

2014 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

**FIFTY- SIXTH ANNUAL REPORT
of the
LEGISLATIVE AUDIT COMMISSION**

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



2015 MEMBERSHIP

Co-Chairs

**Senator Jason Barickman
Representative Robert Rita**

Senate Members

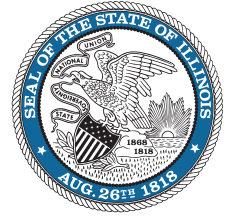
Senator Andy Manar
Senator Iris Y. Martinez
Senator John Mulroe
Senator Jim Oberweis
Senator Dale Righter

House Members

Representative Fred Crespo
Representative Barbara Flynn Currie
Representative C.D. Davidsmeyer
Representative Sheri Jesiel
Representative David Reis

Room 622
William G. Stratton Building
Springfield, Illinois 62706

Legislative Audit Commission



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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 2014. 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. Worthy of special note is the Commission's review of 168 financial/compliance reports, parts of two statewide single audit reports, and six performance audits during 2014.

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 that reads "Jason A. Barickman". The signature is written in a cursive style with a large initial "J".

Jason A. Barickman, State Senator
Co-Chair

A handwritten signature in black ink that reads "Robert A. Rita". The signature is written in a cursive style with a large initial "R".

Robert Rita, State Representative
Co-Chair

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56th 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 168 financial audits and compliance examinations, parts of two statewide single audits, and six performance audits.
- Support and enactment of remedial and other legislation.
- Review of all emergency purchases, travel reports, 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.
- Distribution 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, 2014**

Senate Members

Senator Jason Barickman	January 2013
Senator Bill Brady	November 2009
Senator Andy Manar	January 2013
Senator Iris Y. Martinez	February 2005
Senator Jim Oberweis	March 2013
Senator Kwame Raoul	October 2014

House Members

Representative Fred Crespo	February 2013
Representative Frank J. Mautino	March 1997
Representative Dennis Reboletti	September 2014
Representative David Reis	May 2014
Representative Robert Rita	November 2009
Representative Ron Sandack	February 2013

Former Members

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

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.

Borschnack & Pelletier

Paul Pelletier

McGladreyLLP

Linda Abernathy

CliftonLarsonAllen

Mike Hillary

Sikich

Greg Fielder

Tom Leach

E.C. Ortiz

Leilani Rodrigo

Gary Neubauer

Amy Sherwood

KPMG

Cathy Baumann

Jackie Dippel

West & Co.

Janice Womack

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 168 financial and compliance reports during 2014 ranging from reports disclosing no material findings to reports containing as many as 39 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 29-33.

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. 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 2014.

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 \$22.9 billion in federal financial assistance in FY12. The various universities, the bonding authorities, and the Conservation Foundation are not included in the Statewide Single Audit. Federal findings are noted in the State compliance audit reports of these agencies.

The Statewide Single Audit for FY12 contained 91 findings with 63 repeat findings. The audit noted for the eleventh time 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 (SEFA).

Several findings in the Statewide Single Audit focus on deficiencies within agencies that fail to adequately perform determinations of eligibility or have unallowable costs for various federal programs such as TANF, CHIP, Medicaid, adoption assistance, unemployment insurance, and highway planning. Agencies also failed to maintain and control case file documents and process medical billings timely. At least 15 of the audit report's 91 findings related to agencies' deficiencies in monitoring subrecipients such as inadequate review of subrecipient audit reports or inadequate monitoring of programs.

Audit Review Highlights

During 2014, the Legislative Audit Commission reviewed 168 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 thus repeat in subsequent audits. For the FY13 audit cycle, there were a total of 596 findings and 365 repeat findings (61%). The percentage of repeat findings has been increasing in recent years. By comparison, 32% the findings in FY03 audits were repeat findings. Agencies identified various reasons for repeated findings. The most common cause of repeat findings in the FY13 audit reports 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. Occasionally a finding may repeat in the same category such as property control or grant monitoring. The agency works to remedy that specific finding only to have another issue appear as a finding in the same category.

Whenever the State implements the recommendations of compliance examinations and other types of audits, the State's accountability can improve.

- The processes followed by State agencies in preparing individual financial reports, by the State Comptroller in compiling the Statewide financial statements, and by the Office of the Auditor General in auditing the Statewide financial statements are complicated and time-consuming. Due to well-documented negative implications of delayed financial reporting over the years, the Auditor General has stressed the need to improve the timeliness of the State's annual financial reports. Due to the hard work and cooperation of staff in the Comptroller's Office, the Governor's Office, GOMB, the various State agencies, and the Office of the Auditor General, the audit of the Statewide financial statements was released on March 12, 2014. This is the earliest date of release in six years, and more than three months earlier than the release of the 2013 report.

At the end of 2014, unemployment was at 6.2%, compared to a national average of 5.6%. Although revenues from all sources increased by \$438 million in calendar 2014, the State continued to carry about \$4.3 billion in delayed payments for goods and services and to schools and universities. 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. The Audit Commission is also concerned about the deficiencies that agencies demonstrate in monitoring the wide variety of grants and programs utilized to provide the services of State government.

Appendix B, appearing on page 34, summarizes the audits considered at Legislative Audit Commission hearings during 2014, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During 2014, 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 FY12 and FY13.

Failure of Internal Controls

The **Board of Examiners, Board of Higher Education, Chicago State University, Court of Claims, Correctional Industries, Departments of Agriculture, Central Management Services, Children and Family Services, Corrections, Juvenile Justice, Labor, Public Health, Revenue, Transportation, and Veterans' Affairs, Deaf and Hard of Hearing Commission, DuQuoin State Fair, Governor's Office of Management and Budget, Governors State University, Human Rights Commission, Illinois Arts Council, Illinois Commerce Commission, Illinois Conservation Foundation, Illinois Emergency Management Agency, Illinois Grain Insurance Corporation, Illinois Housing Development Authority, Illinois Power Agency, Illinois State Board of Education, Illinois State Fair, Illinois State University, Illinois Student Assistance Commission, Labor Relations Board, Northeastern Illinois University, Northern Illinois University, Racing Board, Secretary of State, State Board of Elections, State Charter School Commission, Supreme Court Historic Preservation Commission, and University of Illinois** had improper reconciling or collecting of locally held funds, revenues, or receipts, or inaccurate or untimely reports, receivables, records, fees, reimbursements, transfers, reconciliations, transactions, drawdowns, payments, refunds, disbursements, deposits, or capital assets.

The **Board of Examiners, Board of Higher Education, Correctional Industries, Court of Claims, Deaf and Hard of Hearing Commission, Departments of Agriculture, Central Management Services, Children and Family Services, Corrections, Human Rights, Juvenile Justice, Labor, Public Health, Transportation, and Veterans' Affairs, Eastern Illinois University, Educational Labor Relations Board, Governors State University, Human Rights Commission, Illinois Emergency Management Agency, Illinois Preservation Agency, Illinois State University, Northern Illinois University, Office of the Governor, State Charter School Commission, Supreme Court, Supreme Court Historic Preservation Commission, and University of Illinois** did not safeguard property and equipment, ensure proper handling of surplus items, had inaccurate property records, inventory, or had other property control deficiencies.

The **Board of Higher Education, Chicago State University, Correctional Industries, Court of Claims, Departments of Central Management Services, Children and Family Services, Corrections, Employment Security, Human Rights, Juvenile Justice, Labor, Public Health, Revenue, Transportation, and Veterans' Affairs, Eastern Illinois University, Educational Labor Relations Board, Governors State University, Guardianship and Advocacy Commission, Historic Preservation Agency, Human Rights Commission, Illinois Conservation Foundation, Illinois Emergency Management Agency, Illinois State Fair, Illinois State University, Illinois Student Assistance Commission, Labor Relations Board, Northeastern Illinois University, Northern Illinois University, Racing Board, State Board of Elections, State Charter School Commission, and University of Illinois** had untimely employee evaluations, incomplete personnel files, inaccurate payroll deductions, timesheets, termination from payroll, overtime approval, or a lack of training or staffing.

The **Chicago State University, Correctional Industries, Court of Claims, Departments of Agriculture, Central Management Services, Children and Family Services, Corrections, Employment Security, Healthcare and Family Services, Juvenile Justice, Labor, Public Health, Revenue, Transportation, and Veterans' Affairs, Eastern Illinois University, Educational Labor Relations Board, Executive Ethics Commission, General Assembly Retirement System, Governor's Office of Management and Budget, Governors State University, Historic Preservation Agency, Illinois Arts Council, Illinois Board of Examiners to the Bar, Illinois Conservation Foundation, Illinois Housing Development Authority, Illinois Power Agency, Illinois State Fair, Illinois State University, Illinois Student Assistance Commission, Judges' Retirement System, Northeastern Illinois University, Northern Illinois University, Office of the Architect of the Capitol, Office of the Governor, Office of the Secretary of State, Office of the Treasurer, Racing Board, State Board of Elections, Teacher Health Insurance Security Fund, and University of Illinois** did not develop or follow rules or policies as required concerning planning, rate methodology, approving transactions, protecting confidential information, website maintenance, vehicles, segregation of duties, interagency agreements, travel, preservation of documents, service providers, automating recordkeeping, collecting debts, or budget approval.

The **Chicago State University, Departments of Agriculture, Central Management Services, Human Rights, Labor, and Veterans Affairs, Illinois Housing Development Authority, Illinois Student Assistance Commission, Legislative Printing Unit, Office of the Lt. Governor, Racing Board, State Board of Elections, and University of Illinois** had untimely voucher processing, untimely deposits, or untimely general ledger maintenance.

The **Chicago State University, Departments of Children and Family Services, Employment Security, Public Health, and Veterans' Affairs, Eastern Illinois University, Governors State University, Illinois Housing Development Authority, Illinois Student Assistance Commission, Northeastern Illinois University, Racing Board, and University of Illinois** used improper procedures for determining eligibility for admission, grants, loans, or had deficiencies with other loan or grant related procedures including monitoring, reporting, close-outs, cost sharing, award documentation, or grant administration.

The **Community College Health Insurance Security Fund, Departments of Central Management Services, Children and Family Services, Corrections, Healthcare and Family Services, Human Rights, Public Health, Revenue, and Transportation, Eastern Illinois University, Illinois Conservation Foundation, Illinois State Board of Education, Local Government Health Insurance Reserve Fund, Northeastern Illinois University, Northern Illinois University, and Teacher Health Insurance Security Fund** had incorrect year-end reports, or problems with financial statement preparation, GAAP reports, or related procedures.

Correctional Industries, Department of Central Management Services, Department of Transportation, DuQuoin State Fair, Illinois Emergency Management Agency, Illinois Power Agency, Northern Illinois University, and University of Illinois did not timely file contracts and leases.

The **Departments of Agriculture, Central Management Services, and Public Health, DryCleaner Environmental Response Trust Fund Council, Governors State University, Guardianship and Advocacy Commission, Labor Relations Board, and Office of the Governor** did not ensure timely meeting of their associated Travel Control Boards, Commissions, Councils, or did not timely fill vacancies on boards and commissions.

The **Departments of Corrections, Juvenile Justice, and Veterans' Affairs, DuQuoin State Fair, Illinois Grain Insurance Corporation, Metropolitan Pier and Exposition Authority, and Racing Board** did not use appropriated funds or money deposited into other funds as required.

Failure to Monitor Computer Systems

The **Departments of Agriculture, Corrections, and Revenue, Labor Relations Board, and Northeastern Illinois University** lacked a comprehensive disaster recovery plan or recovery plan testing.

The **Departments of Central Management Services, Corrections, and Revenue** did not track, control, or monitor end-user software use or correctly monitor development or administration of complex systems.

The **Department of Central Management Services, Northern Illinois University, Racing Board, Secretary of State, and the Supreme Court** had ineffective security controls over servers, the computing environment, or other security deficiencies. **CMS** did not ensure that hard drives were wiped timely.

The **Secretary of State** did not perform reviews of outsourced information systems.

Failure to Adequately Monitor Subrecipients and Contractors

The **Board of Examiners, Departments of Children and Family Services, Corrections, Juvenile Justice, Public Health, and Veterans' Affairs, Historic Preservation Agency, Illinois Power Agency, and the Illinois Student Assistance Commission** did not obtain proper approvals for all contracts or had other contract deficiencies.

Failure to Operate Within Statutory Authority

The **Board of Examiners, Department of Children and Family Services, Department of Transportation, Educational Labor Relations Board, Historic Preservation Agency, Human Rights Commission, Illinois Arts Council, Illinois Power Agency, and Illinois Student Assistance Commission** did not comply with the Identity Protection Act.

The **Departments of Agriculture, Central Management Services, Children and Family Services, Corrections, Public Health, Revenue, Transportation, and Veterans' Affairs, Eastern Illinois University, Historic Preservation Agency, Human Rights Commission, Illinois Emergency Management Agency, Illinois State University, Illinois Student Assistance Commission, Labor Relations Board, Northeastern Illinois University, Office of the Comptroller, Office of the Governor, Office of the Treasurer, Racing Board, and the University of Illinois** did not comply with all statutes required for the operation of State agencies.

The **Departments of Agriculture, Central Management Services, Corrections, Employment Security, Juvenile Justice, Public Health, and Revenue, Illinois Emergency Management Agency, Illinois Power Agency, Office of the Lt. Governor, and Northeastern Illinois University** did not perform Agency audits as required by the Fiscal Control and Internal Auditing Act.

The **Department of Central Management Services and Eastern Illinois University** did not comply with the Procurement Code as it applies to these State agencies.

The **Department of Central Management Services, Department of Transportation, and Executive Ethics Commission** filed emergency purchase affidavits for purchases that were not emergencies or had other deficiencies related to the use of emergency purchases in violation of the Procurement Code.

The **Department of Children and Family Services** did not demonstrate that child deaths are reviewed by the Child Death Review Team.

The **Department of Public Health** did not hire the mandated number of surveyors to monitor long term care facilities.

The **Racing Board** required a legislative remedy to pay obligations due to Cook County and the City of Chicago.

Failure to Protect the State's Interest

The **Department of Children and Family Services** did not investigate or determine all reports of child neglect or abuse within the timeframes required by law.

The **Department of Corrections** did not perform an analysis of food needs at the Adult Transition Centers to avoid being billed for 531,000 unneeded meals. Also, **DOC** did not properly notify State's Attorneys and public housing agencies of the impending release of inmates.

The **Racing Board** did not implement controls to adequately document and safeguard Stewards' Rulings.

The **Department of Revenue** did not have a detailed process to follow-up on lost taxpayer files.

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, 2014 Receivables Report, the gross receivables balance was \$15.727 billion. Of this amount, \$4.670 billion was deferred/ installment receivables and \$7.726 billion was estimated to be uncollectible. Thus, \$3.331 billion (21.1%) 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 2014 requiring performance audits.

The following is a summary of the five performance audits reviewed by the Legislative Audit Commission during 2014. A sixth performance audit, the **Management Audit of Illinois Public Universities' Management Structure, Expenditures, and Salaries** was performed as a result of Legislative Audit Commission resolution No. 143. The report had no findings or recommendations. The management audit provided a comparison of the management structure and costs, operating expenses, administrative to faculty salaries, and selected administrative expenditures for the State's nine public universities.

Program Audit of the Covering ALL KIDS Health Insurance Program

Effective July 1, 2006, Illinois' KidCare program, which included Medicaid and Children's Health Insurance Program (SCHIP) populations, was expanded by the Covering ALL KIDS Health Insurance Act to include all uninsured children not previously covered. The expansion added children whose family income was greater than 200 percent of the federal poverty level and all undocumented immigrant children. At that time, the KidCare program was renamed ALL KIDS.

- Public Act 95-985 amended the Covering ALL KIDS Health Insurance Act [215 ILCS 170/63] and directed the Auditor General to annually audit the ALL KIDS program. This is the fourth annual audit and covers FY12. 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 (children whose family income was greater than 200 percent of the federal poverty level or who were undocumented immigrants).
- This FY12 audit follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. Our audit found:
 - In FY12, 92,879 children were enrolled in the EXPANDED ALL KIDS program.
 - Total claims paid in FY12 for the EXPANDED ALL KIDS enrollees were \$77.2 million.
 - FY12 ALL KIDS claim data included 193 recipients who received 1,802 services totaling \$80,752 after the month of their 19th birthday, when their eligibility ended. Additionally, the data included 246 individuals who appeared to be enrolled with more than one identification number.
 - The FY12 review indicated a continued problem with HFS incorrectly categorizing documented immigrants as undocumented in its data. However, HFS noted that manual reviews were being completed and as of February 1, 2013, \$1.2 million in federal match for the individuals identified by our previous audit had been received.
 - While HFS and DHS took action to address the previous recommendations, many of these actions did not occur within this audit period (FY12). Auditors determined that one recommendation was implemented and 10 were repeated.

- Future audit populations will be decreased due to the passage of PA 96-1501, which made children whose families' household income is above 300 percent of the federal poverty level (FPL) ineligible for EXPANDED ALL KIDS.
- In June 2013, Illinois was retroactively approved back to July 1, 2008, to receive federal reimbursement under Title XXI of the Social Security Act for citizens and documented immigrant children in EXPANDED ALL KIDS Premium Level 2.

The audit contained 10 recommendations, all repeated since 2009 or 2010, concerning eligibility determination, untimely premium payments, data accuracy, proper classification of immigrants, duplicate claims, eligibility documentation, provider abuse regarding preventive services and optical services, and clear communication of dental coverage. The Departments accepted all the recommendations and continue to partially implement the recommendations.

Performance Audit of State Moneys Provided to the Illinois Violence Prevention Authority for the Neighborhood Recovery Act

The Neighborhood Recovery Initiative (NRI) was a program designed to reduce risk factors associated with violence. In August 2010, the Governor's Office gave the Illinois Violence Prevention Authority (IVPA) the responsibility to develop a framework for the program as well as administer and oversee the program. The program served 23 communities in Cook County. In each of those communities, IVPA contracted with a lead agency which was responsible for managing the NRI program in its community and partnering and subcontracting with other community organizations to implement the various program components. The 23 lead agencies, in turn, contracted with 99 coordinating partners and 120 providing partners (community partners) to provide NRI services.

IVPA received \$54.55 million for Years 1 and 2 of the NRI program (from October 2010 through October 2012), \$44.55 million of which came from Governor's Discretionary appropriations in FY11; the remaining \$10 million were General Revenue funds appropriated in FY12. The monies were used to fund the four major NRI program components designed to rebuild "Illinois' most vulnerable neighborhoods and protect youth by offering more jobs and education opportunities."

On May 31, 2012, the Illinois House of Representatives adopted Resolution 1110, which directs the Auditor General to conduct a performance audit of the State moneys provided by or through the Illinois Violence Prevention Authority (IVPA) to the Neighborhood Recovery Initiative (NRI) under contracts or grant agreements in Fiscal Year 2011 and in Fiscal Year 2012. During the audit, Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, funds, etc. from the IVPA to the Illinois Criminal Justice Information Authority (ICJIA). ICJIA began to provide oversight of NRI for Year 3 of the program and the NRI was assimilated into the Authority's already existing Community Violence Prevention Program.

The audit of the first two years of the \$54.55 million NRI program found pervasive deficiencies in IVPA's planning, implementation, and management of the NRI program. The

NRI program was hastily implemented which limited the time IVPA had to adequately plan for and implement the program. On August 13, 2010, the Governor attended a violence prevention conclave in Roseland where ministers requested he declare a State of Emergency on the current violence problem. Five days later, on August 18, 2010, IVPA was informed that the Governor's Office wanted to invest at least \$20 million in violence prevention and was directed to develop a framework for the NRI program. Less than two months later, on October 6, 2010, the Governor announced the NRI program; the program had increased to a cost of \$50 million for Chicago communities.

- The NRI program was hastily implemented, which limited the time IVPA had to adequately plan for and implement the program.
- No documentation existed showing how IVPA selected the NRI communities, and not all the most violent Chicago communities were included in the program.
- IVPA did not exercise due diligence in the selection of the lead agencies.
- IVPA was not adequately staffed.
- Contracts with community partners were not timely approved by IVPA.
- IVPA failed to adequately implement two critical financial control mechanisms: initial budgets and quarterly fiscal reports.
 - Required lead agencies' initial budgets were routinely revised, even after the end of the budget year; and
 - Quarterly reports required to be submitted by lead agencies and community partners were late and frequently revised.
- IVPA also failed to approve reallocation of funds.
- Contractually required staffing levels were not met by community partners.
- Required timesheets were not consistently maintained by community partners.
- Lead agencies changed NRI personnel and contractually required IVPA notification was not documented.
- IVPA did not adequately monitor the expenses incurred by lead agencies and community partners. Auditors selected 23 NRI agencies for site visits (2 went out of business, so only 21 were visited) and found that in many instances the supporting documentation provided did not support the expenditure amount reported by the agency on their close-out report. In other instances, expenses were unallowable. Auditors questioned \$673,674 in expenditures because two providers went out of business and auditors were unable to verify the appropriateness of their expenditures. In total, auditors questioned \$1.8 million of the \$4.4 million (40%) charged by these agencies to the NRI program.
- IVPA utilized an inadequate process to recover unspent NRI funds from lead agencies and community partners.
- IVPA did not exercise adequate oversight of the program's evaluation.

The audit contained 19 recommendations and the Illinois Criminal Justice Information Authority (ICJIA), the successor agency to the Illinois Violence Prevention Authority (IVPA), agreed with all recommendations. However, ICJIA was not part of the day-to-day administration of NRI at the Illinois Violence Prevention Authority, and the NRI program underwent substantial changes once it was placed under ICJIA. In response to HR 888, the Auditor General will report on the administration of the Neighborhood Recovery Act and its successor programs by ICJIA.

It has been the practice of the Audit Commission to assist agencies in going forward with implementing audit recommendations. However, since the original agency was no longer in existence, and since CNN presented an investigative report on NRI and the U.S. Attorney was also investigating, it was important to the majority of Commission members to look at the emails associated with NRI and interview under oath seven persons formerly associated with the IVPA and the Governor's Office to further determine if State funds were used properly. At the request of one of the Commission's Co-Chairs, the Office of the Attorney General provided guidance on the issue of subpoenaed emails and counsel for each of the four caucuses provided staff support.

The interviews mostly served to underscore the audit's original recommendations, and Commission members were frustrated that no law or administrative rules exist to prevent the hasty implementation of a large program, or that a program the size, scope, and cost of NRI would become the responsibility of the 19-person staff of IVPA. While multiple people outside IVPA from CMS, DCEO and the Governor's Office were apparently placed in decision-making roles regarding the NRI program, they did not take ownership of the program or its outcomes. State funds continued to flow to vendors who were delinquent in reporting their use of funds from other State agencies, and funding was provided to vendors regularly without proper documentation of need or effort. Finally, the selection of communities served and the choice of vendors lacked transparency. While the new Grant Accountability and Transparency Act may move State government toward better oversight of expenditures of grant funds, the State needs still stronger measures to ensure that programs are properly established and monitored to prevent fraud and abuse and provide transparency to the tax paying public.

Management Audit of Management Positions in the Executive Branch

Legislative Audit Commission Resolution Number 141 directed the Auditor General to conduct an audit of management positions in the Executive Branch of State government. The resolution asked that auditors accumulate information from agencies on their management positions along with information about managers' organizational unit, job title, and function. It also requested information on whether these managers supervise, are exempt from the Personnel Code (Code), and are covered by a collective bargaining agreement.

Data provided by CMS included 49 agencies in 212 position classifications or titles and a total of 13,473 employees as potential Code managers or supervisors. The potential managers included only managers subject to the Personnel Code. Information on non-Code managers was provided directly by agencies. Agencies identified a total of 811 non-Code managers.

In addition, auditors noted to surveyed agencies that consideration should also be given to whether the employee has a 4D partial exemption from the Personnel Code or has a Rutan exemption, which suggests that they may be managers. Because of the additional items auditors asked agencies to consider in determining whether employees are managers for

the surveys, the designations may not correspond to decisions of the Public Labor Relations Board or the courts.

Given the number of agencies surveyed, and the large volume of data compiled, it was not possible to independently verify all information provided. Auditors relied on the agencies' reporting of management status and reporting responsibility with verification to other sources when questions or conflicts arose. Auditors also followed up with agencies to better understand conflicts or complex information. Considering these data limitations, the evidence obtained provides a reasonable basis for findings and conclusions related to the management positions in State government as described in the audit's objectives.

Of a total of 50,498 employees reported by the 49 agencies surveyed, agencies indicated that 6,423 were management positions based on definitions. Overall these managers represented almost 13% of reported total employees for those agencies. For this report, employees who were identified as managers/supervisors by their agencies are referred to collectively as managers.

Of the 6,423 total management positions, two job titles accounted for 59% of all managers and supervisors. The two job titles were Public Service Administrator with 2,533 managers (39%) and Senior Public Service Administrator with 1,228 managers (19%). Other common titles were Executive II with 220, Human Services Casework Manager with 215, and Civil Engineer V with 206 managers.

Agencies reported that 1,858 managers were either completely or partially exempt from the Personnel Code.

- There were 811 managers who were completely **exempt from the Personnel Code** (for example, non-Code employees.) The largest group was from the Department of Transportation (IDOT). IDOT had 557 managers who were exempt from the Personnel Code accounting for 69% of the non-Code managers. Non-Code employees are exempt from all jurisdictions of the Code.
- There were 1,047 managers who were **partially exempt from the Personnel Code**. The three agencies with the largest number of partial exemptions were Human Services, Corrections, and Central Management Services. All three agencies had over 100 partially exempt managers. Partially exempt employees are exempt from certain provisions of the Personnel Code.

Of the 6,423 managers, 1,735 (27%) were Rutan exempt. Managers that are Rutan exempt were not required to have the Rutan interview process which uses pre-determined and uniform questions. Instead, positions with Rutan exemptions provide the director or chair of an agency more flexibility in making a hiring selection.

There were 4,613 managers (72%) who were covered by a collective bargaining agreement. Human Services had the largest number of managers in a union with 1,202, or 79%. Twenty-seven agencies had a majority of their managers covered by a collective bargaining agreement.

State agencies reported that there were 5,447 managers who supervised an average of 6.5 employees each based on surveys received. That average is based on the 85% of

managers (5,447/6,423) who supervised employees. The remaining 976 managers had executive or management responsibilities but agencies reported that they did not supervise.

Survey responses showed that there were 1,206 managers who supervised employees who were also supervised by other managers. The most common reason for employees with multiple managers was that employees also reported to a higher ranking manager for issues like discipline or grievances.

Non-Managers

There were several issues relating to employees who were classified by their agencies as non-managers but had characteristics that could indicate that they were managers.

- Auditors identified 43 positions which agencies identified as non-managers that had a 4D3 exemption from the merit and fitness requirements of the Personnel Code. These exemptions are for employees who have responsibilities which involve either principal administrative responsibility for the determination of policy or principal administrative responsibility for the way in which policies are carried out.
- There were 702 employees from the surveys that were in Rutan exempt positions that agencies identified as non-managers. Rutan exempt employees help agencies to carry out policies, to speak on their behalf, or to deal with confidential issues. Rutan exempt employees who carry out policy should be considered managers. Natural Resources had the most Rutan exempt non-managers with 109. Fifty-six of 109 of these employees functioned as Site Superintendents.
- Of employees who were identified by agencies as non-managers, there were 1,400 employees in 14 agencies who had direct supervisory authority. Supervisory responsibility is one characteristic that helps to define managers or supervisors. Corrections reported most of the non-managers who supervise with 1,088. These Corrections employees were mostly Lieutenants (537) or Sergeants (411). Corrections responded that the reason that these employees were not considered management was because they had “no managerial decision-making authority.”
- Auditors identified 84 employees who had a title, a working title, or a functional title that indicated that they were in a position of authority, but their agency said that they were not a manager. For example, Natural Resources had 61 employees whose function was Site Superintendent who were classified as non-managers because the supervision they exercised was “routine in nature.”
- There were 907 employees in the Public Service Administrator (PSA) title and 46 in the Senior Public Service Administrator (SPSA) title who were not considered managers by their agencies. Central Management Services (CMS) position classifications for both titles indicate that they are managers. Human Services had 128 PSAs who were non-managers and CMS had 117. CMS also had the most SPSA non-managers with 15.

Central Management Services should consider revising the State’s Personnel Code classification system so that issues identified in this audit can be addressed.

The Department of Central Management Services has not conducted research and planning regarding the total manpower needs of all offices as required by provisions in the Personnel Code.

Some employees who were classified as confidential employees were union members. These employees should either be non-union or should not be classified as confidential.

The audit contained five recommendations: four were directed to CMS and one was directed to CMS and the Civil Service Commission. Both CMS and the Civil Service Commission believe the 4D exemptions are being handled as the law provides. CMS believes that there are sufficient internal controls in place to ensure that the Rutan decision is implemented in accordance with all provisions of the law. CMS described the revising of the State's classification system as a work in progress. Also, due to a recent change in statute, CMS is no longer required to conduct research and planning on total manpower needs of all offices. CMS reported that there are no longer any union members serving in confidential positions.

Management Audit of CMS' Administration of the State's Space Utilization Program

House Resolution Number 788 directed the Auditor General to conduct a management audit of the Department of Central Management Services' (CMS') administration of the State's space utilization program. The Office of the Auditor General previously released an audit of the State's space utilization program in February 2004 and auditors named many of the same deficiencies in 2013 that were also issues in the 2004 report. The 2013 audit found that:

- CMS does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires CMS to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was provided to us was incomplete, inaccurate, and had an insufficient level of detail.
- CMS has made no recent progress towards implementing a comprehensive computerized real property system.
- CMS was obtaining Annual Real Property Utilization Reports from State agencies only because the State Property Control Act required it. The reports were not being used by CMS to populate the master record of real property as they were intended.
- The procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified.
- CMS lease files tested lacked evidence of a check for the availability of State-owned space in 17 of 25 lease files (68%) and lacked evidence of a site visit in 6 of 25 lease files (24%).
- The process for disposing of surplus property was neither adequate nor timely. For the parcels where auditors could measure the elapsed time from the date declared surplus to the date of final disposition, the average time to dispose of surplus real property was

1,656 days with a median of 911 days. This does not include the 14 properties that remain surplus which includes 8 properties that were surplus in 2005 or prior.

- CMS ignored properties reported as surplus by agencies on the Annual Real Property Utilization Reports and did not notify other agencies of the availability of that surplus property as required by State law.

In recent years, however, the State has made significant progress in reducing lease costs. According to data provided by CMS, since January 2009, lease costs have been reduced by \$55 million through leases that have been consolidated, renegotiated, or rebid. The reduction in lease costs was attributed to many factors including the work of CMS, the oversight provided by the Procurement Policy Board, and the reduction in the State's workforce. Additionally, holdover leases, which were first identified by Office of the Auditor General in a Compliance Examination, were eliminated.

The audit contained nine recommendations as noted above and the Department agreed with the recommendations. The Department stated that it would need a larger staff to complete the recommendations outlined in the audit as well as more information about the size of the state workforce of the future.

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

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 (MEDF).

Robbins, the only entity to receive distributions from the Fund, received \$371,585.68 in 2012. The auditors determined that Robbins used these monies for Village payroll and employee insurance expenses. Based on the auditors' review of documentation provided by the Village, they concluded that Robbins' expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.

Regional Offices of Education

The Commission received 45 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 2014.

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 961—Addresses conflict between Revenue Sharing and Income Tax Acts. (PA98-1052)

House Bill 2747—Creates the Grant Accountability and Transparency Act which establishes uniform administrative requirements, cost principles, and audit requirements for State and federal pass-through awards to non-federal entities.

House Bill 4205—Amends Procurement Code requirements and requires listing of all unsuccessful bidders. (PA98-1038)

House Bill 5491—Amends the Procurement Code regarding definitions, requires reports on the impact of outsourcing services, and provides information to small businesses seeking State contracts. (PA98-1076)

House Bill 5679—Deletes requirement for universities to file a single report concerning high school graduates. (PA98-742)

Senate Bill 3443—Removes requirement that CMS conduct research and planning regarding the total manpower needs of all offices. (PA98-692)

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, 2013 appears on page 35 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 121 affidavits for emergency purchases filed in 2014 totaling approximately \$66.2 million. Presented below is a compilation of 2014 emergency purchases in dollar categories.

Under \$10,000	4
\$10,000 - \$100,000	50
Over \$100,000	67

Included in the above summary were 20 emergency purchases exceeding \$500,000 as follows:

\$750,000.00 to the Department of Central Management Services to extend a contract for statewide radio maintenance for six months. The Department has issued an IFB for the replacement contract, and the responses are being reviewed.

\$764,849.82 to the Department of Central Management Services to extend a lease for 90 days on the building at 201 S. Grand in Springfield which houses the Department of Healthcare and Family Services. CMS is working with DHFS to maximize usage which would allow additional staff to locate there.

\$1,000,000.00 to the Department of Central Management Services for maintenance of telephone equipment in the event of an outage. The current contract is expiring and the emergency purchase is necessary to ensure an adequate response time.

\$750,000.00 to the Department of Corrections to extend an existing contract for global positioning services related to parolees and committed felons.

\$1,752,000.00 to the Department of Corrections to extend a contract for the Parole Division's Communications and Control Center for post-incarceration offender supervision and services while a new contract is being bid. If the communication center is disrupted, the parole and sex offender supervision programs will not be able to continue to operate.

\$933,750.00 to the Department of Human Services to extend a contract for 90 days for the claim processing vendor for the Early Intervention Program while the competitive award process is completed. Without the extension, service providers will not be paid.

\$1,256,147.43 to the Department of Natural Resources for repairs at Illinois Beach State Park and Resort in Zion, IL.

\$814,000.00 to Northern Illinois University for assistance in enrollment management and admissions. Recent reductions in appropriations by \$25 million has necessitated an increase in enrollment at NIU by 400 students to stay flat in revenue.

\$500,000.00 to the Toll Highway Authority to extend a contract for collection services until a new contract is awarded. If the contract lapses before a new contract is awarded, it would result in reduced recovery for the Tollway.

\$3,344,442.00 to the Toll Highway Authority to purchase road salt for storage facilities where CMS received no bids. Only two of 15 Tollway maintenance salt storage facilities received bids from the CMS solicitation.

\$4,000,000.00 to the Department of Transportation for repair of pavement along I-57 in Marion County. The nine miles of pavement failure was due to heavy rains followed by freezing temperatures.

\$4,200,000.00 to the Department of Transportation for the repair of pavement along I-80 in LaSalle County. The nine miles of pavement failure was due to the freeze thaw cycle after a 40-degree temperature swing combined with heavy rain.

\$3,840,000.00 to the Department of Transportation to purchase up to 30,000 tons of salt. Due to severe weather conditions during the winter, District 1 used all of the salt allocations from all of the vendors under contract, so the district had to go on the open market to purchase additional salt.

\$657,517.35 to the Department of Transportation for repairs to rapidly and continuously deteriorating road conditions along I-74 in McLean, Piatt, and Dewitt Counties and the City of Champaign.

\$544,306.50 to the Department of Transportation to purchase and transfer 5,000 tons of salt from a contract vendor in Superior, WI to District 1 in Chicago. Due to severe and continuing weather conditions during the winter, District 1 must replenish its salt supply.

\$5,400,000.00 to the Department of Transportation to purchase road salt for areas that did not receive bids for salt through the CMS solicitation. Many salt inventories were depleted from the harsh winter of 2013-2014.

\$1,000,000.00 to the Department of Transportation for repairs to a bridge carrying US 67/IL 100 over the Illinois River at Beardstown.

\$19,803,707.00 to the University of Illinois to provide a health insurance plan for students at the University. University officials determined that it did not have the resources to develop a new RFP and complete the competitive selection process to meet the March deadline necessary to provide an accurate cost of attendance for financial aid recipients.

\$896,000.00 to the University of Illinois for extensive repair and replacement of underground pipeline at UIC.

\$941,404.12 to the University of Illinois for specialty pharmaceuticals for patient prescriptions.

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 2014 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 36-38.

Bids Awarded to Other Than the Lowest Bidder

As a result of PA96-795, the Legislative Audit Commission reviews information on the awarding of contracts to other than the lowest bidder. 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:

- Illinois Housing Development Authority—award for \$1,200,000.00 for municipal housing quantitative analysis to three bidders who were the most qualified offerors (22033402).
- Toll Highway Authority—award for \$6,044,250.00 for Enterprise Resource Planning (ERP) advisory and management services to replace the current mainframe. The award went to the bidder that received the highest points and can provide the best services as required by the Tollway (22030415).
- Office of the State Comptroller—award for \$690,000.00 to fill an IT position in the Office for a Senior ColdFusion Developer. The award went to two vendors with the highest evaluation scores (22033455).

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, which 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. To assure the independence of the examination, the Commission requires that the contract auditor cannot participate in the audit program administered by the Auditor General. In addition, after the completion of three examinations, a different firm must be

selected. The most recent compliance examination covered the two years ended June 30, 2013. 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 for rulemakings of the Auditor General. The Commission is given an opportunity, by statutory authority, to comment on all proposed rules of the Office. The Auditor General's Office adopted no rulemakings in 2014.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures of the Audit Commission. Below is a summary of expenditures made from appropriations for Fiscal Year 2014 and an interim report as of January 1, 2015.

I. Financial Statement - Year Ended June 30, 2014			
<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services		\$ 202,496	
Retirement, Employer		8,120	
Social security		15,128	
Contractual services		12,886	
Travel		1,406	
Commodities		477	
Printing		580	
Equipment		-0-	
Electronic data processing		314	
Telecommunications		<u>1,140</u>	
TOTAL	\$ 243,100	\$ 242,547	\$ 553
II. Status of FY15 Appropriation at January 1, 2015			
<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services		\$ 104,921	
Retirement, Employer		4,211	
Social security		7,864	
Contractual services		947	
Travel		3,151	
Commodities		313	
Printing		580	
Equipment		-0-	
Electronic data processing		-0-	
Telecommunications		<u>511</u>	
TOTAL	\$ 243,100	\$ 122,498	\$ 120,602

There were no material findings of noncompliance disclosed in the compliance examination of the Legislative Audit Commission performed by the Office of the Auditor General for the two years ended June 30, 2013.

APPENDIX A
Financial Audits and Compliance Examinations
(For FY2013 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Auditor General
Office of the Comptroller
Office of the Comptroller, Fiscal Officer Responsibilities
Office of the Governor
Office of the Governor – Office of Inspector General
Office of the Lieutenant Governor
Office of the Secretary of State
Office of the Treasurer, Fiscal Officer Responsibilities
Office of the Treasurer, Non-Fiscal Officer Responsibilities, FY12-FY13
Office of the Treasurer, The Illinois Funds
Office of the Treasurer, College Savings Program

CODE DEPARTMENTS

Department on Aging
Department on Aging's Community Care Program Reform Implementation Report
Department of Agriculture
Department of Agriculture, Illinois State Fair
Department of Agriculture, DuQuoin State Fair
Department of Central Management Services, General Office
Department of Central Management Services, Bureau of Communications &
Computer Services, July 2013 & 2014
Department of Central Management Services, Community College Health Insurance
Security Fund
Department of Central Management Services, Local Government Health Insurance
Reserve Fund
Department of Central Management Services, Teacher Health Insurance Security Fund
Department of Central Management Services, Illinois State Employees' Deferred
Compensation Fund
Department of Children and Family Services, FY12
Department of Corrections, FY12
Correctional Industries, FY12
Department of Employment Security
Department of Healthcare and Family Services, financial
Department of Healthcare and Family Services, Community College
Insurance Security
Department of Healthcare and Family Services, Local Government
Health Insurance Reserve Fund, FY12
Department of Healthcare and Family Services' Smart Act Implementation Report
Department of Healthcare and Family Services, Teacher Health Insurance Security Fund
Department of Human Rights
Department of Human Services

Department of Juvenile Justice, FY12
Department of Labor
Department of Natural Resources
Department of Public Health
Department of Revenue, FY11-12
Department of Transportation, FY12
Department of Veterans' Affairs, FY11-12
Illinois Racing Board

LEGISLATIVE AGENCIES

Commission of Government Forecasting and Accountability
Executive Ethics Commission
General Assembly, House of Representatives
General Assembly Retirement System
General Assembly, Senate
Legislative Audit Commission
Legislative Printing Unit
Legislative Reference Bureau
Legislative Research Unit
Office of the Architect of the Capitol

OTHER AGENCIES

Attorney Registration and Disciplinary Commission
Board of Examiners
Capital Development Board
Court of Claims
Educational Labor Relations Board, FY12
Environmental Protection Agency, Fund 270 – Water Revolving Fund
Deaf and Hard of Hearing Commission
Decatur Metropolitan Exposition, Auditorium and Office Building Authority
DryCleaner Environmental Response Trust Fund
Governor's Office of Management and Budget
Guardianship and Advocacy Commission
Historic Preservation Agency
Human Rights Commission
Illinois Arts Council
Illinois Arts Council Foundation
Illinois Board of Examiners to the Bar
Illinois Civil Service Commission
Illinois Commerce Commission
Illinois Commerce Commission, Wireless Emergency Telephone Act
Illinois Conservation Foundation
Illinois Council on Developmental Disabilities
Illinois Emergency Management Agency
Illinois Grain Insurance Corporation
Illinois Literacy Foundation

Illinois Housing Development Authority
Illinois Mathematics and Science Academy
IMSA Fund for Advancement of Education
Illinois Power Agency, FY12
Illinois Public Universities Management Structure, Expenditures, and Salaries
Illinois State Board of Education
Illinois State Board of Investment,
Judges' Retirement System
Labor Relations Board
Metropolitan Pier and Exposition Authority
Mid-Illinois Medical District Commission
Upper Illinois River Valley Development Authority
State Board of Elections
State Employees' Retirement System
State Toll Highway Authority, FY12
State Universities Retirement System
Supreme Court
Supreme Court Historic Preservation Commission
Teachers' Retirement System
Village of Robbins' use of Municipal Economic Development Funds, January 2014

HIGHER EDUCATION

Board of Higher Education
Chicago State University
Eastern Illinois University, FY12 and FY13
Governors State University, FY12 and FY13
Illinois State University
Illinois Student Assistance Commission, FY12
Northeastern Illinois University
Northern Illinois University
Western Illinois University
State Universities Civil Service Commission
University of Illinois, FY12 and FY13

REGIONAL OFFICES OF EDUCATION

Adams and Pike Counties, No. 1
Alexander, Johnson, Massac, Pulaski and Union Counties No. 2
Bond, Fayette and Effingham Counties, No. 3
Boone and Winnebago Counties, No. 4
Carroll, Jo Daviess, and Stephenson Counties, No. 8
Champaign and Ford Counties, No. 9
Christian and Montgomery Counties, No. 10
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
Dewitt, Livingston and McLean Counties, No. 17

Edwards, Hardin, Gallatin, Pope, Saline, Wabash, Wayne and White Counties, No. 20
Fulton and Schuyler Counties, No. 22
Franklin and Williamson Counties, No. 21
Grundy and Kendall Counties, No. 24
Hamilton and Jefferson Counties, No. 25, FY12 and FY13
Hancock and McDonough Counties, No. 26
Henderson, Mercer and Warren Counties, No. 27
Bureau, Henry and Stark Counties, No. 28
Jackson and Perry Counties, No. 30
Kane County, No. 31
Logan, Mason and Menard Counties, No. 53
Iroquois and Kankakee, No. 32
Knox County, No. 33
Lake County, No. 34, FY12 and FY13
LaSalle, Putnam and Woodford Counties, No. 35, FY12 and FY13
Macon and Piatt Counties, No. 39
Calhoun, Greene, Jersey and Macoupin Counties, No. 40
Madison County, No. 41
McHenry County, No. 44
Monroe and Randolph Counties, No. 45
Brown, Cass, Morgan and Scott Counties, No. 46
Lee, Ogle and Whiteside County Counties, No. 47
Peoria County, No. 48
Rock Island County, No. 49
St. Clair County, No. 50
Sangamon County, No. 51
Tazewell County, No. 53, FY12 and FY13
Vermillion County, No. 54
Whiteside County, No. 55
Will County No. 56
Intermediate Service Center No. 1, North Cook
Intermediate Services Center, No. 2, FY12
Intermediate Service Center No. 4, South Cook

OTHER

Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust
Information Submitted by the Retirement Plan for CTA Employees
Management Audit of CMS' Administration of the State's Space Utilization Program
Management Audit of Illinois Public Universities' Management Structure, Expenditures,
and Salaries
Management Audit of Management Positions in the Executive Branch, Department of
Central Management Services
Performance Audit of the State Moneys Provided to the Illinois Violence Prevention
Authority for the Neighborhood Recovery Act
Program Audit of the Covering ALL KIDS Health Insurance Program

State Appropriations to the Public School Teachers' Pension and Retirement Fund of
Chicago
State Charter School Commission, Final Examination
State's Actuary's Report, The Actuarial Assumptions and Valuations of the Five State
Funded Retirement Systems

APPENDIX B

Agencies Appearing Before Commission

(For FY2013 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
CODE DEPARTMENT		
Department of Agriculture	11	5
Department of Central Management Services	18	10
Management Audit – Management Positions In the Executive Branch	5	
Administration of the State’s Space Utilization Program	9	
Department of Children and Family Services, FY12	16	9
Statewide Single Audit, FY12	9	6
Department of Corrections, FY12	39	25
Department of Corrections – Correctional Industries, FY12	13	5
Department of Juvenile Justice, FY12	18	12
Department of Human Services		
Statewide Single Audit, FY12	11	7
Department of Healthcare and Family Services		
Program Audit – Covering ALL KIDS Health Insurance Program	10	10
Statewide Single Audit, FY12	17	14
Department of Public Health	19	11
Statewide Single Audit	6	5
Department of Revenue, FY12	21	14
Department of Veterans’ Affairs, FY12	22	18
Department of Transportation, FY12	19	15
Statewide Single Audit, FY12	19	14
Illinois Racing Board	16	6
OTHER AGENCIES		
Emergency Management Agency	10	7
Illinois Power Agency	17	11
HIGHER EDUCATION		
Chicago State University	16	12
Eastern Illinois University, FY12	16	3
Illinois Student Assistance Commission, FY12	14	6
Statewide Single Audit, FY12	4	3
University of Illinois, FY13	29	18
University of Illinois, FY12	30	21
Performance Audit of State Moneys Provided to the Illinois Violence Prevention Authority for the Neighborhood Recovery Initiative	19	

APPENDIX C
Emergency Purchase Transactions
Calendar Year 2014

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Auditor General	6	\$ 1,170,267
State Comptroller	1	31,200
CODE DEPARTMENTS		
Central Management Services	11	3,693,186
Children & Family Services	2	642,490
Corrections	23	3,535,099
Healthcare & Family Services	1	302,075
Human Services	8	1,526,750
Juvenile Justice	2	218,781
Military Affairs	1	120,000
Natural Resources	7	2,492,436
State Police	3	152,950
Transportation	14	20,453,887
Veterans' Affairs	3	162,143
OTHER AGENCIES		
Capital Development Board	6	746,576
Math & Science Academy	2	225,000
Toll Highway Authority	7	4,449,800
UNIVERSITIES		
Chicago State University	1	70,000
Northern Illinois University	4	1,144,650
Southern Illinois University	1	150,000
University of Illinois	<u>18</u>	<u>24,887,089</u>
GRAND TOTAL	<u>121</u>	<u>\$ 66,174,379</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2014 – January 15, 2015

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	15
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Secretary of State	227
State Treasurer	5
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judges' Retirement System	0
State Appellate Defender	0
State's Attorney Appellate Prosecutor	5
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 – Democrat Leadership	12
House – Republican	2
Retirement System	0
Senate	9
Joint Committee on Administrative Rules	0
Legislative Audit Commission	0
Legislative Ethics Commission	0
Legislative Information System	0
Legislative Inspector General	0
Legislative Printing Unit	0
Legislative Research Unit	0
Office of the Architect of the Capitol	0
CODE DEPARTMENTS	
Department on Aging	0
Department of Agriculture	197
Department of Central Management Services	50
Department of Children and Family Services	4
Department of Commerce and Economic Development	53

Department of Corrections	442
Department of Juvenile Justice	50
Department of Employment Security	3
Department of Financial and Professional Regulation	132
Department of Healthcare and Family Services	43
Department of Human Rights	0
Department of Human Services	497
Department of Insurance	60
Department of Labor	13
Department of Lottery	0
Department of Military Affairs	9
Department of Natural Resources	239
Department of Public Health	0
Department of Revenue	436
Department of State Police	12
Department of Transportation	1,027
Department of Veterans' Affairs	0
Illinois Gaming Board	0
Illinois Racing Board	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	17
Civil Service Commission	6
Commerce Commission	36
Court of Claims	0
Criminal Justice Information Authority	2
Deaf and Hard of Hearing Commission	0
Educational Labor Relations Board	4
Emergency Management Agency	0
Environmental Protection Agency	23
Executive Ethics Commission	0
Governor's Office of Management and Budget	0
Guardianship & Advocacy Commission	0
Historic Preservation Agency	0
Housing Development Authority	11
Human Rights Commission	0
Illinois Board of Examiners	10
Illinois Finance Authority	1
Illinois Power Agency	1
Illinois Law Enforcement Training & Standards Board	4
Independent Tax Tribunal	0
Labor Relations Board	0
Math & Science Academy	0
Planning Council on Developmental Disabilities	0
Pollution Control Board	0

Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	28
State Board of Elections	8
State Board of Investment	0
State Fire Marshal	68
State Employees' Retirement System	5
State Police Merit Board	5
State Toll Highway Authority	3
Teachers' Retirement System	0
Workers' Compensation Commission	11

HIGHER EDUCATION

Board of Higher Education	0
Chicago State University	22
Eastern Illinois University	61
Governors State University	0
Illinois State University	192
Northern Illinois University	405
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	36