

2012 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

FIFTY- FOURTH ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION

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



2013 MEMBERSHIP

Senate Members

Senator Jason Barickman
Senator Bill Brady
Senator Andy Manar
Senator Iris Y. Martinez
Senator John Mulroe
Senator Jim Oberweis

House Members

Representative Rich Brauer
Representative Fred Crespo
Representative Frank Mautino
Representative Sandra Pihos
Representative Robert Rita
Representative Ron Sandack

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 2012. 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 147 audit reports and five performance audits during 2012.

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,

A handwritten signature in black ink, reading "Frank J. Mautino". The signature is written in a cursive style with a prominent initial "F" and "M".

Frank J. Mautino
Chairman

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54th 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 146 financial audits and compliance examinations, one statewide single audit 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, 2012**

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. Parcels
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

KPMG

Cathy Bauman

Jackie Dippel

CliftonLarsonAllen

Jeff Bonick

Jon Hoffmeister

Sikich

Nick Appelbaum

Tom Leach

Gary Neubauer

Amy Sherwood

E.C. Ortiz

Hanon D. Hoyle

Hilda Privey

Marites Sy

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 146 financial and compliance reports during 2012 ranging from reports disclosing no material findings to reports containing as many as 37 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 2012.

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, 44 State agencies expended about \$29.3 billion in federal financial assistance in FY10. 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 FY10 contained 103 findings with 64 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 on all federal programs for financial reporting.

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-seven of the audit report's 103 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, and six issues involved American Recovery and Reinvestment Act (ARRA) funds.

Audit Review Highlights

During 2012, the Legislative Audit Commission reviewed 146 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 the disposal of each audit recommendation. However, many findings contained in the audit reports are not addressed in a timely manner by agency officials and are thus repeated in subsequent audits. For FY11 audits, 415 of the 674 findings (62%) were repeated from prior audits. The percentage of findings that are repeated has been increasing in recent years. In FY02 audits, 35% of the findings were repeated. Agencies identified various reasons for repeated findings. The most common cause in FY11 was a lack of effective oversight/poor internal controls. The second most common cause was lack of staffing and/or funding to implement the corrective action.

Whenever the State implements the recommendations of compliance examinations and other types of audits, accountability increases and instances of fraud and abuse become less costly and less prevalent, and the status of troubled programs can improve.

- The Illinois Student Assistance Commission stopped selling contracts for a year for its prepaid tuition program, College Illinois! Among several problems, auditors discovered that contracts were underpriced, investments did not hit the profit goals, and at least one investment which exceeded \$12 million in a bank became worthless when the bank was taken over by the FDIC. Additionally, the prepaid tuition program is about \$560 million short of projected obligation to 54,000 investors and could require a \$1.6 billion bailout to remain solvent during the next 25 years. After the entire Commission was appointed anew, along with a new Investment Advisory Panel and new Chief Investment Officer, policies were established to prevent direct investments, the Commission has retained a new investment advisor, and has sound actuarial estimates of tuition and investment returns. ISAC returned to selling the College Illinois! contracts.
- The Management Audit of the Workers' Compensation Program, which revealed a high number of claims for DHS, DOC and IDOT from 2007-2010, also underscored the fact that funds spent on Workers' Comp claims do not affect agency budgets; thus, agencies have little incentive to investigate claims or change conditions that cause claims. Reforms were made and a contract was awarded to a third party administrator to manage the Program, add claims adjusters, and bring a much newer computer system to the program to yield a Workers' Comp Program that offers less opportunity for fraud and abuse.

For 2012, unemployment was at 8.7% in December of 2012, compared to a national average of 7.7%. 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 all revenues increased about \$3.1 billion in 2012, the State continued to carry almost \$9 billion in delayed payments for goods and services. 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 page 35 summarizes the audits considered at Legislative Audit Commission hearings during 2012, 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, 2011.

Failure of Internal Controls

Chicago State University's inventory certification noted 1,840 items costing \$3.8 million that could not be located. **CSU** also overawarded financial aid to academically ineligible students in the amount of \$740,030.

Chicago State University, Departments of Central Management Services, Children and Family Services, Corrections, Juvenile Justice, Labor, Transportation and Veterans' Affairs, Governors State University, Historic Preservation Agency, Illinois Finance Authority, Illinois Racing Board, Law Enforcement Training and Standard Board, Northeastern Illinois University, Office of the State Fire Marshal, Student Assistance Commission, University of Illinois, and Workers' Compensation Commission had inadequate controls over employee leave requests, overtime, timesheets, evaluations and training.

Chicago State University, Departments of Central Management Services, Children and Family Services, Corrections, Transportation and Veterans' Affairs, Governors State University, Illinois Student Assistance Commission, Northeastern Illinois University, and the Workers' Compensation Commission submitted inaccurate or untimely financial reports, had inadequate review of financial statements, had inadequate preparation of GAAP reports or other financial reports concerning liabilities, capital assets, ARRA funds, or other items, or lacked appropriate documentation of financial reports.

Chicago State University, Departments of Labor, Transportation and Veterans' Affairs, Historic Preservation Agency, Illinois Racing Board, Law Enforcement Training and Standards Board and the **Office of the State Fire Marshal** had inadequate voucher approval, untimely payments, duplicate payments, or segregation of duties or deficiencies in invoice review.

Chicago State University, Department of Veterans' Affairs, Governors State University, Historic Preservation Agency and the **University of Illinois** lacked adequate controls over funds for awards and grants, reporting, payrolls, expenses, costs, indirect costs and projects close-outs.

Chicago State University, the Department of Veterans' Affairs, Governors State University, Northeastern Illinois University and the University of Illinois did not properly document eligibility or the application process for various State programs, student financial aid or grant applications.

Chicago State University, Illinois Finance Authority, Northeastern Illinois University and the Student Assistance Commission had loan covenant violations, inaccurate loan disbursements, or inadequate loan monitoring.

The **Departments of Central Management Services, Children and Family Services, Corrections, Juvenile Justice, Labor, Transportation and Veterans' Affairs, Governors State University, Historic Preservation Agency, Law Enforcement Training and Standards Board, Office of the State Fire Marshal, University of Illinois, and Workers' Compensation Commission** had inadequate property controls, or inaccurate inventory costs, records, commodities, counts, or equipment additions.

The **Departments of Central Management Services, Children and Family Services, Corrections, Labor and Veterans' Affairs, Illinois Finance Authority and the Office of the State Fire Marshal** did not adequately update policy manuals, handbooks, rules or administrative directives, or had inadequate controls over postage, telephone charges or travel.

The **Department of Corrections** and the **Department of Transportation, Law Enforcement Training and Standard Board, and the University of Illinois** improperly used vehicles, had no vehicle use policy, had no record of need for vehicle use, or failed to file accident reports timely.

The **Departments of Corrections, Juvenile Justice and Veterans' Affairs** had deficiencies in accounting for locally held funds, unclaimed property, dormant accounts or records at Adult Transition Centers.

The **Departments of Corrections, Labor, Transportation and Veterans' Affairs, Historic Preservation Agency, Illinois Racing Board, University of Illinois, and the Workers' Compensation Commission** did not timely make deposits, reconcile accounts or the general ledger, distribute funds, report on fees, or properly use the agency's accounting system function.

The **Department of Labor, the Office of the State Fire Marshal, and the Student Assistance Commission** did not use funds for the purpose of the appropriation or used funds in the improper fiscal year.

The **Departments of Labor, Transportation and Veterans' Affairs, Illinois Racing Board, Office of the State Fire Marshal, and Student Assistance Commission** did not timely collect outstanding debts or receivables, or properly use the Comptroller's Offset System or write-offs.

The **Department of Transportation** did not monitor and file interagency agreements timely.

The **Illinois Racing Board** did not clearly delineate responsibilities with Shared Services. The **University of Illinois** had inadequate control over P-Cards used by 5,100 individuals for \$98 million in purchases paid by the University.

Failure to Monitor Computer Systems

Chicago State University, Department of Central Management Services and the **Illinois Racing Board** had inadequate security controls.

Chicago State University and the **University of Illinois** had inadequate controls over access to information systems.

The **Department of Central Management Services** had not implemented adequate security over servers affecting 11 agencies' IT functions.

The **Department of Transportation** has an inadequate recovery plan and inadequate testing of the recovery plan.

It was necessary to improve the quality of data contained in the information system at the **Workers' Compensation Commission** to timely terminate Rate Adjustment Fund payments.

Failure to Adequately Monitor Subrecipients and Contractors

Contracts approved by **Chicago State University, Departments of Central Management Services, Children and Family Services, Corrections, Juvenile Justice and Veterans' Affairs, Governors State University, Historic Preservation Agency, Illinois Finance Authority and Student Assistance Commission** did not have proper signatures, were not approved timely, or did not include all certifications.

Chicago State University, Department of Veterans' Affairs, Governors State University, Historic Preservation Agency and the **University of Illinois** did not properly monitor recipients of awards and grants.

The **Student Assistance Commission's** Illinois Designated Account Purchase Program did not properly apply loan payments to principal and interest.

The **University of Illinois** did not accept 11 recommendations related to the use of federal funds stating that the matters are pending resolution or are awaiting federal guidance.

Failure to Operate Within Statutory Authority

Chicago State University, Departments of Central Management Services, Children and Family Services, Labor, Transportation, and Veterans' Affairs, Historic Preservation Agency, Illinois Finance Authority, Illinois Racing Board, Office of the State Fire Marshal, University of Illinois and the Workers' Compensation Commission did not comply with all statutes required for the operation of those agencies.

Chicago State University, Governors State University, Northeastern Illinois University and the University of Illinois did not comply with federal regulations.

The **Department of Central Management Services** inappropriately used emergency purchase provisions.

Chicago State University, the Departments of Central Management Services, Corrections, Juvenile Justice and Veterans' Affairs, Illinois Finance Authority, Northeastern Illinois University, Office of the State Fire Marshal, Student Assistance Commission and the University of Illinois did not timely file reports as required by law and along with proper supporting documentation.

The **Departments of Central Management Services, Corrections and Juvenile Justice, Law Enforcement Training and Standards Board** and the **Student Assistance Commission** did not always procurement items competitively when required and had deficiencies in procurement including improper drafting of RFPs and improper awarding of contracts.

The **Department of Central Management Services, Historic Preservation Agency, Illinois Finance Authority, Office of the State Fire Marshal, and Workers' Compensation Commission** did not comply with the Fiscal Control and Internal Auditing Act.

The **Department of Children and Family Services, Department of Transportation, Governors State University, Historic Preservation Agency, Illinois Finance Authority** and the **Office of the State Fire Marshal** did not make timely appointments to boards, commissions and committees or timely establish committees or councils.

The **Department of Transportation** did not disburse payments as required by law.

The **Illinois Finance Authority** and the **Illinois Racing Board** did not comply with the Personal Information Protection Act.

Employees at **Law Enforcement Training and Standards Board** and the **Department of Transportation** did not properly file Statements of Economic Interest.

Failure to Protect the State's Interest

The **Department of Children and Family Services** did not initiate investigations into all reports of child abuse and neglect timely and determine all reports timely. **DCFS** case files lacked required documentation, and not all case procedures were performed timely. Also, not all child deaths were reviewed timely by **DCFS**.

The **Department of Corrections** failed to adequately administer the GED program at each Correctional Center. **DOC** also failed to properly notify State's Attorneys of impending early release of inmates.

The **Department of Juvenile Justice's** efforts to segregate its administrative process from the Department of Corrections were slow.

The **Department of Veterans' Affairs** did not properly maintain the waiting lists for those seeking to reside in a Veterans' Home.

The **Student Assistance Commission** made unallowable investments.

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, 2012 Receivables Report, the gross receivables balance was \$15.332 billion. Of this amount, \$4.852 billion was deferred/installment receivables and \$7.320 billion was estimated to be uncollectible. Thus, \$3.160 billion (20.6%) 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 no resolutions in 2012 requiring performance audits.

The following is a summary of the five performance audits reviewed by the Legislative Audit Commission during 2012.

Management Audit – Illinois Firearm Owner’s Identification (FOID) Card Program

House Resolution Number 89 passed April 14, 2011 requires the Office of the Auditor General to conduct a management audit of the Illinois State Police’s administration of the Firearm Owners Identification Card Act.

The audit concluded that the effectiveness of the Illinois Firearm Owner’s Identification (FOID) card program operated by the Illinois State Police (ISP) is limited in promoting and protecting the safety of the public. There are significant deficiencies in the reporting of individuals with potentially disqualifying mental health conditions to the Illinois State Police that seriously undermine the effectiveness of the FOID program. In addition, because many of these disqualifying conditions are also required to be reported to the FBI’s National Instant Criminal Background Check System (NICS), which is used by other states when individuals purchase firearms, the safety of the general public as a whole is at risk.

Auditors reviewed all mental health reports ISP reported receiving from Illinois circuit court clerks during 2010 and determined that only 3 of the 102 circuit court clerks submitted mental health court orders to ISP as required by the Firearm Owners Identification Card Act.

The audit contained 12 recommendations; eleven were specifically directed to the Illinois State Police and two were directed to the State Police and the Department of Human Services. The State Police and DHS agreed with all the recommendations. In addition to the finding of the risk to public safety, other significant findings included:

- The Illinois State Police’s Firearms Services Bureau did not approve or deny all FOID card applications in the required 30 days.

- For 20,227 cardholders whose FOID card were revoked in 2008, 2009 and 2010, ISP officials estimated that only 30% of revoked FOID cards were returned to ISP.
- ISP did not have enough Customer Service Representatives to handle the volume of FOID calls received. According to call logs, during the last quarter of 2010, 25,131 of 29,420 calls (85%) were not answered by ISP.

Management Audit of the State's Procurement of Health Insurance Vendors for the State's Group Health Insurance Program

The Department of Healthcare and Family Services is responsible for procurement of health care contracts for State employees, and others such as employees of local governments, rehabilitation facilities, domestic violence shelters, child advocacy centers and certain of their dependents. Additionally, the Executive Ethics Commission has been given the responsibility of procurement oversight.

According to Department figures, in FY11, 428,546 participants and their eligible dependents were part of the State's group insurance program, and during FY12, total membership was projected to increase to 436,000 participants.

On May 10, 2011, the Legislative Audit Commission adopted Resolution Number 142, which directed 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

The auditors' review of the procurement process found the Department of Healthcare and Family Services:

- Failed to include all relevant information, including scoring evaluation criteria, in the RFPs.
- Utilized a consulting firm to have a major participation role in the procurements even though the firm had business relationships with all the firms that proposed on the two State procurement opportunities.
- Failed to ensure that all members of the evaluation team had all needed materials to score the proposals.
- Failed to comply with policy by not having the evaluation teams meet during the evaluation process.
- Allowed 10 of 12 evaluators to violate the evaluation procedures by not providing appropriate comments.
- Failed to address major differences in scoring by evaluators, a violation of evaluation procedures.
- Within the period of one month, March 7, 2011 to April 6, 2011, had developed and the Director had signed two different recommendations to award the State healthcare contracts.
- The Department awarded Blue Cross Blue Shield 20 counties it did not even bid on. Also, network documentation showed that BCBS had zero primary care physicians in 24 counties that it was awarded.

The review of the procurement process found the Executive Ethics Commission:

- Had staff review and approve the RFPs without ensuring all relevant information was included.
- Had staff that did not question lack of compliance with evaluation procedures.
- SPO did not approve the awards until after the awards were publicly announced.
- Utilized a protest review process where the protest officer basically rules on the procurement process that his staff guided and approved, a process that lacks independence.
- Failed to develop policies and procedures for the activities of its staff that oversee procurement functions.

This audit report contained 15 recommendations directed towards the Department and/or the Commission. The Department generally agreed with the recommendations. While the Chief Procurement Officer agreed with the recommendations directed towards the Commission, the Commission does not feel it has the authority to direct the oversight of procurement activities.

Management Audit – Workers’ Compensation Program As It Applies to State Employees

According to data received from CMS, for the four-year period January 1, 2007, through December 31, 2010, State employees filed a total of 26,101 workers’ compensation claims. As of July 2011, over \$295 million was paid in workers’ compensation for State employees on claims filed during the four-year period. Almost \$96 million or about one-third of claims paid was for Department of Corrections’ employees.

There are three State agencies with responsibilities for processing, reviewing, determining compensation, and paying workers’ compensation claims filed by State workers. CMS administers the workers’ compensation program for State agencies, boards, commissions and universities. The Illinois Workers’ Compensation Commission acts as an administrative court system to resolve disputes between injured workers and their employers. The Attorney General’s Office represents the State of Illinois at proceedings in front of the Illinois Workers’ Compensation Commission when an injured State employee seeks a settlement or an award.

House Resolution No. 131 adopted March 10, 2011 required the Office of the Auditor General to conduct a management audit of the workers’ compensation program as it applies to State employees for the period 2007-2010.

The review of the workers’ compensation program found that CMS:

- Data was incomplete, inaccurate, and inconsistent.
- Adjusted claims and made decisions regarding compensability without appropriate forms being submitted.
- Did not have caseload standards and could not always provide Adjuster caseloads.
- Needed to establish clearer policies regarding settlement contracts and approval limits.

- Negotiated settlement contract terms directly with the injured employee's legal counsel.
- Did not have formal policies for conflicts of interest for Adjusters or other employees who process workers' compensation claims.
- May be unaware of claims until the time of settlement or award since the Department does not receive direct notification regarding cases filed with the Commission and does not have access to the Commission's information system or the AG's case file system.
- Funding and transfers have been insufficient to pay the cost of claims resulting in a backlog of \$61.5 million in unpaid medical bills and other benefits for workers' compensation.

The review of the workers' compensation program found that the Workers' Compensation Commission:

- Data was incomplete, inaccurate, and inconsistent.
- Did not conduct annual reviews to evaluate Arbitrator performance.
 - Did not have guidelines for Arbitrators regarding awards. Auditors reviewed awards and found that many were inconsistent for the same type of injury to the same body part.
 - Review Board responsible for conducting investigations of complaints against Arbitrators and Commissioners did not meet for 3½ years (February 11, 2008-September 9, 2011).
 - Did not have a formal policy or specific procedures to identify fraud.

The review of the workers' compensation program found that the Attorney General:

- Did not have specific policies or procedures to identify or control fraud for workers' compensation cases referred to them.

The decentralized nature of the workers' compensation program for State employees, has led to poor communication and miscommunication among the various entities involved in the process. Moreover, it has led to an inefficient workers' compensation program. Each workers' compensation case for a State employee may have up to four separate files with different entities.

Throughout this report auditors identified numerous shortcomings in both the structure and operations of the workers' compensation program as it applies to State employees. These problems have led to a program that is ill designed to protect the State's best interests as it relates to processing and adjudicating workers' compensation claims for State employees. Because of the extensive problems that permeate the workers' compensation program as it applies to State employees, the General Assembly should consider further actions that may include changes in:

- The structure of the workers' compensation program including the nature and location of the workers' compensation function (State agency, CMS, or a third party);
- The placement and distribution of the fiscal responsibility for the cost of claims filed by agency employees; and
- Operational requirements for employees, agencies, CMS, the Commission, and the AG.

Performance Audit – Certain Financial and Business Processes – University of Illinois

The Board of Trustees is the governing body of the University of Illinois and has final authority over University activity, including the proper use of funds appropriated by the General Assembly.

The Board has established a set of formal statutes and regulations which provide a detailed framework for the governance of the University. The current Board drastically reduced the number of Board committees from 14 to 5. Current Board trustees indicated the reduction move was done to back away from having the Board so intimately involved with every action of the University. The Board also increased the spending threshold that requires Board authorization for transactions.

On March 2, 2010, the Legislative Audit Commission adopted Resolution Number 139, which directed the Auditor General to conduct an audit of certain financial and business processes focusing specifically on transactions approved by the Board during the period 2007 through 2009 involving purchasing, finance and investment, and construction.

The audit report contains 20 recommendations, 18 directed to the University and two to the Board. The University and Board generally agreed with the recommendations. The report contained the following conclusions:

- The Board utilized the Executive Committee during the audit period for issues that were either not urgent in nature, or were matters that should have been discussed and voted on by the full Board.
- During the audit period the Board approved 337 purchases totaling \$602 million. Auditors found:
 - The University did not provide complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy.
 - The criteria reviewed on evaluations were not maintained in all procurement files; and the required evaluation criteria listed in the RFP was not always consistent with the criteria in the evaluation process.
 - The University did not maintain individual evaluations for each committee member in the file.
 - The University did not maintain complete evaluations for each procurement transaction in the sample.
 - The University's procurement files contained evaluation scoring errors.
- During testing, auditors identified a potential conflict of interest involving a Board official that recommends firms to the full Board for financing activities. Also, the University utilized a two-team evaluation approach for the procurement of a financial advisor that was outside usual University evaluation procedures; did not maintain supporting files for the procurement of all the financing parties; utilized financing parties with which the University did not have a current contractual agreement; and overpaid bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services.

- During the audit period, the University submitted, and the Board approved, \$981 million in construction related transactions. Auditors found:
 - Inconsistencies, errors, and discrepancies during the review of the University's evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University's selection process for A/E professional service consultants.
 - The University was not obtaining sufficient information for contractors and subcontractors including MAFBE information. The University was also not ensuring MAFBE information proposed in bids was consistent with MAFBE information listed in final University contracts.

Performance Audit - Department of Central Management Services' Operation of the State Vehicle Fleet

The State of Illinois' vehicle fleet is not overseen by any one agency with complete responsibility and authority. The Department of Central Management Services has the statutory responsibility to administer the operation of passenger cars under the Governor's executive departments, along with those agencies that desire to use CMS vehicle services. The remaining executive branch agencies operate and control their own vehicles.

The Illinois House of Representatives adopted House Resolution Number 658 on March 17, 2010 directing the Auditor General to audit the Department of Central Management Services' (CMS) operations of the fleet of passenger cars used by State executive agencies and employees.

The audit contained 14 recommendations and identified areas where the administration of the vehicle fleet could be made more efficient and effective:

1. A total of 65 State executive agencies had nearly 16,600 vehicles in FY10.
 - Almost 75 percent of the vehicles were at agencies under the jurisdiction of CMS (12,000 of 16,600).
 - A total of 5,375 vehicles were assigned to individual employees.
 - Approximately 5,150 vehicles were authorized to be taken home.
 - Approximately \$129 million was the total spent in FY09 to acquire, repair, maintain, and operate vehicles. In Fiscal Year 2010, approximately \$121 million was spent on vehicles.
2. CMS calculated that if vehicles were not driven between 7,000 and 12,000 miles per year (depending on type of car) it would be more cost-effective for the State to reimburse the employee for use of a personal vehicle. Some vehicles were driven less than 7,000 miles per year.
3. Vehicle coordinators, who are responsible for monitoring vehicles at agencies, were not properly checking logs, monitoring commuting miles, or submitting accurate reports to CMS.

4. Some vehicles were used extensively (over 30% of total miles driven) for commuting.
5. Vehicles are expected to be driven 18,000 miles per year but one-half were driven fewer miles.
6. Agencies for 9 employees sampled did not provide documentation to show they paid commuting taxes.
7. Most agencies had policies that address the purpose of State vehicles, restrictions on take-home vehicles, procedures for using motor pool vehicles, credit card use, etc. but over 20 agencies did not.

Regional Offices of Education

The Commission received 46 of the annual financial audits of the 44 **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 2012.

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 3779—Provides for deposits into the Horse Racing Fund rather than GRF. (PA97-1060)

House Bill 4468—Limits expenditures of funds on the Firefighter Museum and Memorial. (PA97-0755)

House Bill 4570—Requires State agencies, other than universities, to submit debts of \$250 to the Comptroller's Offset System. (PA97-0759)

House Bill 5234—Makes changes to the Historic Preservation Act regarding list of historic places. (PA97-0785)

House Bill 5452—Provides that the Illinois Finance Authority may (rather than shall) maintain a list of companies available for purchase, merger or acquisition in Illinois. (PA97-0789)

House Bill 5587—Requires the Illinois State Police to approve a training program in PTSD for State Police officers. (PA971040)

House Bill 5650—Requires each agency to appoint a Vehicle Use Officer and create a Vehicle Use Policy, and enacts other recommendations from the Fleet Management audit. (PA97-0922)

Senate Bill 179—Authorizes the Auditor General to hire and actuary to serve as State Actuary. (PA97-0694)

Senate Bill 1034—Creates a new form for circuit clerks to use for FOID card information related to providing mental health information to the Illinois State Police. Implements other recommendations from the FOID management audit. (PA97-1131)

Senate Bill 2706—Reduces number of ROEs from 45 to 35. (PA97-0703)

Senate Bill 2819—Eliminates certain reports required of the Department of Corrections (PA-97-0800)

Senate Bill 2840—Creates the Save Medicaid Access and Resources Together (SMART) Act to implement changes, improvements and efficiencies to the Medicaid Program. (PA97-0689)

Senate Bill 2958—Requires that private vendor administer the Workers' Compensation program and makes revisions in the Procurement Code. (PA97-0895)

Senate Bill 3638—Requires sex offender evaluator, sex offender treatment provider, or associate sex offender provider to be licensed through DFPR. (PA97-1098)

Senate Bill 3514—Makes the Medical District Commission a unit of local government, which is not required to give surplus funds to the State Treasury. (PA97-0825)

Senate Bill 3517—Makes changes regarding licensure of daycare homes where adults reside that have certain criminal convictions. (PA97-0874)

Senate Bill 3671—Eliminates mandate for state-by-state report comparing benefits for veterans. (PA97-0765)

Senate Bill 3794—Creates the Financial Reporting Standard Board to improve the timeliness, quality and processing of financial reporting for the State. (PA97-1055)

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, 2012 appears on page 36 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 300 affidavits for emergency purchases filed in 2012 totaling approximately \$610.5 million. Presented below is a compilation of 2012 emergency purchases in dollar categories.

Under \$10,000	26
\$10,000 - \$100,000	195
Over \$100,000	79

Included in the above summary were 30 emergency purchases exceeding \$500,000 as follows:

\$812,000.00 to the Department of Agriculture for testing equipment. The Centralia laboratory recently closed and the Galesburg lab assumed the contract for scrapie testing and Chronic Wasting Disease testing. The testing equipment from Centralia is obsolete.

\$2,923,067.41 to the Department of Central Management Services to extend a lease for one month until the new lease becomes effective.

\$1,057,230.00 to the Department of Central Management Services to extend current network services for 12 months while the new network is being installed.

\$6,000,000.00 to the Department of Central Management Services to extend a current contract for 90 days for hardware maintenance and services for telecommunications and internet while a new contract is being bid.

\$600,000.00 to the Department of Central Management Services to extend a current master contract for up to 90 days with numerous aggregate supply companies until a new master contract is in place.

\$915,356.25 to the Department of Central Management Services to extend a current master contract for up to 90 days with numerous bituminous mix supply companies until a new master contract is in place.

\$1,303,374.00 to the Department of Central Management Services to allow continued healthcare coverage under Health Alliance Illinois while the supplemental HMO RFP is concluded.

\$45,747,711.00 to the Department of Central Management Services to allow continued healthcare coverage under Coventry Healthcare of Illinois while the supplemental HMO RFP is concluded.

\$334,132,245.00 to the Department of Central Management Services to allow continued healthcare coverage under Health Alliance Medical Plans while the supplemental HMO RFP is concluded.

\$6,000,000.00 to the Department of Central Management Services to extend a contract for computer hardware maintenance and services until a new contract is awarded.

\$571,915.00 to the Department of Commerce and Economic Opportunity for development of the Percentage of Income Plan which sets up level pay plans to assist IHEAP recipients in managing their utility bill payments.

\$2,815,665.00 to the Department of Juvenile Justice to continue medical and behavioral/mental health services to youths at IDJJ Youth Centers while a new procurement is completed.

\$111,377,415.00 to the Department of Healthcare and Family Services to extend a contract with Health Alliance Medical Plans for 90 days to provide managed healthcare group insurance for State employees until the RFP process is concluded.

\$15,249,237.00 to the Department of Healthcare and Family Services to extend a contract with Coventry Healthcare for 90 days to provide managed care group insurance to State employees until the RFP process is concluded.

\$1,200,000.00 to the Department of Healthcare and Family Services to extend the current contract for 90 days to ensure that health plan enrollment services are continued until a new contract is awarded.

\$29,232,408.67 to the Department of Healthcare and Family Services to continue a contract for the Primary Care Case Management and Referral program until a new contract is awarded.

\$1,200,000.00 to the Department of Healthcare and Family Services to continue a contract for the Client Enrollment Broker program until the new award is in effect.

\$1,000,000.00 to the Department of Healthcare and Family Services for a 90-day emergency contract for scanning services for the All KIDS Program. Approximately nine million pages need to be scanned to preserve federal funding which will be lost if DHS cannot demonstrate significant progress toward grant objectives by February 2013.

\$6,840,000.00 to the Department of Human Services for expansion of Rushville Treatment and Detention facility to accommodate rising population.

\$652,900.00 to the Department of State Police to extend a contract for six months to continue automation and entry of prohibited persons into the National Instant Criminal Background Checks system. The purchase is necessary to complete the work and avoid the loss of federal funds.

\$1,250,000.00 to the Department of Transportation to continue a contract to conduct aerial surveys of the entire State. If the project is not completed timely, federal funds will be lost.

\$649,350.07 to the Department of Transportation to repair 2.7 miles of shoulder along IL 141 in White County. After heavy rains on 9/5/2012, the shoulder separated from the edge of the pavement and dropped vertically 4'-6'.

\$900,000.00 to the Capital Development Board to replace two steam-driven vacuum condensate return pumps to allow for continued steam generation at Dixon Correctional Center.

\$630,449.18 to the Capital Development Board for repair and replacement of canopy fabric over the Multipurpose Arena at the Illinois State Fairgrounds. The canopy was damaged due to high winds.

\$4,091,939.00 to the Capital Development Board to keep IYC-Joliet open until December 31, 2012 when renovations are expected to be complete at IYC-St. Charles where juveniles will be moved.

\$5,400,000.00 to the Toll Highway Authority to extend a contract for the customer service functions of the I-Pass program and the violation enforcement process from March 31, 2012 through December 31, 2012 to allow time to conduct a competitive procurement.

\$2,243,895.99 to the Toll Highway Authority to extend a contract for the customer service functions of the I-Pass program and the violation enforcement process from March 31, 2012 through December 31, 2012 to allow time to conduct a competitive procurement.

\$1,990,450.00 to the Toll Highway Authority to extend a contract for transponder distribution, packaging, disposal and back-end support until a new contract is awarded.

\$854,602.00 to the University of Illinois for charter flights for the football team's travel to away games during the 2012 season. This vendor had not completed the Business Registration through the Secretary of State timely for the regular award process, and the other bidding vendor was not considered a responsible bidder.

\$639,350.75 to the University of Illinois to continue a contract for specialized personnel for radiation oncology services at the University of Illinois Hospital at Chicago.

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 2012 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 37-39.

Bids Awarded to Other Than the Lowest Bidder

As a result of 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:

- Illinois Commerce Commission—award for \$2,801,040 for electric procurement monitor to bidder with higher technical score (22022382).
- IL Housing Development Authority—award for \$80,000 for a graphic designer to most well-qualified bidder based on technical score (22023000).
- IL Department of Transportation—award \$600,000 for business process review to most well-qualified bidder per evaluation of RFP (22022510).
- University of Illinois, Urbana Campus—award for \$318,000 for miscellaneous apparel to bidder with most complete response to samples request and highest quality of samples (1DRS1206).
- Environmental Protection Agency—award for \$3,500,000 for public information clean air campaign to most technically qualified bidder (22022840).
- IL State Board of Education—award for \$8,766,014 for development and administration of Kindergarten Individual Development Survey (KIDS) to only bidder that could implement statewide (22022665).
- Department of Employment Security—award \$58,188 for movers. Lowest bidder had outstanding Comptroller's Offset claim (22025572).
- Department of Employment Security—award for \$1,296,000 for new hire directory services. Lowest bidder failed to file Board of Elections certification (22023094).

- Department of Employment Security—award for \$751,200 to assemble and disassemble modular furniture. Lowest bidder failed to file Board of Elections certification (22023288)
- IL State Board of Education—award for \$294,000 for GAAP preparation assistance to bidder with highest technical score (22026551).
- Department of Employment Security—award for \$254,450 for real time labor market software and data services to bidder with compliant software and data (22025578).
- IL Student Assistance Commission—award for \$250,000 for bidding agent for IDAPP student loan portfolios to bidder with greatest technical expertise (22026844).
- IL Department of Transportation—award for \$1,094,471.82 for GAAP report preparation to bidder willing to lower best and final offer (22026090).
- IL Department of Transportation—award for \$3,705,660 for overhead and job cost assistance to two bidders with highest technical points (22022802).
- IL Housing Development Authority—award for \$300,000 for property management in Aurora to a bidder that was fair and reasonable (22022859).
- IL Housing Development Authority—award for \$264,000 for legislative services to two bidders who scored higher in technical expertise (22026416).

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 2012 established a toll-free hotline for the public to report allegations of fraud in the executive branch of State government as required by PA 97-261.

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 Audit Commission received 24 letters of application from interested persons. From that list, five candidates were invited to interview for the position, and two persons were interviewed. The Commission recommended to the General Assembly that William G. Holland be appointed Auditor General. Both Houses unanimously passed House Joint Resolution 84 appointing William G. Holland to a ten-year term as 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 2012 as well as an interim report as of January 1, 2013.

I. Financial Statement - Year Ended June 30, 2012

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services		\$ 186,728	
Retirement, Employer		7,483	
Social security		14,080	
Contractual services		15,638	
Travel		2,951	
Commodities		787	
Printing		370	
Equipment		-0-	
Electronic data processing		-0-	
Telecommunications		<u>989</u>	
TOTAL	\$ <u>237,300</u>	\$ <u>229,025</u>	\$ <u>8,275</u>

II. Status of FY13 Appropriation at January 1, 2013

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services		\$ 99,311	
Retirement, Employer		3,943	
Social security		7,492	
Contractual services		1,117	
Travel		853	
Commodities		-0-	
Printing		-0-	
Equipment		-0-	
Electronic data processing		-0-	
Telecommunications		<u>387</u>	
TOTAL	\$ <u>233,500</u>	\$ <u>113,103</u>	\$ <u>120,397</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 FY2011 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Lieutenant Governor
Office of the Comptroller, Fiscal Officer Responsibilities
Office of the Governor
Office of the Treasurer, Fiscal Officer Responsibilities
Office of the Treasurer, Non-Fiscal Officer Responsibilities
Office of the Treasurer, College Savings Program
Office of the Treasurer, The Illinois Fund

CODE DEPARTMENTS

Department of Agriculture
Department of Children and Family Services - 2010
Department of Central Management Services
 Performance Audit - Department of Central
 Managements Services' Operation of the
 State Vehicle Fleet – November 2011
 Bureau of Communications & Computer Services – July 2012
 State Employees' Deferred Compensation Plan
Department of Commerce and Economic Opportunity - 2010
Department of Corrections, 2010
Department of Corrections—Illinois Correctional Industries, 2010
Department of Juvenile Justice -2010
Department of Human Rights
Department of Insurance - 2010
Department of Labor
Department of Transportation, 2010
Department of Veterans' Affairs, 2010
State Police – Management Audit – Illinois
Firearm Owner's Identification (FOID) Card Program
Management Audit of the State's Procurement
 of Health Insurance Vendors for the State's

LEGISLATIVE AGENCIES

Commission on Government Forecasting and Accountability
General Assembly – House of Representatives
General Assembly – Senate
General Assembly Retirement System
General Assembly Retirement System, financial
Guardianship and Advocacy Commission
Legislative Audit Commission
Legislative Printing Unit

Legislative Research Unit
Office of the Architect of the Capital
Office of the Auditor General

OTHER AGENCIES

Arts Council
Arts Council Foundation
Attorney Registration and Disciplinary Commission
Board of Admissions to the Bar
Civil Service Commission
Criminal Justice Information Authority
Conservation Foundation
Council on Developmental Disabilities
Court of Claims
Deaf and Hard of Hearing Commission
DryCleaner Environmental Response Trust Fund Council
DuQuion State Fair
Educational Labor Relations Board
Environmental Protection Agency – Water Revolving Fund
Executive Ethics Commission
Grain Insurance Corporation - financial
Historic Preservation Agency, 2010
Housing Development Authority
Human Rights Commission
Illinois Finance Authority, 2010, 2011
Illinois Racing Board, 2010
Illinois State Fair
IMSA Fund for Advancement of Education
Judges' Retirement System
Judges' Retirement System - financial
Judicial Inquiry Board
Kankakee River Valley Area Airport Authority
Labor Relations Board
Law Enforcement and Standards Board, 2010
Legislative Reference Bureau
Literacy Foundation - financial
Math and Science Academy
Medical District Commission
Metropolitan Pier and Exposition Authority
Mid-Illinois Medical District Commission
Office of the State Fire Marshal - 2010
State Board of Education
State Board of Elections
State Board of Investment – financial
State Board of Investment – compliance

State Employees' Retirement System
State Employees' Retirement System - financial
State Toll Highway Authority -
2010 State Universities Civil Service System
State Universities Retirement System
State Universities Retirement System, financial - 2010
Supreme Court
Supreme Court Historic Preservation Commission
Teachers' Retirement System
Teachers' Retirement System, financial
Upper Illinois River Valley development Authority
Village of Robbins' Use of Municipal Economic Development Funds
Workers' Compensation Commission

HIGHER EDUCATION

Board of Higher Education
Chicago State University
Community College Board - 2010
Eastern Illinois University
Governors State University
Illinois State University
Illinois Student Assistance Commission, 2010
Southern Illinois University
University of Illinois
Performance Audit – Certain Financial and Business
Processes – University of Illinois
Western Illinois University

REGIONAL OFFICES OF EDUCATION

Adams and Pike Counties, No. 1
Bond, Fayette and Effingham Counties, No. 3
Boone and Winnebago Counties, No. 4 2010, 2011
Carroll, Jo Davies and Stephenson Counties, No. 8
Champaign and Ford Counties, No. 9 - 2010
Christian and Montgomery Counties, No. 10 - 2010
Clark, Coles, Cumberland, Douglas, Edgar, Moultrie and Shelby Counties, No 11
Clay, Crawford, Jasper, Lawrence and Richland Counties, No. 12
Clinton, Marion and Washington Counties, No. 13
DeKalb County, No. 16
Dewitt, Livingston and McLean Counties, No. 17
Edward, 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 Counties, No. 24

Henderson, Mercer and Warren Counties, No. 27 - 2010
Hancock and McDonough Counties, No. 26
Jackson and Perry Counties, No. 30
Kane County, No. 31
Iroquois and Kankakee Counties, No. 32 - 2010
Knox County, No. 33 - 2010
Lake County, No. 34 - 2010
LaSalle County, No. 35
Logan, Mason and Menard Counties, No. 38
Macon and Piatt, No. 39 - 2010
Calhoun, Greene, Jersey and Macoupin Counties, No. 40 - 2010
Madison County, No. 41
Marshall, Putnam and Woodford Counties No. 43
McHenry County, No. 44
Monroe and Randolph Counties, No. 45
Brown, Cass, Morgan and Scott Counties, No. 46 - 2010
Lee and Ogle Counties, No. 47
Peoria County, No. 48
Rock Island County, No. 49
St. Clair County, No. 50
Sangamon County, No. 51
Vermillion County, No. 54
Whiteside County, No. 55
Will County, No. 56 - 2010
Intermediate Service Center No. 1, North Cook - 2010
Intermediate Service Center No. 4, South Cook - 2010

OTHER

Chicago Transit Authority, Retiree Health Care Trust
Chicago Transit Authority, Retirement Plan
Public School Teacher' Pension and Retirement Fund
of Chicago
Statewide Single Audit, 2010
Workers' Compensation Commission
Management Audit – Workers' Compensation
Program As It Applies to State Employees

APPENDIX B

Agencies Appearing Before Commission

(For FY2011 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
CODE DEPARTMENTS		
Department of Central Management Services	16	12
Performance Audit – CMS’ Operation of the State Vehicle Fleet	14	na
Department of Children and Family Services (2010)	13	10
Statewide Single Audit	6	4
Department of Corrections (2010)	34	24
Department of Juvenile Justice (2010)	16	14
Department of Labor	10	9
Department of Transportation (2010)	23	15
Statewide Single Audit	9	6
Department of Veterans’ Affairs	25	16
Illinois State Police		
Management Audit – Illinois Firearm Owner’s Identification (FOID) Card Program	12	na
Management Audit of the State’s Procurement of Health Insurance Vendors for the State’s Group Health Insurance Program	15	na
OTHER AGENCIES		
Illinois Finance Authority	13	5
Illinois Historic Preservation Agency (2010)	17	11
Illinois Racing Board (2010)	8	na
Law Enforcement Training & Standards Board (2010)	9	9
Office of the State Fire Marshal (2010)	22	15
Workers’ Compensation Commission	7	6
Management Audit – Workers’ Compensation Program As It Applies to State Employees	22	na
HIGHER EDUCATION		
Chicago State University	34	22
Governors State University	12	7
Illinois Student Assistance Commission (2010)	12	3
Statewide Single Audit	7	3
Northeastern Illinois University		
University of Illinois	37	30
Performance Audit – Certain Financial and Business Processes – University of Illinois	20	na
Statewide Single Audit (2010)	103	64

APPENDIX C
Emergency Purchase Transactions
Calendar Year 2012

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Auditor General	6	\$ 858,613
Secretary of State	1	45,000
State Comptroller	3	200,500
CODE DEPARTMENTS		
Aging	1	397,500
Agriculture	3	920,200
Central Management Services	27	399,862,032
Commerce & Economic Opportunity	2	656,415
Corrections	60	6,509,764
Employment Security	2	815,544
Healthcare & Family Services	9	159,919,769
Human Services	19	8,084,831
Insurance	1	103,000
Juvenile Justice	14	3,788,197
Lottery	3	76,788
Military Affairs	2	79,511
Natural Resources	5	174,499
Public Health	4	651,857
Revenue	2	89,664
State Police	7	1,598,111
Transportation	24	4,554,197
Veterans' Affairs	6	457,483
OTHER AGENCIES		
Capital Development Board	15	3,325,422
Environmental Protection Agency	2	117,050
Housing Development Authority	5	467,302
Illinois Power Agency	1	30,500
Student Assistance Commission	2	51,115
Toll Highway Authority	45	11,410,288
UNIVERSITIES		
Chicago State University	5	374,476
Northern Illinois University	6	950,155
Southern Illinois University	3	708,223
University of Illinois	14	3,098,058
Western Illinois University	<u>1</u>	<u>96,638</u>
GRAND TOTAL	<u>300</u>	<u>\$ 691,264,166</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2012 - January 15, 2013

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	8
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Secretary of State	225
State Treasurer	7
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judges' Retirement System	0
State Appellate Defender	0
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	0
House – Republican	2
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	189
Department of Central Management Services	52
Department of Children and Family Services	10
Department of Commerce and Economic Development	55
Department of Corrections	475

Department of Juvenile Justice	1
Department of Employment Security	3
Department of Financial and Professional Regulation	128
Department of Healthcare and Family Services	45
Department of Human Rights	0
Department of Human Services	446
Department of Insurance	72
Department of Labor	14
Department of Military Affairs	11
Department of Natural Resources	52
Department of Public Health	481
Department of Revenue	393
Illinois Gaming Board	0
Illinois Racing Board	0
Department of State Police	18
Department of Transportation	1,015
Department of Veterans' Affairs	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	17
City of East St. Louis Financial Advisory Board	0
Civil Service Commission	6
Commerce Commission	35
Court of Claims	0
Educational Labor Relations Board	5
Emergency Management Agency	0
Environmental Protection Agency	14
Governor's Office of Management and Budget	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
Planning Council on Developmental Disabilities	0
Pollution Control Board	0
Prisoner Review Board	15
Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	36
State Board of Elections	8
State Board of Investment	
State Fire Marshal	68

State Employees' Retirement System	4
State Police Merit Board	5
State Toll Highway Authority	4
Teachers' Retirement System	0
Violence Prevention Authority	0
Workers Compensation Commission	11

HIGHER EDUCATION

Board of Higher Education	0
Chicago State University	24
Community College Board	3
Eastern Illinois University	116
Governors State University	0
Illinois State University	258
Illinois Student Assistance Commission	0
Northern Illinois University	255
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	22