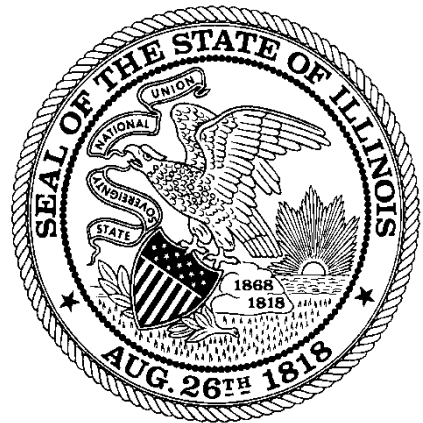


2016 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

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

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



2017 MEMBERSHIP

Co-Chairs

Senator Jason Barickman

Representative Robert Rita

Senate Members

Senator Thomas Cullerton

Senator Linda Holmes

Senator Iris Martinez

Senator Jim Oberweis

Senator Dale Righter

House Members

Representative Mark Batinick

Representative Fred Crespo

Representative Barbara Flynn Currie

Representative Sheri Jesiel

Representative Joe Sosnowski

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 2016. 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 172 financial/compliance reports, parts of three statewide single audit reports, and six performance audits during 2016.

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,

Jason A. Barickman, State Senator
Co-Chair

Robert Rita, State Representative
Co-Chair

LEGISLATIVE AUDIT COMMISSION FIFTY-EIGHTH ANNUAL REPORT CONTENTS

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58th 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 172 financial audits and compliance examinations, parts of three 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 from 25 ILCS 150/3:

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, 2016**

Senate Members

Senator Jason Barickman	January 2013
Senator Thomas Cullerton	December 2015
Senator Iris Y. Martinez	February 2005
Senator John Mulroe	February 2011
Senator Jim Oberweis	March 2013
Senator Dale Righter	September 2015

House Members

Representative Fred Crespo	February 2013
Representative Barbara Flynn Currie	July 2015
Representative Sheri Jesiel	February 2015
Representative David Reis	May 2014
Representative Robert Rita	November 2011
Representative Joe Sosnowski	November 2015

Former Members

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

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.
- Initiate management and program audits 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 & Co.
Paul Pelletier

E. C. Ortiz
Ed Ortiz
Gilda Priebe

Crowe Horwath
Chris Mower
Bert Nuehing
Lisa Stinson

KPMG
Cathy Baumann
Jackie Dippel

RSM
Linda Abernathy

Sikich
Joe Kulek
Andy Lascody
Tom Leach
Amy Sherwood

Winkel, Parker & Foster
Claire Buyert

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 172 financial and compliance reports during 2016 ranging from reports disclosing no material findings to reports containing as many as 33 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. 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 2016.

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 \$23.6 billion in federal financial assistance in FY14. 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 FY14 contained 69 findings with 47 repeat findings. The audit noted for the thirteenth 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 twelve of the audit report's 69 findings related to agencies' deficiencies in monitoring subrecipients such as inadequate review of subrecipient audit reports or inadequate monitoring of programs.

At least eleven more findings focused on material weaknesses of internal controls over financial reporting. A deficiency in internal controls over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Audit Review Highlights

During 2016, the Legislative Audit Commission reviewed 172 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 FY15 audit cycle, there were a total of 568 findings and 332 repeat findings (58.5%). The percentage of repeat findings has increased. By comparison, 33.1% of the findings in FY05 audits were repeat findings. There were about three-fourths the number of findings in FY15 compared to FY05, (568 in FY15 compared to 727 findings in FY05). Agencies identified various reasons for repeated findings. The most common cause of repeat findings in the 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 agencies work to implement the recommendations in the audit reports the overall number of findings decreases which may lead to better managed and more accountable agencies.

- Since FY08 when the total number of material findings reached 821, the number of findings has decreased. Compared to FY08, the number of material findings for FY15 was reduced by one-third to 568.
- 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 April 6, 2016.

At the end of 2016, unemployment was at 5.7%, compared to a national average of 4.7%. The State's general funds decreased \$4.5 billion in 2016 compared to calendar 2015, and the State had about \$11 billion in delayed payments for goods and services and to schools and universities. The Audit Commission continues to be concerned about the growing imbalance between revenues and expenditures, lack of a State budget, 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 35-36, summarizes the audits considered at Legislative Audit Commission hearings during 2016, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During 2016, 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 FY13, FY14, or FY15.

Failure of Internal Controls

The following agencies had inadequate property controls, inaccurate inventory costs, records, commodities, equipment additions, procurement bulletins, inspections, documentation of emergency purchases, did not adequately inventory and catalog all historical artifacts, did not adequately maintain buildings and facilities to prevent deterioration, or could not locate a total of 293 laptops and computers:

Board of Examiners	Guardianship and Advocacy Commission
Board of Higher Education	Historic Preservation Agency
Central Management Services	Human Rights Commission
Chicago State University (76 computers)	Illinois Emergency Management Agency
Community College Board	Illinois Gaming Board
Department of Agriculture	Illinois Power Agency
Department of Human Rights	Illinois State Police
Department of Human Services	Legislative Reference Bureau
Department of Juvenile Justice	Northern Illinois University
Department of Military Affairs	Office of the Governor
Department of Natural Resources	Office of the Lieutenant Governor
Department of Public Health (65 computers)	Office of the Treasurer, Non-Fiscal Officer
Department of Transportation (152 computers)	Southern Illinois University
Department of Veterans' Affairs	Supreme Court Historic Preservation
Educational Labor Relations Board	Commission
Environmental Protection Agency	Workers' Compensation Commission

The following agencies had inadequate controls over the payroll process, employee leave requests, overtime, vacation pay, compensatory time, timesheets, performance evaluations, personnel files, training, compensated absences, background checks, employee advances, employee contracts, case load monitoring, or segregation of duties. Also, agencies did not ensure new employees met certain minimum eligibility requirements, did not enforce employee identification policies, did not document the completion of employees minimum required number of training hours, did not have automated timekeeping or payroll systems, did not increase and maintain the number of bilingual staff, did not document temporary assignments, had weaknesses in monitoring the accuracy of timekeeping, did not establish procedures or properly document workers' compensation investigations, did not have adequate controls over contractual employees and time worked, did not timely complete background checks for new or current employees working with sensitive data, did not calculate termination payouts correctly,

or failed to remove confidential assistants from a collective bargaining unit or transfer their confidential responsibilities to non-union employees:

Central Management Services	Guardianship and Advocacy Commission
Chicago State University	Historic Preservation Agency
Community College Board	Human Rights Commission
Court of Claims	Illinois Arts Council
Department on Aging	Illinois Criminal Justice Information Authority
Department of Agriculture	Illinois Emergency Management Agency
Department of Healthcare & Family Services	Illinois Finance Authority
Department of Human Services	Illinois Gaming Board
Department of Insurance	Illinois Racing Board
Department of Juvenile Justice	Illinois State Police
Department of Natural Resources	Illinois State University
Department of Public Health	Illinois Student Assistance Commission
Department of Revenue	Judges Retirement System
Department of Transportation	Labor Relations Board
Department of Veterans' Affairs	Northern Illinois University
Eastern Illinois University	Southern Illinois University
Educational Labor Relations Board	State Employees' Retirement System
Environmental Protection Agency	Western Illinois University
General Assembly Retirement System	Workers' Compensation Commission
Governors State University	

The following agencies had inadequate voucher approval or refund processing, untimely payments, payments causing returned checks or insufficient funds, unpaid interest, inadequate travel vouchers, inadequate distributions, inadequate accounts payable reporting, refund compliance, expenditure reporting, prompt payment inadequacies, reporting of bills held, disbursements, fund transfers, proper controls over unallowable expenditures and purchasing authorization, did not comply with statutory limitations on fund transfers, did not record expenditures and program income disbursements in the proper accounting period, or had insufficiencies with procurement card purchases:

Board of Higher Education	Historic Preservation Agency
Central Management Services	Human Rights Commission
Chicago State University	Illinois Emergency Management Agency
Department of Healthcare & Family Services	Illinois Finance Authority
Department of Human Rights	Illinois Gaming Board
Department of Human Services	Illinois Housing Development Authority
Department of Insurance	Illinois Racing Board
Department of Military Affairs	Illinois State Police
Department of Natural Resources	Northern Illinois University
Department of Revenue	Office of the Comptroller
Department of Transportation	Office of the Lieutenant Governor
Department of Veterans' Affairs	Southern Illinois University
Governors State University	Workers' Compensation Commission

The following agencies had improper reconciling or collecting of revenues or receipts, inaccurate or untimely reports, deposits, receivables, records, fees, reimbursements, transfers, reconciliations, transactions, drawdowns, payments, refunds, disbursements, deposits, or capital assets, untimely requested reimbursement for federally supported programs, had

inadequate revenue policies, did not ensure segregation of duties, or did not prevent or obtain reimbursement for duplicate payments, did not recoup inaccurate payments or overpayments, subsidized funds or inaccurately transferred funds, or did not assess or document programs accepting credit card payments or E-Pay:

Central Management Services	Educational Labor Relations Board
Chicago State University	Environmental Protection Agency
Civil Service Commission	Historic Preservation Agency
Court of Claims	Human Rights Commission
Department on Aging	Illinois Arts Council
Department of Agriculture	Illinois Conservation Foundation
Department of Healthcare & Human Services	Illinois Emergency Management Agency
Department of Human Rights	Illinois Gaming Board
Department of Human Services	Illinois Grain Insurance Corporation
Department of Insurance	Illinois Power Agency
Department of Juvenile Justice	Illinois Racing Board
Department of Military Affairs	Illinois State Police
Department of Natural Resources	Illinois State University
Department of Public Health	Legislative Ethics Commission
Department of Revenue	Northern Illinois University
Department of Transportation	Office of the Secretary of State
Department of Veterans' Affairs	

The following agencies did not timely file reports, ensure accuracy of reports, obtain reports, document reports, or follow up on reports:

Central Management Services	Department of Veterans' Affairs
Chicago State University	Historic Preservation Agency
Community College Board	Illinois Emergency Management Agency
Department on Aging	Illinois Housing Development Authority
Department of Agriculture	Illinois Racing Board
Department of Human Services	Illinois State Board of Education
Department of Insurance	Illinois Student Assistance Commission
Department of Military Affairs	Legislative Ethics Commission
Department of Natural Resources	Northern Illinois University
Department of Public Health	Office of the Governor
Department of Revenue	Office of the Lieutenant Governor
Department of Transportation	Southern Illinois University

The following agencies submitted inaccurate or untimely financial reports, had inadequate controls over financial statement preparation, had inadequate review of financial statements, had inadequate preparation of GAAP reports or other financial reports concerning liabilities and capital assets, had inadequate documentation or support regarding financial entries, had inadequate monthly reconciliations, had weaknesses in fund accounting, had inadequate journal entries, had weaknesses in accounting procedures or the accounting system, or had deficiencies with the agency's Annual Report:

Board of Examiners	Governor's Office of Management & Budget
Central Management Services	Governors State University
Chicago State University	Historic Preservation Agency
Community College Board	Illinois Finance Authority

Department on Aging	Illinois Gaming Board
Department of Agriculture	Illinois Grain Insurance Corporation
Department of Healthcare & Family Services	Illinois Housing Development Authority
Department of Human Services	Illinois Power Agency
Department of Insurance	Illinois Racing Board
Department of Military Affairs	Illinois State Board of Investment
Department of Natural Resources	Illinois State Police
Department of Public Health	Metro East Police District Commission
Department of Revenue	Northern Illinois University
Department of Transportation	Western Illinois University
Department of Veterans' Affairs	

The following agencies did not comply with grant agreements, did not review grants to ensure grant funds are being expended as intended, had loan covenant violations, inadequate notification of loans past due, loan monitoring, loan counseling, capital leases, lacked policies for equity funding, provided inadequate lease information, or did not exercise adequate internal controls over bond issuances:

Board of Examiners	Historic Preservation Agency
Chicago State University	Illinois Finance Authority
Community College Board	Illinois Housing Development Authority
Department of Agriculture	Illinois State Police
Department of Human Services	Metro East Police District Commission
Department of Natural Resources	Northern Illinois University
Department of Public Health	Southern Illinois University
Eastern Illinois University	Western Illinois University
Environmental Protection Agency	

The following agencies lacked adequate controls over funds for awards and grants including reporting, matching funds, payrolls, or indirect costs, grant compliance or reporting, volunteer hours, or ensure grant revenue is accurately reported in the financial statements. Also, lacked a comprehensive grant administration program, or did not properly verify student financial aid:

Board of Higher Education	Historic Preservation Agency
Chicago State University	Illinois State Police
Department of Agriculture	Southern Illinois University
Department of Human Services	Western Illinois University
Governors State University	

The following agencies did not establish or follow policies, rules and regulations, adequately update policy manuals, handbooks, methodologies, rules or administrative directives, or internal control procedures, lacked required documentation in files, had inadequate controls over telephone charges, or did not preserve records as statutorily mandated. Also, did not ensure the actuarial valuation was completed timely, or did not properly apply student loan payments or bond payments to principal and interest:

Central Management Services	Illinois Conservation Foundation
Chicago State University	Illinois Finance Authority
Court of Claims	Illinois Gaming Board
Department on Aging	Illinois Housing Development Authority
Department of Agriculture	Illinois Power Agency
Department of Healthcare & Family Services	Illinois Racing Board

Department of Human Rights
Department of Human Services
Department of Military Affairs
Department of Public Health
Department of Revenue
Department of Veterans' Affairs
Environmental Protection Agency
Historic Preservation Agency
Human Rights Commission
Illinois Arts Council

Illinois State Police
Metro East Police District Commission
Northern Illinois University
Office of the Architect of the Capitol
Office of the Governor
Office of the Secretary of State
Office of the Treasurer, Non-Fiscal Officer
Southern Illinois University
Western Illinois University

The following agencies did not monitor and file interagency agreements timely or carefully review contracts for content, did not adhere to interagency agreements regarding shared employees, did not delineate the responsibilities of the Shared Services Center, did not adequately administer contractual agreements or leases and ensure compliance with applicable State laws, did not ensure the proper completion of contract obligation documents (CODs), or failed to review pricing for vendor contracts:

Board of Examiners	Department of Transportation
Central Management Services	Department of Veterans' Affairs
Chicago State University	Historic Preservation Agency
Department on Aging	Illinois Gaming Board
Department of Agriculture	Illinois Grain Insurance Corporation
Department of Healthcare & Family Services	Illinois Power Agency
Department of Human Services	Illinois Racing Board
Department of Military Affairs	Northern Illinois University
Department of Natural Resources	Office of the Governor
Department of Public Health	Western Illinois University
Department of Revenue	

The following agencies did not adhere to the agency vehicle policy, failed to file accident reports timely, or charge correct amount of fringe benefit for vehicle use:

Department of Agriculture	Department of Revenue
Department of Human Rights	Department of Transportation
Department of Juvenile Justice	Environmental Protection Agency
Department of Natural Resources	Illinois Racing Board
Department of Public Health	Office of the Treasurer, Non-Fiscal Officer

The following agencies did not timely report or collect outstanding debts or receivables, maintain a listing of doubtful accounts, properly write off, had an inadequate billing process, did not adequately charge for fees authorized to collect and deposit, or did not refer overdue accounts receivable to the Illinois Attorney General:

Chicago State University	Illinois Finance Authority
Department of Healthcare & Family Services	Illinois Racing Board
Department of Human Services	Illinois State Police
Department of Natural Resources	Illinois Student Assistance Commission
Department of Transportation	Southern Illinois University

The following agencies inadequately administered locally held funds or cash funds held in trust, recorded cash improperly, or had inadequate cash reconciliations:

Board of Examiners
Department of Agriculture
Department of Human Services
Department of Juvenile Justice
Department of Military Affairs
Department of Natural Resources

Department of Veterans' Affairs
Governor's Office of Management & Budget
Historic Preservation Agency
Illinois Racing Board
Office of the Secretary of State

The following agencies did not properly document eligibility or the application process for various State programs, licenses, student financial aid, or grants:

Chicago State University	Illinois Grain Insurance Corporation
Department on Aging	Illinois Housing Development Authority
Department of Human Services	Southern Illinois University
Department of Military Affairs	Western Illinois University
Governors State University	

Failure to Monitor Computer Systems

The following agencies had inadequate security controls over computer systems:

Central Management Services	Governors State University
Department of Agriculture	Illinois Gaming Board
Department of Healthcare & Family Services	Illinois Housing Development Authority
Department of Human Services	Illinois Racing Board
Department of Juvenile Justice	Illinois State Police
Department of Natural Resources	Office of the Secretary of State
Department of Public Health	Western Illinois University
Department of Transportation	

The following agencies had inadequate controls over system development activities or change procedures, or did not follow policies and procedures related to password settings:

Central Management Services	Illinois Gaming Board
Chicago State University	Illinois Housing Development Authority
Department of Agriculture	Illinois State Board of Education
Department of Healthcare & Family Services	Illinois State Police
Department of Human Services	Illinois Student Assistance Commission
Department of Public Health	Northern Illinois University
Department of Revenue	Workers' Compensation Commission
Human Rights Commission	

The following agencies had an inadequate disaster recovery plan and inadequate testing of the recovery plan:

Department on Aging	Department of Revenue
Department of Healthcare & Family Services	Illinois Criminal Justice Information Authority
Department of Human Services	Illinois Gaming Board
Department of Juvenile Justice	Illinois State Police
Department of Natural Resources	Workers' Compensation Commission

The **Department of Healthcare and Family Services** and the **Illinois Housing Development Authority** had inadequate procedures in place to ensure computerized records and vendors' records were not duplicates.

The **Department of Transportation** did not document or maintain an accurate inventory of wireless telecommunication devices or document assignments of such property and timely cancellations.

Failure to Adequately Monitor Subrecipients, Contractors, Licensees, Members, or Vendors

The following agencies lacked documentation to ensure billed services were necessary and provided at reasonable cost or did not fully enforce signed contracts:

Department of Agriculture	Department of Public Health
Department of Healthcare & Family Services	Illinois Racing Board
Department of Human Services	

The following agencies did not follow established policies and procedures for monitoring subrecipients or licensees or members, inadequately performed reviews of subrecipients or licensees or members or followed up on review findings of subrecipients or licensees, did not ensure proper communication to subrecipients or licensees or members of all required information, lacked adequate census gathering procedures or data reporting, did not discontinue benefit payments upon death of member or beneficiary, failed to calculate and pay prompt payment interest resulting from late payments to vendors, had weaknesses with eligibility redeterminations, did not ensure members meet all required criteria for participation, or did not properly notify members:

Department on Aging	Illinois Gaming Board
Department of Agriculture	Illinois Housing Development Authority
Department of Healthcare & Family Services	Illinois Racing Board
Department of Human Services	Illinois State Police
Department of Military Affairs	Southern Illinois University
Department of Public Health	State Board of Elections
Department of Revenue	State Employees' Retirement System
Eastern Illinois University	State Universities Retirement System
Historic Preservation Agency	Teachers' Retirement System

Failure to Operate Within Statutory Authority

The following agencies did not comply with all statutes required for the operation of those agencies or did not seek legislative remedy to correct inadequate agency statutes:

Board of Examiners	Department of Veterans' Affairs
Central Management Services	Historic Preservation Agency
Chicago State University	Illinois Arts Council
Department on Aging	Illinois Criminal Justice Information Authority

Department of Agriculture	Illinois Emergency Management Agency
Department of Healthcare & Family Services	Illinois Gaming Board
Department of Human Services	Illinois Housing Development Authority
Department of Insurance	Illinois Racing Board
Department of Juvenile Justice	Illinois State Board of Education
Department of Military Affairs	Illinois State Police
Department of Natural Resources	Illinois Student Assistance Commission
Department of Public Health	Office of the Governor
Department of Revenue	Western Illinois University
Department of Transportation	

The following agencies did not timely file reports with all the information as required by law including proper supporting documentation:

Community College Board	Historic Preservation Agency
Department on Aging	Illinois Emergency Management Agency
Department of Agriculture	Illinois Housing Development Authority
Department of Healthcare & Family Services	Illinois Racing Board
Department of Human Services	Illinois State Board of Education
Department of Juvenile Justice	Illinois Student Assistance Commission
Department of Military Affairs	Legislative Ethics Commission
Department of Public Health	Northern Illinois University
Department of Revenue	Office of the Lieutenant Governor
Department of Transportation	

The following agencies did not comply with federal regulations:

Chicago State University	Illinois Housing Development Authority
Department of Human Services	Illinois State University
Department of Revenue	Northern Illinois University
Department of Transportation	Southern Illinois University

The following agencies did not comply with the Fiscal Control and Internal Auditing Act, or did not timely complete all internal audits as required by the Act, or did not perform certain examinations as required by statute:

Chicago State University	General Assembly Retirement System
Civil Service Commission	Historic Preservation Agency
Department on Aging	Illinois Arts Council
Department of Agriculture	Illinois Emergency Management Agency
Department of Human Services	Illinois Finance Authority
Department of Insurance	Illinois Gaming Board
Department of Juvenile Justice	Illinois Power Agency
Department of Military Affairs	Illinois State Police
Department of Natural Resources	Judges Retirement System
Department of Public Health	State Employees' Retirement System
Department of Revenue	

The following agencies did not make timely appointments to boards, commissions, task forces or committees, did not timely establish committees, councils or panels, did not participate or attend required meetings or send a designee, did not create positions, had weaknesses in handling pending complaints, or did not comply with the Open Meetings Act:

Court of Claims	Guardianship and Advocacy Commission
Deaf and Hard of Hearing Commission	Historic Preservation Agency
Department of Juvenile Justice	Illinois Council on Developmental Disabilities
Department of Public Health	Illinois Emergency Management Agency
Department of Transportation	Illinois Gaming Board
Department of Veterans' Affairs	Illinois State Board of Education
DryCleaner Environmental Response Trust	Labor Relations Board
Fund Council	Office of the Governor
Environmental Protection Agency	Southern Illinois University

The **Department of Healthcare and Family Services** and the **Department of Veterans' Affairs** did not properly evaluate proposals as required by the Procurement Code, did not comply with certain Procurement Code requirements, did not score vendor proposals properly, or did not timely file required emergency purchase affidavits or construction affidavits.

The **Department of Public Health** did not adequately administer awards and grants.

The **Historic Preservation Agency** failed to ensure transparency in investment of public funds by posting the required information on their website, did not ensure a money management firm is listed as an approved broker by the State Treasurer, did not ensure compliance with the State Agency Investment Policy, and the Director did not select the money management firm and failed to work directly with the money management firm.

Chicago State University and **Western Illinois University** did not ensure that students were notified timely of student financial aid awards or did not ensure student financial aid awards were made accurately.

The **Department of Healthcare and Family Services**, **Department of Human Services**, and **Department of Revenue** failed to establish a mechanism to track access to individuals' files in the manner required by law, or did not comply with requirements for issuing temporary identification cards.

Failure to Protect the State's Interest

The following agencies had weaknesses related to security and control of confidential or personal information in its possession, or did not have an identity protection policy in place as required by law:

Central Management Services	Department of Transportation
Department of Agriculture	Historic Preservation Agency
Department of Healthcare & Family Services	Illinois Gaming Board
Department of Human Services	Illinois Racing Board
Department of Military Affairs	Illinois State Police
Department of Public Health	Office of the Secretary of State
Department of Revenue	

The following agencies did not have a formal fraud risk assessment program in place, or did not analyze the process to ensure a written fraud risk assessment was in place:

Central Management Services	Historic Preservation Agency
Department of Juvenile Justice	Illinois Gaming Board
Department of Public Health	Illinois State Police
Department of Revenue	Western Illinois University

The following agencies did not adequately test the scoring elements in Request for Proposals, did not examine procedures for scoring proposals and make changes to improve controls over the scoring process, or did not timely or adequately calculate rates or fees:

Department of Agriculture	Department of Public Health
Department of Insurance	Southern Illinois University

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, 2016 Receivables Report, the gross receivables balance was \$17.071 billion, an increase of \$228 million (1.4%) from the \$16.843 billion reported at December 31, 2015. Of this amount, \$5.038 billion were deferred/installment receivables and \$8.348 billion was estimated to be uncollectible. Thus, \$3.685 billion (21.6%) 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. There were no resolutions adopted in 2016 by the Legislative Audit Commission requesting performance audits.

The following is a summary of the six performance audits reviewed by the Legislative Audit Commission during 2016.

2015 Annual Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees

The Illinois State Auditing Act requires the Retirement Plan for Chicago Transit Authority Employees (Retirement Plan) to submit to the Office of the Auditor General (OAG) an audit, an annual statement, and an actuarial statement by September 30 of each year. The OAG reviewed the documents submitted by the Retirement Plan and concluded that they met the requirements of the Auditing Act.

The Auditor General is required to review the determination and the assumptions on which it is based and determine whether they are “unreasonable in the aggregate”. This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

The OAG and consultants, Aon Hewitt, reviewed the Retirement Plan’s assumptions contained in the January 1, 2015 Actuarial Valuation and concluded that they were not unreasonable in the aggregate. However, the OAG and consultants believe that three of the assumptions should continue to be monitored and justified on an annual basis.

- Investment return assumption. The 8.25% investment return assumption used by the Plan remains at the upper end of investment return assumptions used by other plans. Both the Plan’s actuary and Investment Consultant conducted projections that concluded the Plan’s investments have a reasonable likelihood of achieving an investment return of 8.25% over a 10 to 20 year period. The OAG recommended that the Plan continue to annually review the reasonableness of its investment return assumption.
- Mortality assumption: The mortality assumptions used by the Plan were chosen before final 2014 mortality tables were issued by the Society of Actuaries. The OAG recommended that a new mortality analysis be conducted for the Plan, on a benefits-weighted basis, in time to reflect the results in the assumptions that are adopted and used for next year’s valuation.
- Active participant assumption: For the first time in four years, the active participant headcount increased slightly. However, the ratio of actives to annuitants continued to decrease. Given the impact such a decline can have on future contribution levels, the OAG recommended that the Plan continue to monitor the use of a constant headcount assumption.

The funded ratio of the Retirement Plan decreased from 60.9% in the January 1, 2014 Valuation to 58.2% in the January 1, 2015 Valuation. When the funded ratio declines below 60%, the Pension Code requires that contribution rates be increased so that the funded ratio is projected to reach 60% within 10 years. The contribution rates adopted by the Retirement Plan Board for 2016 remained unchanged from the 2015 contribution rates, as the January 1, 2015 Actuarial Valuation concluded that the contribution rates should result in the Plan's funded ratio reaching the statutorily required 60% level within 10 years.

2015 Annual Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust

The Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust (Trust) is required by the Illinois Pension Code to submit a report to the Office of the Auditor General (OAG). The report is intended to annually assess the funding level of the Retiree Health Care Trust.

The Illinois State Auditing Act (Section 5/3-2.3(f)) requires the OAG to examine the information on the funding level of the Retiree Health Care Trust submitted pursuant to Section 22-101B(b)(3)(iii) of the Illinois Pension Code.

The OAG is required to review the Retiree Health Care Trust's assumptions to ensure they are not unreasonable in the aggregate. This report does not constitute an audit as that term is defined in generally accepted government auditing standards.

- The Retiree Health Care Trust submitted its Actuarial Valuation Report as of January 1, 2015 to the OAG on October 1, 2015.
- The Report concluded that the actuarial present value of projected contributions, trust income, and assets, in excess of the statutory reserve, exceeded the actuarial present value of the projected benefits. Consequently, no change in benefits or contributions was required.
- The OAG examined the assumptions in the Trust's Actuarial Valuation Report and found that they were not unreasonable in the aggregate.

Performance Audit of the Center for Comprehensive Health Planning, and Health Facilities and Services Review Board

Public Act 96-0031, effective June 30, 2009, amended the Health Facilities Planning Act (Planning Act) and directed the Auditor General to conduct a performance audit of the Center for Comprehensive Health Planning (Center), Health Facilities and Services Review Board (Board), and the Certificate of Need (CON) processes. The Public Act required the performance audit to be commenced 24 months after the final member of the Board had been appointed.

The final member was appointed to the Board in June 2011 and audit work began in June 2013. The audit found the following:

- The Governor has not appointed a Comprehensive Health Planner to lead the Center for Comprehensive Health Planning as required by Public Act 96-0031, effective June 30, 2009.
- The Department of Public Health has not established a Center for Comprehensive Health Planning as required by Public Act 96-0031, effective June 30, 2009.
- As a result of the lack of a Comprehensive Health Planner and the lack of a Center for Comprehensive Health Planning, no progress had been made to develop a Comprehensive Health Plan.
- Since 2009, there have been several changes to the Health Facilities and Services Review Board and the Certificate of Need process. The OAG determined that most of these changes have been implemented. Changes not implemented include: the Board did not post on its website an annual accounting of revenues and expenses for FY11, FY12, and FY13; and the Board’s Chairman did not conduct annual reviews of Board member performance or report attendance records to the General Assembly as required by the Planning Act.

Program Audit of Appropriations from the General Professions Dedicated Fund for Pharmacy Programs at State Universities

House Resolution Number 204 directed the Office of the Auditor General to conduct a program audit of appropriations from the General Professions Dedicated Fund for costs associated with pharmacy practice education and training at Chicago State University (CSU), Southern Illinois University Edwardsville (SIUE), and the University of Illinois at Chicago (UIC). Specifically, the resolution asked about the purposes for which the appropriations were used in FY12, FY13, and FY14, and whether each university has performed any study or analysis of the need for pharmacists.

Illinois has three public universities that offer a pharmacy education program. They received a combined total of approximately \$2 million per year from the General Professions Dedicated Fund (GPD Fund) in FY12, FY13, and FY14.

SIUE and UIC mainly used the appropriations for pharmacy program salaries. CSU used the appropriations for pharmacy program salaries in FY13 and for pharmacy program operations in FY12 and FY14.

ANNUAL APPROPRIATIONS Pharmacy Programs (GPD Fund) Fiscal Years 2012-2014	
Chicago State University	\$ 307,000
Southern Illinois University	1,250,000
University of Illinois	500,000
Total	\$ 2,057,000

The OAG requested any studies that the universities had performed of the need for pharmacists. The universities said they had performed the following studies or analyses:

- CSU's analysis, conducted in April 2015, reported that its pharmacy program helps to meet the needs that their research found, namely that over one-third of pharmacists were age 55 and will be retiring, the racial diversity of licensed pharmacists does not represent the U.S. population, and there was a need for pharmacists in underserved areas.
- SIUE said the need for a pharmacy program was identified by a consultant in 2000. Up to 25% of its pharmacy graduates from each class reside in rural counties in Illinois and are licensed as pharmacists.
- UIC's analysis, submitted in July 2015, reported that it created a concentration in rural pharmacy services because the demand for pharmacists is often high in rural communities where access to medical services may be limited.

Program Audit of the Covering ALL KIDS Health Insurance Program (FY14)

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. The focus of this audit was 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% of the federal poverty level or who were undocumented immigrants).

The FY14 audit followed up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings. The audit found:

- In FY14, 81,440 children were enrolled in EXPANDED ALL KIDS for a total cost of \$70 million.
- Of the 28,695 EXPANDED ALL KIDS recipients that required an annual redetermination of eligibility in FY14, 6,625 (23%) were not redetermined annually as required.
- Of 40 initial eligibility cases tested from FY14, HFS and DHS were missing documentation needed to verify residency in 25% of cases, birth/age in 38% of cases, and one month's income in 54% of cases. In addition, income was incorrectly calculated in 18% of cases where income was reported.
- Of 40 tested cases redetermined in FY14, HFS and DHS were missing documentation needed to verify residency in 60% of cases, birth/age in 74% of cases, and one month's income in 14% of cases. In addition, income was incorrectly calculated in 21% of cases tested where income was reported.
- In FY14, 166 recipients received 1,653 services totaling \$75,583 after the month of their 19th birthday. Additionally, there were 423 individuals who were enrolled with more than one identification number.
- The OAG tested 40 initial eligibility cases and 40 cases redetermined during FY14 and found that 60% of the initial cases and 43% of the redetermined cases were coded as "undocumented" even though evidence was found supporting citizenship or documented immigrant status.
- The OAG found the EXPANDED ALL KIDS data contained 5,536 recipients who were coded as "undocumented" even though their social security numbers were verified. In FY14, these 5,536 had 130,609 services for a total cost of \$4.79 million. If these

recipients were classified as undocumented in error, the State did not receive eligible matching federal funds.

- In 2011, HFS made the procedures for orthodontic services less stringent, which increased orthodontia claims from \$322,892 in FY10 to \$3.6 million by FY14. The OAG recommended that HFS review and monitor eligibility for orthodontic services more effectively.
- DHS and HFS agreed with all five recommendations made in the audit report.

Program Audit of the Covering ALL KIDS Health Insurance Program (FY15)

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. The focus of this audit was 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% of the federal poverty level or who were undocumented immigrants).

The FY15 audit followed up on the Department of Healthcare and Family Services’ (HFS) and the Department of Human Services’ (DHS) actions to address prior audit findings. The audit found:

- In FY15, children enrolled in EXPANDED ALL KIDS increased by 25% to 102,182.
- The total number of recipients increased from 52,075 in FY14 to 66,258 in FY15. The number of undocumented immigrant recipients decreased from 30,441 in FY14 to 26,183 in FY15.
- The number of citizen/documentated immigrant recipients (Premium Level 2) almost doubled from 21,634 in FY14 to 40,075 in FY15.
- Of the 29,881 EXPANDED ALL KIDS recipients that required an annual redetermination of eligibility in FY15, 3,715 (12%) were not redetermined annually as required.
- Auditors tested 40 initial eligibility cases from FY15, and determined HFS and DHS were missing documentation needed to verify residency in 30% of cases, birth/age in 38% of cases, and one month’s income in 38% of cases.
- Auditors tested 40 cases redetermined in FY15, and determined HFS and DHS were missing documentation needed to verify residency in 20% of cases and birth/age in 78% of cases. Of the 35 cases tested where recipients reported having some income, auditors found 30 days of income was reviewed in all cases; however, auditors did identify two of the 35 cases where caseworkers did not calculate the income correctly.
- In FY15, 157 recipients received 1,276 services totaling \$104,704 after the month of their 19th birthday. Additionally, there were 477 individuals who were enrolled with more than one identification number.
- Auditors tested initial eligibility cases and cases redetermined during FY15, and found that 44% of the initial cases and 23% of the redetermined cases were coded as “undocumented” even though evidence was found supporting citizenship or documented immigrant status.
- HFS and DHS did not identify the correct citizenship status for 5,999 recipients, and as a result, the State lost \$2.8 million in federal matching Medicaid funds in FY15. This issue has been reported since the first ALL KIDS audit, which was for FY09.

Regional Offices of Education

The Commission reviewed 37 annual financial audits from the 44 **Regional Offices of Education** and one of the three **Intermediate Service Centers**, and many received a finding concerning financial reporting. Most responded that they would seek additional training, but could not hire additional employees without taking funds from educational programs.

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 2016.

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 4517—Eliminates the Center for Comprehensive Health Planning at the Department of Public Health. (PA99-0527)

Senate Bill 324—Establishes a veteran owned business loan guarantee program at the Illinois Finance Authority and provides for greater flexibility by allowing the Authority to allocate potential claims under the guarantee programs to three funds. (PA99-0509)

Senate Bill 1810—Extends the time period for the Governor's Office of Management and Budget to adopt rules related to the Grant Accountability and Transparency Act to July 1, 2016 and extends the time period for agencies to implement rules under the Grant Accountability and Transparency Act to July 1, 2017. (PA99-0523)

Senate Bill 2156—Expands SURS' audit authority over employers. (PA99-0897)

Senate Bill 2657—Eliminates the responsibility of establishing the Freedom Trail Commission within the Historic Preservation Agency. (PA99-0576)

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, 2016 appears on page 37 in Appendix C.

Each emergency transaction is reviewed to establish that:

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

There were 83 affidavits for emergency purchases filed in 2016 totaling approximately \$36.7 million. Presented below is a compilation of 2016 emergency purchases in dollar categories.

\$10,000 or Less	3
\$10,001 to \$100,000	38
\$100,001 to \$500,000	31
\$500,001 to \$1,000,000	6
\$1,000,001 or More	5

Included in the above summary were 11 emergency purchases exceeding \$500,000 as follows:

\$1,203,576.00 to the Department of Children and Family Services for a one-time purchase of Informatica products and service credits including Informatica Power Center Standard, Data Quality Standard, Master Data Management, associated software options, connectors and professional configuration and implementation services.

\$2,250,000.00 to the Department of Healthcare and Family Services for the purchase of software to meet the State's Balancing Incentive Program (BIP) commitments.

\$1,800,000.00 to the Department of Human Services to replace the roof at the Forensic Treatment Program building at the Elgin Mental Health Center after it sustained major wind damage.

\$630,635.25 to the Capital Development Board to replace the cooling system at the James R. Thompson Center.

\$600,000.00 to the Capital Development Board to repair poor roofing conditions in Building C-3 at the Sheridan Correctional Center.

\$1,000,000.00 to the Capital Development Board to repair poor roofing conditions in Buildings C-15, C-17, C-19, C-21 and C-23 (housing units) at the Sheridan Correctional Center.

\$746,000.00 to Chicago State University to repair the formation of a sink hole caused by the corrosion and break of the main underground high temperature hot water piping that serves hot water and heat to the Residence Hall and Student Union Building, including the Cafeteria.

\$15,241,637.50 to the University of Illinois for the switch of 2004 variable rate bond certificates to COP Series 2016 fixed rate bond certificates, which will have a significantly lower quantified risk if rating agencies downgrade the University's credit rating, causing a swap termination fee of approximately \$9.8 million.

\$743,000.00 to the University of Illinois for the purchase of a Quantum Gatan Imaging Filter (GIF) Spectrometer at the University of Illinois Chicago.

\$1,387,198.00 to the University of Illinois for Hospital Pharmacy pharmaceutical orders.

\$906,653.00 to the University of Illinois for vendor services to sterilize surgical trays and implantable devices at the University of Illinois Hospital.

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 2016 and the number of individuals who spend the largest part of their working time away from their designated headquarters, appears in Appendix D on pages 38-40.

Bids Awarded to Other Than the Lowest Bidder

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 agency awarded contracts to other than the lowest bidders:

- Department of Commerce and Economic Opportunity—award for \$2,040,040.00 for CPA assistance, monitoring, and compliance to Workforce Innovation and Opportunity Act (WIOA) grantees to the vendor who had the highest scores on the RFP evaluation (22037024).
- Illinois Housing Development Authority—award for \$3,118,500.00 for a team of municipal housing quantitative analysts to two vendors who were the most qualified offerors (22037544).

- Department of Natural Resources—award for \$68,900.00 for aerial photography and topographic mapping services to the lowest cost resident bidder (22037573).
- Illinois Housing Development Authority—award for \$386,231.00 for design and implementation of an electronic document management solution using Microsoft SharePoint 2013 to the most qualified offeror (22037674).
- Department of Transportation—award for \$1,258,498.00 for availability analysis of disadvantaged business enterprises to a vendor based who received the total highest number of responsive points for technical expertise (22038016).
- Illinois Office of the Comptroller—award for \$534,000.00 for network administration services to the vendor who received highest scores during the RFP evaluation. (22038194).
- Illinois Office of the Comptroller—award for \$333,000 for mainframe system programmer to the vendor whose proposal most closely meets the requirements of the State (22039719).

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, 2015. 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 new rulemakings in 2016.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures of the Audit Commission. On the following page is a summary of expenditures made from appropriations for Fiscal Year 2016 and an interim report as of January 1, 2017.

I. Financial Statement - Year Ended June 30, 2016

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services		\$ 208,929	
Retirement, Employer		8,156	
Social security		15,642	
Contractual services		16,314	
Travel		1,230	
Commodities		242	
Printing		-0-	
Equipment		-0-	
Electronic data processing		126	
Telecommunications		<u>948</u>	
TOTAL	\$ <u>251,600</u>	\$ <u>251,587</u>	\$ <u>13</u>

II. Status of FY17 Appropriation at January 1, 2017

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services		\$ 107,755	
Retirement, Employer		4,330	
Social security		8,083	
Contractual services		2,264	
Travel		394	
Commodities		24	
Printing		-0-	
Equipment		-0-	
Electronic data processing		-0-	
Telecommunications		<u>243</u>	
TOTAL	\$ <u>261,600</u>	\$ <u>123,092</u>	\$ <u>138,508</u>

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, 2015.

APPENDIX A
Financial Audits and Compliance Examinations
(For FY15 or FY14-15 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Auditor General
Office of the Comptroller, Fiscal Officer Responsibilities
Office of the Governor
 Governor's Office of Management and Budget
Office of the Lieutenant Governor
Office Secretary of State
Office of the State Treasurer, Fiscal Officer Responsibilities
Office of the State Treasurer, NonFiscal Responsibilities
Office of the State Treasurer, The Illinois Funds
Office of the State Treasurer, College Savings Program

CODE DEPARTMENTS

Department on Aging FY11-12
Department on Aging FY13-14
Department of Agriculture
Department of Central Management Services, General Office
Department of Central Management Services, Bureau of
 Communications & Computer Services
Department of Central Management Services, Community College
 Health Insurance Security Fund FY14 and FY15
Department of Central Management Services, Illinois State Employees'
 Deferred Compensation Plan FY15 and FY14
Department of Central Management Services, Employees' Deferred
 Compensation Plan FY13-FY14
Department of Central Management Services, Local Government Health
 Insurance Reserve Fund, FY14 and FY15
Department of Central Management Service, Teacher Health Insurance
 Security Fund, FY14 and FY15
Department of Healthcare and Family Services FY14-15
Department of Human Rights
Department of Human Services, FY14-15
Department of Insurance, FY13-14
Department of Juvenile Justice, FY13-14
Department of Natural Resources, FY13-14
Department of Natural Resources, financial FY15
Department of Military Affairs, FY13-14
Department of Public Health
Department of Revenue, FY13 and FY14
Department of State Police, FY13-14
Department of Transportation, FY13-14
Department of Veterans' Affairs, FY13-14

LEGISLATIVE AGENCIES

Commission on Government Forecasting and Accountability
General Assembly, House of Representatives
General Assembly, Senate
General Assembly Retirement System, FY15 and FY16
Legislative Audit Commission
Legislative Ethics Commission, FY13-14
Legislative Printing Unit
Legislative Reference Bureau
Legislative Research Unit
Office of the Architect of the Capitol

OTHER AGENCIES

Arts Council
Arts Council Foundation
Attorney Registration and Disciplinary Commission
Board of Examiners
Capital Development Board
Civil Service Commission
Court of Claims
Deaf and Hard of Hearing Commission
Decatur Metropolitan Exposition, Auditorium and Office Building Authority
DryCleaner Environmental Response Trust Fund Council
Educational Labor Relations Board
Environmental Protection Agency (FY13-14) and EPA Fund 270 Water Revolving Fund
Executive Ethics Commission
Guardianship and Advocacy Commission
Historic Preservation Agency, FY13-14
Human Rights Commission, FY15-16
Illinois Board of Admissions to the Bar
Illinois Commerce Commission, Wireless Emergency Telephone Safety Act
Illinois Conservation Foundation
Illinois Criminal Justice Information Authority
Illinois Council on Developmental Disabilities
Illinois Emergency Management Agency
Illinois Finance Authority FY14 and FY15
Illinois Gaming Board, FY13-14
Illinois Grain Insurance Corporation
Illinois Housing Development Authority
Illinois Literacy Foundation
Illinois Mathematics and Science Academy
Illinois Power Agency, FY14 and FY15
Illinois Racing Board, FY13-14
Illinois State Board of Education
Illinois State Board of Investment
IMSA Fund for Advancement of Education, FY14 and FY15

Judges Retirement System
Labor Relations Board
Metro East Police District Commission, 2013-2014
Metropolitan Pier and Exposition Authority, Limited Scope Compliance Audit
Mid-Illinois Medical District Commission
Office of Inspector General for the Agencies of the Illinois Governor
Public School Teachers' Pension and Retirement Fund of Chicago
State Board of Elections
State Employees' Retirement System
State Employees' Retirement System, Pension Schedules, FY14 and FY13
State Universities Retirement System
State Universities Retirement System, Report on Allocation of Pension Amounts
State Universities Retirement System, Report on Allocation of Pension Amounts, FY14
and FY13
State Universities Civil Service System
Supreme Court
Supreme Court Historic Preservation Commission
Teachers' Retirement System
Teachers' Retirement System, Report on Allocation of Pension Amounts
Teachers' Retirement System, Report on Allocation of Pension Amounts, FY14 and FY13
Workers' Compensation Commission

HIGHER EDUCATION

Board of Higher Education
Chicago State University
Community College Board, FY13-14
Eastern Illinois University
Governors State University
Illinois State University, FY14 and FY15
Illinois Student Assistance Commission, FY13-14
Illinois Designated Account Purchase Program, FY14
Illinois Prepaid Tuition Program, FY 14
Report of Golden Apple Scholars of Illinois, FY14
Northern Illinois University, FY14 and FY15
Western Illinois University
Southern Illinois University, FY14 and FY15

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, Winnebago Counties, No. 4
Carroll, Jo Daviess and Stephenson Counties, No. 8
Champaign and Ford Counties, No. 9
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, McLean Counties, No. 17
DuPage County, No. 19
Franklin and Williamson Counties, No. 21
Grundy and Kendall Counties, No. 24
Hamilton and Jefferson Counties, No. 25
Hancock and McDonough Counties, No. 26, FY14
Henderson, Mercer, and Warren Counties, No. 27
Bureau, Henry, and Stark Counties, No. 28
Jackson and Perry Counties, No. 30
Kane County, No. 31
Iroquois and Kankakee Counties, No. 32
Knox County, No. 33
LaSalle County, No. 35
Macon and Piatt County, No. 39
Marshall, Putnam, and Woodford Counties, No. 43
McHenry County No. 44, FY14 and FY15
Brown, Cass, Morgan, and Scott Counties, No. 46
Lee and Ogle Counties, No. 47
Peoria County, No. 48
Rock Island County, No. 49, FY14 and FY15
St. Clair County, No. 50
Sangamon County, No. 51
Tazewell County, No. 53
Vermillion County, No. 54
Whiteside County, No. 55
South Cook Intermediate Service Center No. 4

OTHER

Review of Information Submitted by the Retirement Plan for Chicago Transit Authority Employees, 2015 Annual Review
Review of Information Submitted by the Chicago Transit Authority's Retiree Health Care Trust, 2015 Annual Review
Performance Audit of the Center for Comprehensive Health Planning and the Health Facilities and Services Review Board, released May 2014
Program Audit of Appropriations from the General Professions Dedicated Fund For Pharmacy Programs at State Universities FY12, FY13, and FY14
Program Audit of the Covering ALL KIDS Health Insurance Program, FY14
Program Audit of the Covering ALL KIDS Health Insurance Program, FY15

Statewide Single Audit, FY12
Statewide Single Audit, FY13

APPENDIX B

Agencies Appearing Before Commission

(For FY15 or FY14-15 unless otherwise indicated)

CODE DEPARTMENT	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
Department of Central Management Services		
Financial & Compliance, FY14-15	9	6
Department on Aging		
Compliance, FY13-14	9	3
Department of Agriculture		
Compliance, FY14-15	15	7
Department of Healthcare and Family Services		
Financial, FY15 & Compliance, FY14-15	12	3
Statewide Single Audit	8	6
Department of Human Services		
Financial FY15 & Compliance, FY14-15	33	25
Statewide Single Audit	17	14
Department of Insurance		
Financial & Compliance, FY13-14	9	5
Statewide Single Audit, FY14	7	0
Department of Juvenile Justice		
Compliance, FY13-14	16	10
Department of Military Affairs		
Compliance	11	6
Department of Natural Resources		
Compliance & Financial, FY13-14	16	6
Department of Public Health		
Compliance, FY14-15	24	16
Statewide Single Audit	3	3
Department of Revenue		
Financial & Compliance, FY13-14	14	9
Department of State Police		
Compliance, FY13-14	11	8
Department of Transportation		
Compliance & Financial, FY13-14	19	14
Statewide Single Audit, FY13	10	9
Department of Veterans' Affairs		
Compliance, FY13-14	11	9
OTHER AGENCIES		
Historic Preservation Agency		
Compliance, FY13-14	19	9
Illinois Gaming Board		
Financial & Compliance, FY13-14	15	7

Illinois Housing Development Authority Financial & Compliance	14	7
Illinois Racing Board Financial & Compliance, FY13-14	15	10
HIGHER EDUCATION		
Chicago State University Financial, Compliance, Single Audit	15	7

APPENDIX C
Emergency Purchase Transactions
Calendar Year 2016

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Secretary of State	2	\$ 73,116
CODE DEPARTMENTS		
Agriculture	2	383,515
Central Management Services	3	96,697
Children and Family Services	1	1,203,576
Corrections	11	1,569,915
Healthcare and Family Services	1	2,250,000
Human Services	6	2,362,454
Military Affairs	1	39,451
Natural Resources	3	913,514
Public Health	5	625,489
State Police	1	56,836
Transportation	5	761,534
Veterans' Affairs	1	100,000
OTHER AGENCIES		
Capital Development Board	10	3,268,668
Finance Authority	2	147,150
Historic Preservation Agency	2	65,410
Housing Development Authority	1	76,211
State Board of Education	1	37,511
Toll Highway Authority	1	294,346
UNIVERSITIES		
Chicago State University	2	1,003,000
Eastern Illinois University	1	350,000
Illinois State University	2	352,149
Northern Illinois University	2	49,282
SIU – Physicians and Surgeons	1	67,250
University of Illinois	15	20,569,082
Western Illinois University	<u>1</u>	<u>30,000</u>
 GRAND TOTAL	 <u>83</u>	 <u>\$ 36,746,156</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2016 – January 15, 2017

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	11
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Lieutenant Governor	0
Secretary of State	237
State Treasurer	0
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judges' Retirement System	0
Judicial Inquiry Board	0
State Appellate Defender	0
State's Attorney Appellate Prosecutor	6
Supreme Court Historic Preservation Commission	0
Court of Claims	0
LEGISLATIVE AGENCIES	
Commission on Government Forecasting & Accountability	0
General Assembly	
House – Democratic Clerk/Fiscal	4
House Democrat Leadership	4
House – Republican	1
Senate	0
General Assembly Retirement System	0
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 Reference Bureau	0
Legislative Research Unit	0
Office of the Architect of the Capitol	0
CODE DEPARTMENTS	
Department on Aging	0
Department of Agriculture	144

Department of Central Management Services	49
Department of Children and Family Services	8
Department of Commerce and Economic Development	35
Department of Corrections	432
Department of Juvenile Justice	59
Department of Employment Security	5
Department of Financial and Professional Regulation	122
Department of Healthcare and Family Services	32
Department of Human Rights	0
Department of Human Services	477
Department of Insurance	57
Department of Labor	*
Department of Lottery	0
Department of Military Affairs	6
Department of Public Health	*
Department of Revenue	437
Department of State Police	16
Department of Transportation	75
Department of Veterans' Affairs	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	18
Civil Service Commission	7
Commerce Commission	26
Criminal Justice Information Authority	1
Deaf and Hard of Hearing Commission	1
Educational Labor Relations Board	5
Emergency Management Agency	0
Environmental Protection Agency	9
Executive Ethics Commission	0
Governor's Office of Management and Budget	0
Guardianship & Advocacy Commission	0
Historic Preservation Agency	0
Housing Development Authority	10
Human Rights Commission	0
Illinois Board of Examiners	9
Illinois Finance Authority	1
Illinois Gaming Board	0
Illinois Power Agency	1
Illinois Law Enforcement Training & Standards Board	4
Illinois Racing Board	*
Independent Tax Tribunal	0
Labor Relations Board	0
Math & Science Academy	1
Medical District Commission	*

Planning Council on Developmental Disabilities	0
Prisoner Review Board	*
Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	27
State Board of Elections	8
State Board of Investment	0
State Fire Marshal	64
State Employees' Retirement System	6
State Police Merit Board	4
Teachers' Retirement System	0
Toll Highway Authority	0
Workers' Compensation Commission	11

HIGHER EDUCATION

Board of Higher Education	0
Chicago State University	4
Eastern Illinois University	39
Governors State University	0
Illinois State University	44
Illinois Student Assistance Commission	0
Northern Illinois University	243
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

*No report submitted for the period ending January 15, 2017.

