Reporting System. The audit concluded that the State of Illinois' financial reporting "system" is comprised of over 260 individual financial systems, many of which are not interrelated, are antiquated, and are costly to operate. The lack of a centralized financial reporting system has considerable negative consequences, including untimely financial reporting of the true financial position of the State. The lack of timely financial reporting limits effective oversight of State finances, adversely affects the State's bond rating, and jeopardizes federal funding.

The audit consisted of five wide-ranging recommendations for the Office of the Governor and the Office of the State Comptroller related to assessing current financial reporting staff needs to determine and ensure sufficiency and qualifications; correcting the current financial reporting process and overhauling the reporting system; training; establishing financial target completion dates; and reducing the complexity of the State's fund structure.

While both Offices embraced the audit and its recommendations and began a working group comprised of stake holders from the Governor's Office, GOMB, the Comptroller's Office and the General Assembly, it quickly became clear that implementation of a comprehensive Statewide financial reporting system would be a multi-year process costing many millions of dollars. \$200 million was earmarked for the system in the 2011 capital bill which did not pass.

Program Audit of The Covering ALL KIDS Health Insurance Program

Public Act 095-0985 directed the Auditor General to annually audit the ALL KIDS program. This is the second annual audit and covers FY10 beginning on July 1, 2009. The Act requires that the audit include:

- payments for health services covered by the program; and
- contracts entered into by HFS in relation to the program.

The focus of this audit is on "EXPANDED ALL KIDS," which is the portion of the ALL KIDS program that serves uninsured children not previously covered by KidCare (i.e., those children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants). The audit found that:

- In FY10, 94,628 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY10 for the EXPANDED ALL KIDS enrollees were \$84.2 million. HFS received approximately \$9.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$74.4 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.
- HFS and DHS misclassified documented immigrants who receive ALL KIDS services. By not correctly classifying them, HS did not receive federal matching funds for documented immigrants. HFS found that a system error was causing the misclassifications and corrected it in October 2010.

- Of the 99 cases sampled, 40 enrollees did not provide proof of place of birth (e.g., birth certificate). Auditors could not find documentation of identity in two cases reviewed.
- HFS does not terminate ALL KIDS coverage when the enrollees fail to pay premiums as required by the Code.
- HFS and the Department of Human Services (DHS) did not have controls in place to ensure that families who were previously terminated from coverage met re-enrollment requirements found in the Administrative Code.
- When determining ALL KIDS eligibility, HFS and DHS did not require individuals who are self-employed to provide detailed business records to verify income.
- FY10 claim data had billing irregularities in areas such as transportation, optical, preventive medicine, and dental claims. These irregularities may have been billing errors or may have been fraudulent. The irregularities were reported to HFS or to the HFS Office of the Inspector General (HFS-OIG) for follow-up and/or investigation.
- HFS paid for non-emergency transportation services that were excluded by the Illinois Administrative Code.

The audit contained 14 recommendations, four jointly to DHFS and DHS, and ten to DHFS. For its part of the audit, DHS implemented two recommendations and accepted two recommendations, while DHFS implemented five recommendations and accepted nine recommendations.

Regional Offices of Education

The Commission received the annual financial audits of the 45 **Regional Offices of Education** and the three **Intermediate Service Centers**. Many of the recommendations concerned insufficient internal controls over the financial reporting process.

Special Inquiries

The State Auditing Act also provides for several different types of audits, including special reports and investigations. The Act defines an investigation as an inquiry into specified acts or allegations of impropriety, malfeasance, or nonfeasance in the obligation, expenditure, receipt, or use of public funds. Investigations are initiated by resolution of the General Assembly or by the Legislative Audit Commission. The Auditor General may also at any time make informal inquiries of a State agency. Such inquiries are not in the nature of an audit, and are usually initiated at the request of a member of the General Assembly. The Audit Commission requested no special audits in 2011.

However, the Commission reviewed a special summary authored by the Office of the Auditor General on the Shared Services Centers. These Centers were created within the Department of Revenue and the Department of Corrections by Executive Order issued March 31, 2006 to realize efficiencies through consolidation of common functions, such as human resources, payroll, timekeeping and financial processes, of several agencies into two locations. The summary concluded that implementation costs significantly exceeded savings and other problems appeared such as inappropriate payments, confused responsibilities and loss of agency staff for those agencies required to use the Centers.

Legislative Program

One of the purposes of the audit review program is to identify and act on problems requiring a legislative solution. The Governor signed the following bills changing the statutes as recommended by audit reports or Audit Commission members.

House Bill 5420—Enacts various Medicaid Reforms affecting ALL KIDS and other health benefit programs regarding expansion, income verification, eligibility, co-pays and other items. (PA96-1501)

House Bill 91—Allows DCFS abuse neglect prevention plan to be issued in October annually rather than April. (PA97-0020)

House Bill 93—Establishes a Fraud Hotline within the Office of the Auditor General to receive reports of alleged fraud regarding executive branch agencies. (PA97-0261)

House Bill 105—Enacts a new Patients' Right-to-Know Act and replaces parts of a previous Act declared unconstitutional regarding the Physician Profile. (PA97-0280)

House Bill 1445—Makes changes in the Department of Veterans' Affairs regarding divisions and commissions. (PA97-0297)

House Bill 1527—Allows the Comptroller to charge a fee of \$25 for use of the offset system to collect federal debts. (PA97-0269)

House Bill 1537—Repeals obsolete and unworkable reference to a National Guard Task Force on the health effects of exposure to hazardous materials. (PA97-0258)

House Bill 1761—Requires IDOT to deliver a master plan for highway, waterway, aeronautic, mass transportation and railroad systems every five years instead of every two years. (PA97-0032)

House Bill 2019—Repeals Community Senior Services and Resources Act due to lack of funding. (PA97-0127)

House Bill 2043—Allows the Senior Pharma Review Committee to meet as necessary instead of quarterly. (PA97-0128)

House Bill 2922—Requires each State agency to report necessary information for the Comprehensive Financial Annual Report (CAFR) to the State Comptroller by October 31 and that the Comptroller publish the CAFR by December 31. Delinquent agencies shall submit a compliance plan to the Governor, the Comptroller, the Auditor General and the four legislative leaders. (PA97-0408)

House Bill 3155—Makes changes within the Department of Public Health regarding the Migrant Work Camp law and other statutes. (PA97-0135)

House Bill 3222—Removes the requirement that ISBE issue certain obsolete reports on tax exempt foundations and other items. (PA97-0256)

House Bill 3360—Directs IDES, in cooperation with IDOC, to seek to provide employment opportunities for convicts or prisoners. (PA97-0136)

SB 100—Removes obsolete measures at the EPA and allows certain EPA Boards to meet at call of the chair. (PA97-0220)

SB 664—Makes changes in the Medical Practice Act including the Medical Disciplinary Board. (PA97—0622)

SB 1263—Allows State Treasurer to invest in limited liability companies. (PA97-0277)

SB 1750—Excludes colleges and universities from parts of the procurement code with the approval of the Executive Ethics Commission. (PA97-0643)

SB 2062—Among many other items, subjects the Illinois Power Agency to the oversight of the Executive Ethics Commission (PA97-0618)

SB 2145—Deletes requirement that the Office of the State Fire Marshal adopt rules regarding the training of underground storage tank personnel and other items. (PA97-0428)

SB 2147—Makes changes for Regional Offices of Education including reporting requirements for the ISBE upon becoming aware that a Regional Superintendent has hired a relative in the position of assistant regional superintendent. (PA97-0619)

Other Duties and Responsibilities

The General Assembly has assigned the Audit Commission a variety of duties and responsibilities in addition to its principal duty to review the post audit program in Illinois.

Review of Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, “It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts....” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate

expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase.

The LAC receives quarterly reports of all emergency purchases. A report on these purchases are distributed to all members and considered at regular Commission meetings. An annual analysis is also performed to detect trends and possible patterns of abuse. A comparative summary of emergency purchases reported during the period ended December 31, 2011 appears on page 37 in Appendix C.

Each emergency transaction is reviewed to establish that:

- An "emergency," as defined in the Illinois Purchasing Act, actually existed;
- The action taken by the agency was appropriate under the circumstances; and
- Steps were taken whenever possible to obtain bids or competitive quotations in order to obtain the most favorable terms for the State.

There were 273 affidavits for emergency purchases filed in 2011 totaling approximately \$691.3 million. Presented below is a compilation of 2011 emergency purchases in dollar categories.

Under \$10,000	9
\$10,000 - \$100,000	153
Over \$100,000	111

Included in the above summary were 34 emergency purchases exceeding \$500,000 as follows:

\$5,391,837.60 to the Department of Central Management Services to procure network services voice and data communications for the three-month period of March 16, 2011 through June 15, 2011 while solicitation for a new contract is in process.

\$929,984.12 to the Department of Central Management Services to procure network services voice and data communications for the next 3-month period of March 16, 2011 through June 15, 2011 while solicitation for a new contract is in process.

\$14,620,621.44 to the Department of Central Management Services to extend a contract to provide drugs and pharmaceuticals. Although the process of selecting a master contract for drugs and pharmaceuticals has begun, it has not yet met all requirements for publishing in the Illinois Procurement Bulletin. The Departments of Human Services and Public Health rely on this contract to purchase drugs and pharmaceuticals for persons in State institutions. Extending the current contract will allow additional time to complete the procurement process for the RFP.

\$1,600,415.21 to the Department of Central Management Services to extend the statewide master contract for office supplies. The current contract expires on April 9, 2011. Department officials stated allowing this contract to lapse would disrupt State services as agencies rely on this contract to purchase toner, ink, paper and other items necessary for the day-to-day operation of State government. Extending the contract will allow additional time to complete the procurement process for the RFP.

\$913,048.65 to the Department of Central Management Services to extend an existing contract for an additional period of up to 90 days. The contract provides for temporary employee services to State agencies. Department officials stated a long-term replacement contract has not yet been reviewed.

\$1,702,728.00 to the Department of Central Management Services to continue network and data communications to State agencies while services are transitioned to vendors under contract from the Statewide Telecom Network Voice & Data Services solicitation. Department officials stated they will transition services monthly, such that the actual cost will likely be substantially less than the estimated cost.

\$5,571,862.86 to the Department of Central Management Services to extend a master contract for the purchase of drugs and pharmaceuticals for both the Departments of Public Health and Human Services. The agreement extends the master contract under the same terms and conditions as the original contract and will be for an additional period of up to 90 days.

\$1,035,463.75 to the Department of Commerce and Economic Opportunity for technical resources to develop the Energy Efficiency Portfolio (EEP) system functionality to include natural gas programs. Department officials stated the vendor has worked on the EEP system, in a development role. This vendor was selected to ensure continuity, timely completion and cost effectiveness. All other vendors would require training in the application, EEP program, and business logic needed adding an additional month to the contract.

\$620,550.00 to the Department of Commerce and Economic Opportunity to cover supplemental technical resources to develop the Percentage of Income Payment Plan program and Low-Income Home Energy Assistance Program system.

\$1,144,855.00 to the Department of Commerce and Economic Opportunity to provide supplemental technical resources for 90 days. An amendment to the Energy Assistance Act mandated that the Department support the new Percentage of Income Payment Plan (PIPP) program statewide, no later than September 1, 2011. Through competitive bid, a contract was awarded to develop a new system. However, due to the amount of time required to gather information about business processes, supplemental technical resources became necessary to complete the project. Because of the unforeseen circumstances, a vendor was engaged for 90 days to provide supplemental technical resources.

\$770,250.00 to the Department of Commerce and Economic Opportunity to transfer knowledge of the Percentage of Income Payment Plan (PIPP) system to staff who will independently maintain the system. The original contract extension was denied by the Chief Purchasing Officer after a protest was lodged on the basis of cost considerations. However, the Department determined that the original vendor was best qualified to complete the transfer of knowledge based on its experience and knowledge through working on the system.

\$721,259.86 to the Department of Corrections for a 120-day contract extension for Grade A non-fat dry milk powder while the contract is rebid. Black Diamond Foods chose not to deliver the powder as listed in the solicitation for bid and the contract. The Department must have non-fat dry milk Grade A powder to manufacture skim milk products used at the Correctional Industries and DHS.

\$1,377,309.00 to the Department of Corrections to extend a contract for Job Prep at Sheridan and Southwestern Correctional Centers. The current contract for Job Prep will expire on June 30, 2011, and the competitive bid process has been delayed at several stages. The extension will allow time for a new contract to be bid.

\$26,769,450.00 to the Department of Healthcare and Family Services to extend a contract to provide comprehensive medical and mental health services to inmates housed in State correctional facilities. Extending the current contract will allow additional time to complete the procurement process for the RFP.

\$2,316,380.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for State employees and groups covered by the State Employee Group Health Insurance Act using Healthlink. The services associated with this emergency contract were competitively procured and awarded on April 6, 2011. Due to subsequent actions taken by the Commission on Government Forecasting and Accountability and a related court order, HFS was prevented from proceeding with the results of the competitive procurement, necessitating this emergency contract to ensure continued healthcare coverage for the approximately 200,000 individuals in all plans.

\$126,949,706.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for State employees and other groups covered by the Act using Health Alliance HMO.

\$547,212.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for State employees and other groups covered by the Act using Health Alliance Illinois.

\$1,316,648.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for State employees and other groups covered by the Act using Personal Care OAP.

\$41,622,933.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for State employees and other groups covered by the Act using PersonalCare HMO.

\$411,498,294.00 to the Department of Healthcare and Family Services to ensure continued healthcare coverage for roughly 200,000 individuals. The services associated with these emergency contracts were competitively procured and awarded on April 6, 2011. Due to court order, the Department was prevented from proceeding with the results of the competitive procurement. The April awards have not yet been resolved through litigation, so extension of the contracts is necessary to continue coverage for members.

\$2,400,000.00 to the Department of Healthcare and Family Services to extend a contract for 90 days to continue to provide the review services required by the federal government to prevent the State from paying for unnecessary hospitalization costs. A new RFP for these services is under review.

\$931,631.77 to the Department of Human Services for rental of a temporary chiller unit and purchase and installation of a replacement cooling unit for two buildings used for patient care and treatment at Tinley Park Mental Health Center.

\$731,695.00 to the Department of Human Services to extend a contract to allow time for competitive solicitation and continue necessary services for substance abuse prevention and treatment.

\$731,695.00 to the Department of Human Services to extend a contract that provides continuing education to allow time for competitive bid and continue necessary services for substance abuse prevention and treatment. The Department lost two full-time staff and needs more time to develop the RFP.

\$1,043,007.85 to the Department of Natural Resources to attempt to stop subsidence developing within a bridge on I-72. A sag subsidence of approximately 150 diameters is causing two piers that support the East and West bound lanes of I-72 to settle about 4-6 inches. Collapse is deemed possible.

\$675,238.60 to the Department of Natural Resources to fill in a mine underneath a bridge on Interstate-72 in Sangamon County. Collapse is deemed possible if no attempt is made to stop the subsidence.

\$999,266.17 to the Department of Revenue to extend a contract to ensure continued availability of Illinois Lottery instant game tickets at retail locations throughout Illinois to preserve approximately \$800,000 in daily net revenues. Department officials stated the contract will begin May 1, 2011 and will continue only until such time as a separate sole source procurement can be finalized.

\$1,100,000.00 to the Department of Revenue to extend a contract to ensure continued availability of Illinois Lottery Instant Game tickets at retail locations throughout Illinois. Department officials stated it is necessary to extend the current contract because an interface already exists and it is not economically feasible to interface the gaming system with a new vendor at this time. The uninterrupted operation of the Lottery-instant-ticket inventories is vital to ensuring the State of Illinois continues receiving this revenue flow.

\$1,415,735.46 to the Department of Revenue to extend a contract to ensure continued availability of Illinois Lottery Instant Game tickets at retail locations throughout Illinois. Although an RFP for instant ticket distribution services was issued, the resulting contract will not be effective until the Lottery's new central gaming system launches. Department officials stated the contract should be extended until such time as the new central gaming system is deployed and instant ticket distribution begins under the Scientific Games subcontract or October 27, 2011, whichever occurs first.

\$1,036,650.15 to the Department of Transportation to extend a contract in order to prevent vandalism to previously acquired property, continuation of services such as mowing and for demolition of property that has already been scheduled at the site of the South Suburban Airport. The Department was unable to execute a new contract for the services provided under the original contract before it expired.

\$875,000.00 to the Capital Development Board for repairs to the powerhouse at the Pontiac Correctional Center. According to the Department of Corrections, Pontiac Correctional Center cannot operate without replacing the powerhouse as it supplies all of the hot water for cooking, heating, cleaning and offender showering in the facility. At this time the powerhouse is in need of a new condensate receiver and deareator tank. Department officials stated the condensate receiver and DA tanks have outlived their useful lives, are full of holes, and are rusted out from the inside.

\$1,000,000.00 to the Capital Development Board for upper slope repairs and relocation of utilities at Menard Correctional Center. A hillside north of the facility began sliding, and due to continued rains, a 350-foot long concrete retaining wall, constructed in 1996 to stabilize the slope, has failed, allowing the earth above the retaining wall to slide. The 2-inch potable water line serving the inmate recreation yard drinking water has broken due to ground shifting. Incoming electrical service is directly in this area and if the earth continues to shift, the facility could be without power. The road used to transport inmate workers to or from the facility to or from the Maximum Security facility without leaving the grounds has become impassable. The inmate recreation yard perimeter security fence has begun to slide down the hill and has created a gap below the fence, requiring additional concertina wire. The fiber cable, which provides telephone, cable, and computer access, needs to be relocated from the slope in order to prevent it from breaking.

\$1,600,000.00 to the Toll Highway Authority to extend a contract for software and support service. CMS terminated its master contract with Oracle and does not expect to have a new contract executed prior to the end of the Tollway's current contract with Oracle.

\$3,506,193.00 to the University of Illinois for construction services at the National Petascale Computing Facility. When IBM terminated its partnership with the University to provide the high-performance computing system, the University was at risk of losing a \$208 million National Science Foundation award received by the University's National Center for Supercomputing Applications in 2007. The Petascale facility was specifically built to house the IBM system, but it must be modified to accommodate the new proposed system. The selection of the original construction manager for the modification work will allow the University to meet the National Science Foundation delivery timetable which is July 2012.

Travel Control

The Legislative Audit Commission has the responsibility to monitor the quarterly reports of the various travel control boards established pursuant to statute. There are 10 separate boards governing the employees of the legislative branch, each constitutional officer, the State Board of Education, and higher education institutions. The chairs of the 10 travel control boards together comprise the Travel Regulation Council. The Travel Regulation Council establishes the State travel regulations and reimbursement rates, which shall be applicable to all personnel subject to the jurisdiction of the various travel control boards. These 10 travel control boards have the duty to establish the maximum rate permitted for the reimbursement of their respective employee travel expenses which may be more restrictive than those established by the Council.

Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at a location other than that at which official duties require them to spend the largest part of their working time. Such reports are to be filed semi-annually with the Legislative Audit Commission and the Commission is to comment on all such reports.

A summary of travel headquarter reports for 2011 and the number of individuals who spend the largest part of their working time away from their designated headquarters, appears in Appendix D on pages 38-40.

Bids Awarded to Other Than the Lowest Bidder

With the passage of Senate Bill 51 (PA96-795), the Legislative Audit Commission began reviewing information on the awarding of contracts to other than the lowest bidder after July 1, 2010. The statute states that a contract shall be awarded to the lowest responsible and responsive bidder except when a State purchasing officer determines it is not in the best interest of the State and by written explanation determines another bidder shall receive the award. The written explanation shall appear in the Illinois Procurement Bulletin and be filed with the Legislative Audit Commission and the Procurement Policy Board.

The following agencies awarded a contract to other than the lowest bidder. The amount of the award includes any renewal options:

- Department of Insurance—award for \$318,750 for planning and needs assessment for healthcare insurance exchange to bidder which was clear technical winner (22020508).
- Pollution Control Board—award for \$198,000 for court reporting services to bidder with higher points and best service (22021465).
- Illinois Student Assistance Commission—award for \$240,000 for lockbox and banking services for College Illinois! Prepaid Tuition Program to bidder with highest point for technical expertise and best and final offer was 7% lower than current pricing (22021212).
- Department of Human Services—award of \$302,690 for elevator repair and maintenance service. Low bidder did not submit Board of Elections certificate and was disqualified (22021790).
- Department of Central Management Services—award for \$122,232 for Hepatitis B Adult Vaccine to lowest compliant bidder (22022070).
- Department of Revenue—award of \$170,146 for physical security consultant to bidder with superior technical score and reasonable pricing (22021070).
- Illinois State Police—award of \$640,321 for a fee processing transaction system to bidder with highest technical and overall points (22021635).
- Illinois State Police—award of \$365,000 for audit services to bidder with lower bid than previous contract (22021564).
- Department of Natural Resources—award of \$69,000 for cleaning services to bidder who included all employer expenses (22022565).
- Illinois Student Assistance Commission—award of \$956,000 for investment advisor of College Illinois! Program to bidder based on criteria in the RFP (22022585).

Audit of the Office of the Auditor General

The Legislative Audit Commission is responsible for the biennial compliance examination of the Office of the Auditor General. The examination is performed by independent certified public accountants under a contract with the Commission. The auditors follow the same instructions and standards applicable to all audits performed pursuant to the Illinois State Auditing Act. In order to assure the independence of the examination, the Commission requires that the contract auditor be one who does not participate in the audit program administered by the Auditor General. In addition, after the completion of three examinations over a six-year period, a different firm must be selected.

The most recent examination covered the two years ended June 30, 2011. There were no material findings of noncompliance disclosed during the auditors' tests.

Rules and Regulations of the Office of the Auditor General

The Legislative Audit Commission has oversight responsibility over the rulemakings of the Auditor General. The Commission is given an opportunity, through statutory authority, to comment on all proposed rules of the Office. One rulemaking adopted by the Office of the Auditor General became effective in 2011 addressing contract and emergency purchase changes in the Procurement Code as a result of Public Acts 96-0795, 96-0920 and 96-1444.

Search for Auditor General Candidates

The Legislative Audit Commission is directed by statute (30 ILCS 5/2-3) to diligently search out qualified candidates for the Office of the Auditor General and make recommendations to the General Assembly at the close of an Auditor General’s 10-year term or whenever there is a vacancy in the Office. To that end, the Audit Commission appointed from among its membership a Subcommittee on the Search for Auditor General Candidates. The Subcommittee set a plan into motion advertising the search and notifying the media and interested organizations and individuals about the search. The search is expected to culminate in 2012 with the House and Senate’s appointment of the Auditor General.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures, receiving a detailed monthly summary of all vouchers submitted for payment. In addition, monthly financial reports are prepared and considered at each meeting. Presented below is a summary of expenditures made from appropriations for Fiscal Year 2011 as well as an interim report as of January 1, 2012.

I. Financial Statement - Year Ended June 30, 2011

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Operational expenses	\$ <u>233,500</u>	\$ <u>224,776</u>	\$ <u>8,724</u>
TOTAL	\$ <u>233,500</u>	\$ <u>224,776</u>	\$ <u>8,724</u>

II. Status of FY12 Appropriation at January 1, 2012

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services	\$ 184,600	\$ 93,364	\$ 91,236
Retirement, Employer	7,400	3,743	3,657
Social security	10,300	7,044	3,256

Contractual services	20,200	1,132	19,068
Travel	6,000	1,221	4,779
Commodities	1,000	547	453
Printing	1,000	-0-	1,000
Equipment	800	-0-	800
Electronic data processing	600	-0-	600
Telecommunications	<u>1,600</u>	<u>394</u>	<u>1,206</u>
TOTAL	\$ <u>233,500</u>	\$ <u>107,445</u>	\$ <u>126,055</u>

The Office of the Auditor General performed a compliance examination of the Legislative Audit Commission for the two years ended June 30, 2011. There were no material findings of noncompliance disclosed by the audit.

APPENDIX A
Financial Audits and Compliance Examinations
(For FY2010 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Attorney General
Office of the Comptroller, Fiscal Officer Responsibilities
Office of the Comptroller, Non-Fiscal Responsibilities
Office of the State Treasurer, The Illinois Funds
Office of the State Treasurer, Change Over Audit
Office of the State Treasurer, Fiscal Officer Responsibilities

CODE DEPARTMENTS

Department on Aging
Department of Central Management Services (financial)
 Bureau of Communications & Computer Services, July 2011
 Deferred Compensation (financial) 2010 and 2009
Department of Commerce and Economic Opportunity
Department of Employment Security, financial
Department of Financial and Professional Regulation
Department of Healthcare and Family Services (financial)
Department of Healthcare and Family Services, Community College Health
 Insurance Reserve Fund (financial)
Department of Healthcare and Family Services, Teacher Health Insurance
 Security Fund (financial)
Department of Human Services – General Office
Department of Human Services - Office of the Inspector General – Program Audit
Department of Human Services -
 Alton
 Chester
 Choate
 Elgin
 Fox
 Howe
 Illinois Center for Rehabilitation and Education
 Illinois School for the Deaf
 Illinois School for the Visually Impaired
 Jacksonville
 Kiley
 Ludeman
 Mabley
 Madden
 McFarland
 Murray
 Rushville
 Shapiro

Singer
Tinley
Department of Insurance
Department of Labor
Department of Military Affairs
Department of Natural Resources
Department of Public Health
Department of Revenue – General Office, 2009, 2010
Department of State Police
Department of Transportation – General Office

LEGISLATIVE AGENCIES

General Assembly Retirement System
General Assembly Retirement System, (financial)
Legislative Ethics Commission
Legislative Information System
Office of the Legislative Inspector General

OTHER AGENCIES

Capital Development Authority
Chicago Transit Authority's Retiree Health Care Trust, December 2010
Chicago Transit Authority's Employee Retirement Plan, December 2010
Civil Service Commission, 2009
Exemptions Granted by the Civil Service Commission—Management Audit
DryCleaner Environmental Response Trust Fund
East St. Louis Financial Advisory Authority
Environmental Protection Agency
Environmental Protection Agency Trust Fund Commission
Executive Ethics Commission
Gaming Board
Governor's Office of Management and Budget
Illinois Commerce Commission
Illinois Conservation Foundation
Illinois Housing Development Authority
Illinois Medical District Commission
Illinois State Board of Education
Illinois State Board of Investment
Illinois State Board of Investment (financial)
Illinois State Toll Highway Authority
Illinois Mathematics and Science Academy
Illinois Power Agency
Illinois Prisoner Review Board
Illinois Violence Prevention Authority
IMSA Fund for Advancement of Education
Joint Committee on Administrative Rules
Judges' Retirement System

Judges' Retirement System, (financial)
Judicial Inquiry Board
Kankakee River Valley Area Airport Authority
Mid-America Medical District Commission
Office of the State Appellate Defender
Office of the State's Attorneys Appellate Prosecutor
Pollution Control Board
Procurement Policy Board
Property Tax Appeal Board
State Employees' Retirement System
State Employees' Retirement System (financial)
State Police Merit Board
State Universities Retirement System
State Universities Retirement System (financial)
Teachers' Retirement System
Teachers' Retirement System (financial)

HIGHER EDUCATION

Chicago State University
Eastern Illinois University
Governors State University
Illinois State University
Northeastern Illinois University
Northern Illinois University
Southern Illinois University
Western Illinois University
University of Illinois

REGIONAL OFFICES OF EDUCATION

Adams and Pike Counties, No. 1
Bond, Fayette and Effingham Counties, No. 3
Champaign and Ford Counties, No. 9
Christian and Montgomery Counties, No. 10
Clay, Crawford, Jasper, Lawrence and Richland Counties, No. 12
Clinton, Marion and Washington Counties, No. 13
Suburban Cook County, No. 14, 2009, 2010
DeKalb County, No. 16
DuPage County, No. 19
Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne and White Counties, No. 20
Franklin and Williamson Counties, No. 21
Fulton and Schuyler Counties, No. 22
Grundy and Kendall County, No. 24
Hamilton and Jefferson Counties, No. 25
Bureau, Henry and Stark Counties, No. 28
Jackson and Perry Counties, No. 30
Kane County, No. 31
Knox County, No. 33

Lake County, No. 34
LaSalle County, No. 35
Logan, Mason and Menard Counties, No. 38
McHenry County, No. 44
Monroe and Randolph Counties, No. 45
Brown, Cass, Morgan and Scott Counties, No. 46
Lee and Ogle County, No. 47
Peoria County, No. 48
St. Clair County, No. 50
Sangamon County, No. 51
Tazewell County, No. 53
Vermillion County, No. 54
Whiteside County, No. 55
Intermediate Service Center, No. 1, North Cook
Intermediate Service Center, No. 2, West Cook
Intermediate Service Center, No. 4, South Cook

OTHER

Management Audit of State's Financial Reporting System
Program Audit of the Covering ALL KIDS Health Program
Village of Robbins' Use of Municipal Economic Development Funds, December 2010
Summary of Shared Services
Statewide Single Audit, 2009

APPENDIX B

Agencies Appearing Before Commission

(For FY2010 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
CODE DEPARTMENTS		
Department on Aging		
General Office	12	5
Statewide Single Audit -2010	5	3
Department of Employment Security		
Statewide Single Audit	9	9
Department of Financial and Professional Regulation		
General Office	10	10
Department of Healthcare and Family Services		
General Office	13	8
Program Audit – Covering ALL KIDS		
Health Insurance Program - April 2011	14	9
Statewide Single Audit – 2009	20	12
Statewide Single Audit – 2010	24	14
Department of Human Services		
General Office	39	20
Statewide Single Audit - 2009	12	9
Statewide Single Audit – 2010	10	7
Office of the Inspector General – Program Audit	9	5
Department of Labor	11	9
Department of Natural Resources	17	6
Department of Public Health		
General Office - 2009	22	19
Statewide Single Audit - 2009	5	5
Department of Revenue		
General Office – 2009	21	11
General Office – 2010	37	10
Statewide Single Audit – 2009	1	1
Statewide Single Audit – 2010	1	1
Department of Transportation		
General Office	20	14
Statewide Single Audit – 2009	9	6
OTHER AGENCIES		
East St. Louis Financial Advisory Authority	12	5
Environmental Protection Agency	10	4
Governor’s Office of Management and Budget	10	7
Illinois Gaming Board	8	0
Illinois Housing Development Authority	12	6
Illinois Power Agency	35	18

2009 Statewide Single Audit	93	65
Management Audit of the Financial Reporting System, September 2011	5	-
HIGHER EDUCATION		
Chicago State University	41	21
Governors State University	12	2
University of Illinois	43	29

APPENDIX C
Emergency Purchase Transactions
Calendar Year 2011

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Auditor General	12	\$ 826,338
CODE DEPARTMENTS		
Agriculture	1	35,665
Central Management Services	27	33,046,459
Children & Family Services	3	230,363
Commerce & Economic Opportunity	5	3,465,119
Corrections	44	5,796,013
Employment Security	1	436,057
Financial & Professional Regulation	4	809,130
Healthcare & Family Services	11	613,807,950
Human Services	25	4,956,779
Juvenile Justice	13	954,999
Lottery	1	38,000
Military Affairs	2	105,453
Natural Resources	11	3,875,483
Public Health	4	569,688
Revenue	4	3,520,402
State Police	7	1,046,100
Transportation	28	3,565,532
Veterans' Affairs	3	402,670
OTHER AGENCIES		
Capital Development Board	10	3,325,422
Emergency Management Agency	1	42,000
Environmental Protection Agency	6	943,748
Historic Preservation	2	30,000
Math & Science Academy	4	116,330
Student Assistance Commission	3	142,444
Toll Highway Authority	2	1,625,294
Workers' Compensation Commission	1	35,505
UNIVERSITIES		
Chicago State University	3	528,819
Eastern Illinois University	1	16,002
Governors State University	1	92,977
Illinois State University	3	379,365
Northern Illinois University	5	593,254
University of Illinois	<u>25</u>	<u>5,904,806</u>
GRAND TOTAL	<u>273</u>	<u>\$ 691,264,166</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2011 - January 15, 2012

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	9
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Secretary of State	267
State Treasurer	8
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judges' Retirement System	0
State Appellate Defender	1
State's Attorney Appellate Prosecutor	3
Supreme Court Historic Preservation Commission	0
Court of Claims	0
LEGISLATIVE AGENCIES	
Commission on Government Forecasting & Accountability	0
General Assembly	
House – Democratic Clerk/Fiscal	
House – Democratic Leadership	10
House – Republican	1
Retirement System	0
Senate	0
Joint Committee on Administrative Rules	0
Legislative Audit Commission	0
Legislative Ethics Commission	2
Legislative Information System	0
Legislative Printing Unit	0
Legislative Reference Bureau	0
Legislative Research Unit	0
Office of the Architect of the Capitol	0
CODE DEPARTMENTS	
Department on Aging	0
Department of Agriculture	206
Department of Central Management Services	58
Department of Children and Family Services	23
Department of Commerce and Economic Development	58
Department of Corrections	513

Department of Juvenile Justice	1
Department of Employment Security	7
Department of Financial and Professional Regulation	149
Department of Healthcare and Family Services	49
Department of Human Rights	0
Department of Human Services	452
Department of Insurance	73
Department of Labor	13
Department of Military Affairs	12
Department of Natural Resources	55
Department of Public Health	531
Department of Revenue	388
Illinois Gaming Board	0
Illinois Racing Board	1
Department of State Police	15
Department of Transportation	998
Department of Veterans' Affairs	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	18
City of East St. Louis Financial Advisory Board	0
Civil Service Commission	8
Commerce Commission	35
Court of Claims	0
Educational Labor Relations Board	5
Emergency Management Agency	0
Environmental Protection Agency	32
Governor's Office of Management and Budget	0
Guardianship & Advocacy Commission	0
Historic Preservation Agency	0
Housing Development Authority	10
Human Rights Commission	0
Illinois Board of Examiner	11
Illinois Finance Authority	1
Illinois Power Agency	0
Law Enforcement Training & Standards Board	4
Labor Relations Board	0
Math & Science Academy	0
Medical District Commission	na
Planning Council on Developmental Disabilities	0
Pollution Control Board	0
Prisoner Review Board	13
Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	66
State Board of Elections	na

State Board of Investment	0
State Fire Marshal	77
State Employees' Retirement System	4
State Police Merit Board	5
State Toll Highway Authority	0
Teachers' Retirement System	0
Violence Prevention Authority	na
Workers Compensation Commission	12

HIGHER EDUCATION

Board of Higher Education	0
Chicago State University	na
Community College Board	3
Eastern Illinois University	123
Governors State University	0
Illinois State University	268
Illinois Student Assistance Commission	0
Northern Illinois University	296
Northeastern Illinois University	0
Southern Illinois University	0
State Universities Civil Service System	0
State Universities Retirement System	0
University of Illinois	0
Western Illinois University	23