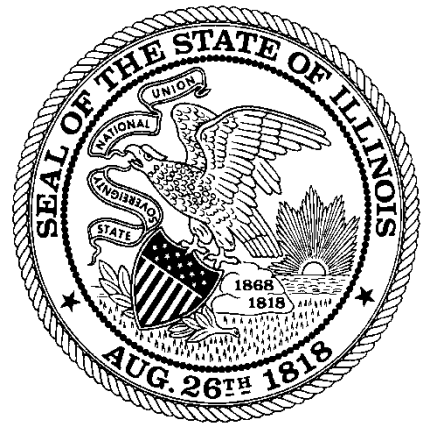


2013 ANNUAL REPORT



**LEGISLATIVE
AUDIT
COMMISSION**

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

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



2013 MEMBERSHIP

Co-Chairs

**Senator Jason Barickman
Representative Frank Mautino**

Senate Members

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

House Members

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

Room 622
William G. Stratton Building
Springfield, Illinois 62706

To the Members of the General Assembly:

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

This report, submitted in accordance with the Act creating the Commission, presents a summary of the Commission's activities and accomplishments as the legislature's oversight agency during 2013. 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 147 audit reports and three performance audits during 2013.

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,

Frank J. Mautino
Co-Chair

Jason A. Barickman
Co-Chair

LEGISLATIVE AUDIT COMMISSION FIFTY- FIFTH ANNUAL REPORT CONTENTS

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55th Annual Report

Report Highlights

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

- Review of 146 financial audits and compliance examinations, one statewide single audit, and three 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, 2013**

Senate Members

Senator Jason Barickman	January 2013
Senator Bill Brady	February 2011
Senator Andy Manar	January 2013
Senator Iris Y. Martinez	February 2005
Senator John Mulroe	January 2011
Senator Jim Oberweis	March 2013

House Members

Representative Rich Brauer	February 2003
Representative Fred Crespo	February 2013
Representative Frank J. Mautino	March 1997
Representative Sandra Pihos	February 2005
Representative Robert Rita	February 2005
Representative Robert Sandack	February 2013

Former Members

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

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

KPMG

Cathy Baumann

Jackie Dippel

CliftonLarsonAllen

Jeff Bonick

McGladreyLLP

Linda Abernathy

E.C. Ortiz

Hanon D. Hoyle

Ed Ortiz

Hilda Privey

Leilani Rodrigo

Marites Sy

Sikich

Gary Neubauer

West & Co.

Diana Smith

Compliance Examinations

Compliance audits, or compliance examinations, stress the fundamentals of governmental accountability—compliance with statutes and regulations, sound business practices, safeguarding of assets and property, and proper expenditure of State funds. The Commission took action on 146 financial and compliance reports during 2013 ranging from reports disclosing no material findings to reports containing as many as 43 recommendations. Obviously, this large number of reports represents the foundation of the Commission's workload. A listing of these audits is included in Appendix A on pages 27-30.

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

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

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

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

Although infrequent, the Commission may be dissatisfied with an agency's lack of progress implementing audit recommendations and require the State agency to return to the Commission to report on the status of implementing audit report recommendations. As well, the Commission may notify the Governor if an executive agency or department refuses to comply with an audit recommendation. As well, the Audit Commission may request an opinion from the Attorney General for the interpretation of statute, and whether an agency is operating within statutory requirements. The Audit Commission requested no opinions from the Attorney General during 2013.

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, 45 State agencies expended about \$28.1 billion in federal financial assistance in FY11. The State agencies not included in the Statewide Single Audit are the various universities, the bonding authorities, and the Conservation Foundation. Federal findings continue to be noted in the State compliance audit reports of these agencies.

The Statewide Single Audit for FY11 contained 103 findings with 71 repeat findings. The audit noted that the State does not have an adequate process in place to permit the timely completion of a complete and accurate schedule of expenditures of federal awards (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, immunization grants, and highway planning. Agencies also failed to maintain and control case file documents, process medical billings timely, sanction a local education entity that has not met federal requirements for Title I funds since 2006. At least 17 of the audit report's 101 findings related to agencies' deficiencies in monitoring subrecipients such as inadequate review of subrecipient audit reports, inadequate on-site monitoring of subrecipients, or inadequate monitoring of programs, and five issues involved American Recovery and Reinvestment Act (ARRA) funds.

Audit Review Highlights

During 2013, the Legislative Audit Commission reviewed 146 compliance examinations and financial audit reports. Obviously, this statistic is of limited significance because there are wide variations in the reports regarding length, complexity of agency operations, and other factors. This figure, however, is not without meaning because it does reflect the wide range of the State's fiscal activities subjected to review by the General Assembly during this period.

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

The Commission attempts to reach a satisfactory agreement regarding the disposal of each audit recommendation. However, many findings contained in the audit reports are not addressed in a timely manner by agency officials and are thus repeated in subsequent audits. For the audit reports released in 2013 (mostly for fiscal year 2012) 442 of the 787 findings (56%) were repeated from prior audits. The percentage of findings that are repeated has been increasing in recent years. By comparison, in FY02 audits, 35% of the findings were repeated. Agencies identified various reasons for repeated findings. The most common cause of repeat findings in the FY11 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.

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

- The Illinois Student Assistance Commission stopped selling contracts for a year for its prepaid tuition program, College Illinois! Among several problems, auditors discovered that contracts were underpriced, investments did not hit the profit goals, and at least one investment which exceeded \$12 million in a bank became worthless when the bank was taken over by the FDIC. Additionally, the prepaid tuition program is about \$560 million short of projected obligation to 54,000 investors and could require a \$1.6 billion bailout to remain solvent during the next 25 years. After the entire Commission was appointed anew, along with a new Investment Advisory Panel and new Chief Investment Officer, policies were established to prevent direct investments, the Commission has retained a new investment advisor, and has sound actuarial estimates of tuition and investment returns. ISAC returned to selling the College Illinois! contracts in October 2012.
- 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 were complicated, cumbersome and time-consuming. Each year, auditors encountered numerous and significant problems in the post-audit stage. 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. With the passage of the State's Financial Accounting Standards Board, which became effective in August 2012 and subsequent steps taken by both the Comptroller's Office and the Governor's Office, progress has been made in 2013.

At the end of 2013, unemployment was at 8.6%, compared to a national average of 6.7%. Although revenues from all sources increased by \$958 million in 2013, the State continued to carry about \$5.5 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 pages 31-32 summarizes the audits considered at Legislative Audit Commission hearings during 2013, the number of audit recommendations, and the number of recommendations that were repeated from prior audits.

During the past year, the Commission gave special attention in its review activity to the topics which follow. The various departments and agencies listed usually agreed to implement specific audit recommendations or other changes, so that these weaknesses would no longer exist. In most instances, the findings were for the period ending June 30, 2011.

Failure of Internal Controls

Chicago State University, Departments of Employment Security, Financial and Professional Regulation, Healthcare and Family Services, Human Services, Insurance, Natural Resources, and Public Health, Illinois Community College Board, Illinois Gaming Board, Illinois Emergency Management Agency, Illinois Housing Development Authority, Illinois State Police, Northeastern Illinois University, Office of the State Fire Marshal, and Southern Illinois University had inadequate controls over employee leave requests, overtime, timesheets, evaluations, training, compensated absences, or segregation of duties, or did not enforce employee identification policies. The **Department of Human Services** had weaknesses in monitoring the accuracy of timekeeping and Unemployment Insurance benefit claims for the more than 40,000 personal assistants in the Home Service Program.

Chicago State University, Departments of Employment Security, Financial and Professional Regulation, and Human Services, Northeastern Illinois University, and Office of the State Fire Marshal did not properly document eligibility or the application process for various State programs, licenses, student financial aid, or grants.

Chicago State University, Departments of Financial and Professional Regulation, Healthcare and Family Services, Human Services, and Revenue, Illinois Housing Development Authority, Illinois Power Agency, Northeastern Illinois University, and ROE #25 (Hamilton and Jefferson counties), and Secretary of State did not establish or follow policies, adequately update policy manuals, handbooks, methodologies, rates, rules or administrative directives, or had inadequate controls over telephone charges. The **Illinois Student Assistance Commission** did not comply with agency policies regarding investments and did not ensure the actuarial valuation was completed timely. Also **ISAC** did not properly apply student loan payments to principal and interest.

Chicago State University, Departments of Healthcare and Family Services, Human Services, Insurance, Lottery, Public Health, and Revenue, Illinois Emergency Management Agency, Illinois Gaming Board, Illinois Housing Development Authority, Illinois State Board of Education, Illinois Student Assistance Commission, Northeastern Illinois University, ROE #25 (Hamilton and Jefferson counties), Southern Illinois University, and the Secretary of State submitted inaccurate or untimely financial reports, had inadequate control over financial statement preparation, had inadequate review of financial statements, or had inadequate preparation of GAAP reports or other financial reports concerning liabilities or capital assets.

Chicago State University, the Departments of Human Services, Insurance, Natural Resources, Public Health, and Revenue, Illinois Housing Development Authority, Illinois Gaming Board, Illinois Power Agency, Illinois State Board of Education, and Southern Illinois University did not timely file reports, ensure accuracy of report, obtain reports, or follow-up on reports.

Chicago State University, Departments of Human Services, Public Health, and Revenue, Illinois Emergency Management Agency, Illinois Power Agency, Illinois State Police, Office of the State Fire Marshal, and ROE #25 (Hamilton and Jefferson counties) had inadequate voucher approval or refund processing, untimely payments, duplicate payments, unpaid interest, or overpayments.

Chicago State University, the Departments of Insurance, Healthcare and Family Services, Human Services, Natural Resources, Public Health, and Revenue, Illinois Emergency Management Agency, Illinois Gaming Board, Illinois Housing Development Authority, Illinois Power Agency, Illinois State Police, Northeastern Illinois University, Office of the State Fire Marshal, ROE #25 (Hamilton and Jefferson counties), and Southern Illinois University did not timely make deposits or transfers, record receivables or receipts, reconcile accounts or the general ledger, distribute funds, implement, control, or report on fees, maintain expenditure records, or collateralize accounts.

The Department of Employment Security, Department of Financial and Professional Regulation, Illinois State Police, and Illinois Power Agency did not monitor and file interagency agreements timely or carefully review contracts for content.

The Department of Employment Security, Department of Human Services, Illinois Housing Development Authority, Illinois Power Agency, Illinois State Police, Illinois Student Assistance Commission, Office of the State Fire Marshal, and Southern Illinois University did not timely report or collect outstanding debts or receivables, maintain an aged listing of receivables or doubtful accounts, or properly write-off.

The Department of Financial and Professional Regulation, Department of Human Services, Illinois Gaming Board, Illinois Power Agency, and Southern Illinois University did not adhere to the agency vehicle policy, failed to file accident reports timely, or charge correct amount of fringe benefit for vehicle use.

The **Departments of Human Services, Insurance, and Natural Resources, Illinois Emergency Management Agency, Illinois Gaming Board, Illinois State Police, Office of the State Fire Marshal, and Southern Illinois University** had inadequate property controls, or inaccurate inventory costs, records, commodities, equipment additions, or disposal of real property. The **Department of Public Health, Department of Financial and Professional Regulation, and SIU** could not locate a total of 350 laptops and computers.

The **Departments of Human Services, Insurance, and Natural Resources, ROE #25** (Hamilton and Jefferson counties), and **Southern Illinois University** lacked adequate controls over funds for awards and grants including reporting, payrolls, or indirect costs, or payments to a retirement system. The **Department of Public Health** lacked a comprehensive grant administration program.

The **Department of Human Services** had deficiencies in accounting for locally held funds. The **Department of Insurance, Southern Illinois University, and Illinois Student Assistance Commission** did not comply with grant agreements or had loan covenant violations, inadequate loan monitoring, or lacked policies for investment monitoring.

Illinois Power Agency did not develop a budgeting process.

Failure to Monitor Computer Systems

Chicago State University, Department of Healthcare and Family Services, and the Secretary of State had inadequate security controls over computer systems.

Chicago State University, Departments of Employment Security, Human Services, and the Lottery, Illinois Gaming Board, Illinois State Police, and the Secretary of State had inadequate control over system development activities or change procedures.

The **Departments of Healthcare and Human Services, Human Services, Natural Resources, and Public Health** had an inadequate recovery plan and inadequate testing of the recovery plan.

Failure to Adequately Monitor Subrecipients and Contractors

Contracts approved by **Chicago State University, Department of Financial and Professional Regulation, Department of Human Services, Illinois Emergency Management Agency, Illinois Power Agency, and ROE #25** (Hamilton and Jefferson counties) were not approved timely or were not timely filed with the State Comptroller.

The **Departments of Human Services, Natural Resources, and Public Health, Illinois State Police, and ROE #25** (Hamilton and Jefferson counties) lacked documentation to

ensure billed services were necessary and provided at reasonable cost or did not fully enforce signed contracts.

Failure to Operate Within Statutory Authority

Chicago State University, Department of Human Services, Department of Public Health, Illinois State Board of Education, Illinois State Police, and the Secretary of State did not timely file reports with all the information as required by law including proper supporting documentation.

Chicago State University, Department of Insurance, Department of Natural Resources, Illinois Gaming Board, Illinois State Board of Education, Northeastern Illinois University, and Office of the State Fire Marshal did not comply with the Personal Information Protection Act.

Chicago State University, Illinois Housing Development Authority, Illinois State Police, and Northeastern Illinois University did not comply with federal regulations.

Departments of Employment Security, Financial and Professional Regulation, Healthcare and Family Services, Human Services, Insurance, Natural Resources, Public Health, and Revenue, Illinois Emergency Management Agency, Illinois Gaming Board, Illinois State Board of Education, Illinois State Police, Office of the State Fire Marshal, and ROE #25 (Hamilton and Jefferson counties) did not comply with all statutes required for the operation of those agencies.

The **Department of Financial and Professional Regulation, Department of Public Health, Illinois Gaming Board, Illinois State Board of Education, Office of the State Fire Marshal, and the Secretary of State** did not make timely appointments to boards, commissions, task force or committees; timely establish committees, councils, or panels; or create positions.

One **DHS** facility, Tinley Park Mental Health Center, was not certified as an eligible Medicare and Medicaid service provider.

The **Department of Insurance and Illinois Emergency Management Agency** did not comply with the Fiscal Control and Internal Auditing Act or Internal Auditing Standards.

Illinois Power Agency did not properly evaluate proposals as required by the Procurement Code. The Prepaid Tuition Program of **Illinois Student Assistance Commission** did not comply with competitive procurement requirements. The Commission awarded a contract for investment due diligence while the RFP was for Real Estate Management Services. Also, pricing for due diligence services was not included in the vendor's proposal, but was negotiated later outside the competitive procurement process. Also the Illinois Designated Account Purchase Program (IDAPP) of **ISAC** did not comply with certain Procurement Code requirements.

Failure to Protect the State's Interest

The **Department of Human Services, Department of Revenue, Illinois Gaming Board, Illinois State Board of Education, Illinois State Police** and the **Secretary of State** had weaknesses relating to security and control of confidential or personal information in its possession. The **Department of Revenue** had weaknesses in safeguarding taxpayer information during processing

The **Department of Human Services** assisted in paying for childcare costs for children placed in situations where the providers or members of the households were listed in the Illinois Sex Offender Registry. Also, **DHS** did not fully comply with fire safety standards at the Illinois School for the Deaf.

The **Illinois Department of Employment Security** did not verify social security numbers of new claimants and made benefit payment of approximately \$2.9 million to claimants with potentially invalid social security numbers.

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, 2013 Receivables Report, the gross receivables balance was \$15.560 billion. Of this amount, \$4.767 billion was deferred/installment receivables and \$7.388 billion was estimated to be uncollectible. Thus, \$3.405 billion (21.8%) 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 2013 requiring performance audits.

The following is a summary of the three performance audits reviewed by the Legislative Audit Commission during 2013.

Management Audit of College Illinois! Prepaid Tuition Program Administrative Operations

Established in 1997, the College Illinois! Prepaid Tuition Program allows participants to purchase a contract that prepays the full cost of tuition and mandatory fees at Illinois public universities and Illinois community colleges. The Illinois Student Assistance Commission (ISAC) administers the Program. ISAC's duties include investing Program funds with investment managers. The funded ratio of the Program has declined from 93.3% in 2007 to 70.5% as of June 30, 2011. The purchase of the plans was suspended in September 2011 amid questions about the plans' financial stability and oversight, and reinstated in October 2012.

In May 2011, Governor Quinn replaced the Chairperson who had been appointed in 2005, with a new Chairperson and appointed eight new members to the Commission. As well, the Executive Director of ISAC was placed on administrative leave in July 2011 and never returned to the agency. In February 2012, Eric Zarnikow, a CPA and the former Associate Administrator of the U.S. Small Business Administration's Office of Capital Access, was named Executive Director.

House Resolution Number 174 directed the Auditor General to conduct a management audit of the College Illinois! Prepaid Tuition Program. To obtain an overview of operations, auditors established an audit period of six years encompassing fiscal years 2006 through 2011. The Office of the Auditor General contracted with a consultant to conduct an independent asset allocation study to determine overall level of risk associated with the Program's current alternative investment mix and compared the portfolio to a standardized investment portfolio without alternative investments, as well as the investment portfolios of similar prepaid tuition programs in other states.

Auditors identified several deficiencies in the administrative operations of the College Illinois! Prepaid Tuition Program including a procurement process that lacked consistency, transparency, independence, documentation, and compliance with procurement rules and the Procurement Code. Management issues identified included a lack of support for actuarial assumptions used when setting contract prices, not having a set policy for how Program costs are allocated, and not utilizing key controls governing the Program's investments. Specifically auditors found the following:

- The Illinois Student Assistance Commission (ISAC) circumvented the Illinois Procurement Code by selecting two investment managers outside of the normal procurement process. The procurement process was also circumvented when awarding a contract to perform due diligence services on the two investment managers.
- ISAC did not comply with its own conflict of interest policy. There were two instances where the former Executive Director did not disclose potential conflicts of interest that met ISAC's criteria for disclosure. In January 2010, the former Director of Portfolio Management made a personal investment with an investment manager while the selection process involving that investment manager was still ongoing.
- The process of selecting investment managers was inconsistent from fiscal years 2006 through 2011. Changes began to occur at the time the Program sought investment managers for alternative investments. The role of the independent Investment Consultant was reduced, including the removal of its role in evaluating proposals.
- Several issues with the procurements were noted including: a lack of documentation for vendor interviews/presentations, missing evaluations, changing evaluation criteria from what was specified in the RFP, and lack of support justifying the number of proposers selected for award.
- Internal controls over the investment process were not functioning properly including the Investment Committee that was created but not formally established, the Portfolio Committee that was not fulfilling its requirements, and the Investment Advisory Panel failing to fulfill its statutory duties. In addition, the Investment Advisory Panel raised questions or concerns on certain investment issues which were not communicated to members of the Commission.
- ISAC could not provide support for how actuarial assumptions, such as investment return and future contract sales, were established or any rationale to support the assumptions used. The Prepaid Tuition Fund had an annual average return of 3.5% from its inception in 1998, the actuarial assumed rates for 2006 to 2011 ranged from 7.5% to 9.25%.
- Program costs nearly tripled from \$6.4 million in fiscal year 2006 to \$18.1 million in fiscal year 2011 due to a substantial increase in investment management fees and increases in both direct and shared payroll expenses. Fees collected from purchasers of tuition contracts covered only 7% of operating costs in fiscal year 2011.
- ISAC made changes to its marketing materials over the years removing the term "backed by the State" in 2008 and adding language to its Master Agreement to emphasize the risk involved. However, ISAC continued to promote that an investment in College Illinois! was safe and secure.

The audit report contains 15 recommendations, and ISAC agreed with all of the recommendations.

Management Audit of the Illinois Department of Transportation's Life-Cycle Cost Analysis for Road Construction Contracts

Life-cycle cost analysis (LCCA) is a process for evaluating the financial impact of a project by analyzing initial costs and discounted future costs, such as maintenance, user, reconstruction, rehabilitation, restoring, and resurfacing costs, over the life of the project. By taking into account all of the costs that would occur throughout the life of each alternative, LCCA helps identify the lowest cost alternative to the State to carry out the project and provides other critical information vital for the overall decision-making process. In order to perform a life-cycle cost analysis, there must be at least two competing alternative pavement designs for comparison. The two primary types of pavement used for road construction are hot mix asphalt (HMA) and portland cement concrete (PCC).

Effective August 25, 2009, Public Act 96-715 required the Illinois Department of Transportation (IDOT) to *develop and implement a life-cycle cost analysis for each State road project under its jurisdiction for which the total pavement costs exceed \$500,000*. The Public Act requires IDOT to design and award these paving projects using the material having the lowest life-cycle cost. However, at the discretion of the Department, interstate highways with high traffic volumes or experimental projects may be exempt from the requirement.

On November 16, 2010, the Legislative Audit Commission (LAC) adopted Resolution Number 140 directing the Auditor General to conduct a management audit of the Illinois Department of Transportation's implementation of the life-cycle cost analysis (LCCA) required by statute. The auditors contracted with a consultant with expertise in both pavement design, as well as life-cycle cost analysis practices.

Specifically, the resolution asks the Auditor General to determine:

- Whether the Department has developed and implemented a life-cycle cost analysis which complies with the requirements of the law for each State road project under its jurisdiction for which the total pavement costs exceed \$500,000 funded, in whole, or in part, with State or State appropriated funds;
- Whether the Department has designed and awarded these projects utilizing material having the lowest life-cycle cost; and
- The frequency in which the Department has made a decision based on other criteria when alternative material options are substantially equivalent on a life-cycle cost basis.

The Management Audit concluded that of the 313 road contracts under the State's jurisdiction awarded by IDOT in 2010 with pavement costs greater than \$500,000, 19 (6%) received a life-cycle cost analysis (LCCA), based on documentation provided by IDOT. There are two primary reasons that most projects with pavement costs greater than \$500,000 did not receive a life-cycle cost analysis by IDOT. The first is that while IDOT performs life-cycle cost analyses on new construction and reconstruction projects, it typically does not perform LCCAs on

rehabilitation projects, such as resurfacing. The law does not exclude or exempt rehabilitation projects from receiving a LCCA. According to IDOT officials: "Simple resurfacing, which constitutes the vast majority of so-called "paving" projects, does not lend itself to the production of equivalent sections." To conduct a life-cycle cost analysis, at least two equivalent designs of pavement alternatives (with equal analysis periods) are required. The auditors concluded that given the requirements of Public Act 96-715, IDOT should be performing LCCAs on rehabilitation projects.

The other reason projects do not undergo a LCCA is IDOT has determined that a "special design" is required or another IDOT policy exemption to a LCCA exists. The law exempts interstate highways with high traffic volumes or experimental projects from the LCCA requirement. IDOT has established other exemptions to the LCCA requirement such as high stress intersections, a need to match surface type of small projects with those abutting road sections, and widening projects. The Audit also found:

- Eight of 15 contracts utilized LCCAs that were 3 or more years old (at the time of project letting), ranging from 3 years to over 12 years old. Costs could have changed dramatically over the time period between when the LCCAs were prepared and when the projects were put out for bid.
- Twelve of 15 contracts (80%) were missing unit cost support for one or more of the major pay items for concrete or asphalt. Without the cost support, it would be difficult for IDOT's Central Office to perform its review and ensure that appropriate unit costs were used by each respective District.
- There were 21 instances where costs were miscalculated in the LCCA. Two of the errors resulted in a pavement being selected that actually had higher life-cycle costs than the alternative.
- IDOT's maintenance and rehabilitation activity schedules in use during calendar year 2010 were based primarily on engineering judgment and not actual historical project schedules, and therefore, were not in compliance with the Act. They have since been updated and are based on historical schedules and actual pavement performance.
- IDOT does not incorporate user costs into its life-cycle cost analyses. Public Act 96-715 states that IDOT "may include estimates of user costs throughout the entire pavement life."
- IDOT's Central Office does not check to ensure that all eligible projects receive a LCCA.
- The Pavement Selection Committee was not functioning as required by IDOT policy.

The audit report contained six recommendations directed towards the Department of Transportation. According to updated responses, the Department has implemented four of the recommendations and accepted two recommendations.

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] directing the Auditor General to annually audit the EXPANDED ALL KIDS program beginning June 30, 2008, and each June 30th thereafter. The Act requires that the audit include:

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

This FY11 audit of the EXPANDED ALL KIDS program follows up on the Department of Healthcare and Family Services' (HFS) and the Department of Human Services' (DHS) actions to address prior audit findings.

Following the initial audit of the EXPANDED ALL KIDS program that was released in May 2010, the Illinois Senate and House of Representatives held hearings on reforming the State's medical assistance program. Legislation was passed and Public Act 96-1501 was signed into law on January 25, 2011. The Public Act amended the Covering ALL KIDS Health Insurance Act and addressed several matters raised in the initial and second audit of the EXPANDED ALL KIDS program including:

- effective July 1, 2011, require verification of one month's income for determining eligibility (instead of one pay stub which typically covered less than one month);
- effective October 1, 2011, require verification of one month's income for determining continued eligibility (instead of using passive redetermination); and
- effective July 1, 2011, require verification of Illinois residency.

Public Act 96-1501 also added an income limit for determining eligibility for the EXPANDED ALL KIDS program. Effective July 1, 2011, children whose families' household income is above 300 percent of the federal poverty level are no longer eligible. Children enrolled as of July 1, 2011, may remain enrolled in the program for an additional 12 months.

The Program Audit examined the status of the 14 recommendations from the FY10 audit. Many of the recommendations were not addressed by HFS and DHS within the audit period since the audit was not released until April 2011. Therefore, most of the recommendations were repeated. Of the 11 repeated recommendations, eight are specifically for DHFS and three are for both DHFS and DHS. The audit found the following:

- In FY11, 97,030 children were enrolled in the EXPANDED ALL KIDS program.
- Total claims paid in FY11 for the EXPANDED ALL KIDS enrollees were \$96.6 million.
- HFS received approximately \$10.8 million in premiums from enrollees, thus making the net cost of the ALL KIDS expansion approximately \$85.7 million. The children added as a part of the expansion are not eligible for federal reimbursement and thus are funded entirely by the State.
- FY11 ALL KIDS claim data included 414 individuals who received 2,543 services totaling \$126,092 after the month of their 19th birthday after their eligibility ended. Additionally,

the data also included 315 individuals who appeared to be enrolled with more than one identification number.

- The FY11 review indicated a continued problem with HFS incorrectly categorizing documented immigrants as undocumented in its data. As a result, HFS did not submit and receive federal matching funds for these misclassified documented immigrants.
- While HFS and DHS took action to address the 14 recommendations, many of these actions did not occur within this audit period (FY11). As of May 2012, auditors determined that three recommendations were implemented, one was partially implemented, and 10 were repeated. For six of the recommendations that were repeated, the action taken by HFS or DHS did not occur until after the FY11 audit period.

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 2013.

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 3816—Transfers the duties and responsibilities of the Illinois Violence Prevention Authority to the Illinois Criminal Justice Information Authority. (PA97-1151)

Senate Bill 1556—Exempts certain employees from membership in labor unions. (PA97-1172)

House Bill 2—Creates the Single Audit Commission regarding uniform standards for grant administration. (PA98-047)

House Bill 479—Removes the Medical District Commission from the audit jurisdiction of the Office of the Auditor General.

House Bill 2275—Reforms the Community Care Program within the Department on Aging. (PA98-002)

House Bill 2674—Removes College Savings Program from ISAC statute; leaves intact the College Savings Program operated by the State Treasurer. (PA98-251)

Senate Bill 1256—Returns responsibility for healthcare purchasing to Department of Central Management Services from DHFS. (PA98-488)

Senate Bill 1688—Changes ICCB grant funding formula for community colleges. (PA98-047)

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 33 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 228 affidavits for emergency purchases filed in 2013 totaling approximately \$74.1 million. Presented below is a compilation of 2013 emergency purchases in dollar categories.

Under \$10,000	10
\$10,000 - \$100,000	132
Over \$100,000	86

Included in the above summary were 27 emergency purchases exceeding \$500,000 as follows:

\$623,587.64 to the Department of Central Management Services to extend a lease for office space at 32 W. Randolph in Chicago for two months when at such time the agency is moving to other State-owned or leased space.

\$892,559.00 to the Department of Commerce and Economic Opportunity to extend a contract for 40 months to examine the implementation and effectiveness of a project which addresses skill shortages using the resources of the Workforce Implementation Fund. Continuing this effort preserves a \$10.8 million grant from the U.S. Department of Labor.

\$2,716,007.00 to the Department of Corrections to continue day reporting services for offenders released from the Department of Corrections. The Department is in the process of procuring a new contract for these services; however, the process has been delayed due to the disclosure of a conflict of interest.

\$665,190.48 to the Department of Corrections for soy products used in the production of meat at several Correctional Industry sites for consumption at various Correctional Centers, Youth Centers and other State facilities. The master contract expired.

\$641,680.00 to the Department of Corrections for 22,100 bags of wheat and white flour for use by Correctional Industries in the production of bread, buns and other food staples required by IDOC, DHS, Juvenile Justice, Veterans' Affairs and local school districts for meal service.

\$770,000.00 to the Department of Corrections to continue providing substance abuse treatment to offenders at the Southwestern Illinois Correctional Center. The current contract expired on 9-29-2013.

\$1,200,000.00 to the Department of Corrections to continue a contract for 90 days with the current provider of electronic detention monitoring services for parolees and/or committed felons. The extension will allow for the review of the RFP and the awarding of a contract for both the electronic monitoring and GPS services.

\$583,040.11 to the Department of Employment Security for specialized IT services to program and implement needed modifications to the Emergency Unemployment Compensation program. The changes are required immediately for compliance with federal regulations.

\$686,664.00 to the Department of Employment Security to provide JAVA developers and IT specialists to complete emergency unemployment compensation program and sequestration changes in the IBIS system.

\$817,150.00 to the Department of Healthcare & Family Services for licenses for several software products specifically identified as components of the Integrated Eligibility System, in compliance with Affordable Care Act deadlines.

\$3,200,000.00 to the Department of Healthcare & Family Services to extend a contract for 90 days to provide access to dental services for children.

\$1,420,200.00 to the Department of Healthcare & Family Services for services of a management firm to design and develop a State Health Innovation Plan to submit to the Center for Medicare and Medicaid Innovation.

\$5,503,360.00 to the Department of Healthcare & Family Services to continue a contract for an approval administrator and call center for non-emergency transportation requests for medical care. Most of the users of this program are children in the Medicaid program.

\$697,705.00 to the Department of Healthcare & Family Services to replace a software system that does not meet the needs of the Integrated Eligibility Systems, which is to be used in the implementation of the Affordable Care Act.

\$860,000.00 to the Department of Human Services for JAVA developers to assist in the improvement and enhancement of current systems to implement the changes initiated by HB 0183 requiring mental health professionals to report a person who is "intellectually disabled" and/or "developmentally disabled" to DHS within 24 hours.

\$1,224,864.421 to the Capital Development Board to suicide-proof rooms and common areas at the Illinois Youth Center at Warrensville. Several suicides have been attempted at the facility recently.

\$2,525,630.73 to Northern Illinois University to secure a substantial one-time discount on software, hardware and systems maintenance on a particular product line used by the University. The vendor made a change in the strategic direction of the product line which resulted in maintenance caps for five years and other favorable pricing until May 24, 2013.

\$750,000.00 to Southern Illinois University to add all other existing accounts to a present contract for electrical service until the competitive bidding process is complete.

\$2,209,339.00 to the University of Illinois for 12 weeks of offsite repair of the steam turbine generator 2 at the Abbott Power plant which provides power to UIUC. To delay the repairs risks the availability of the steam turbine generator during the peak heating season on campus.

\$1,650,000.00 to the University of Illinois to purchase pharmaceuticals for use at the UIC Cancer Center at the MacNeal Clinic in Berwyn due to lower pricing than the existing contract.

\$18,061,250.00 to the University of Illinois to purchase pharmaceuticals for use at nine University-operated pharmacies and clinics located on the UIC campus. The University must use another drug supplier to receive federal pricing.

\$1,750,000.00 to the University of Illinois for the purchase of certain medical supplies that are patented such as coronary stents, guidewires, catheters, Medtronic spine products and cardiac pacemakers, while a formal sole source solicitation process is completed and approved by the CPO and Trustees.

\$1,037,399.84 to the University of Illinois for the purchase of furniture until a contract can be awarded to a vendor. At the close of a ten-year contract to provide office and classroom furniture to various institutions of higher education, the contract was re-bid and four vendors filed protests, which requires all the participating institutions to re-evaluate the vendors.

\$1,259,995.34 to the University of Illinois for the purchase of furniture until a contract can be awarded to a vendor. At the close of a ten-year contract to provide office and classroom furniture to various institutions of higher education, the contract was re-bid and four vendors filed protests, which requires all the participating institutions to re-evaluate the vendors.

\$1,925,878.00 to the University of Illinois for a Trio MRI scanner and five-year maintenance agreement at the Beckman Institute at UIUC. A second scanner is needed to accommodate the operating schedule necessary to meet the demands of a \$12 million research grant in biomedical imaging studies.

\$871,661.00 to the University of Illinois for excavation work associated with repairs to 200 feet of steam pipeline at UIC.

\$864,755.00 to the University of Illinois for clinic cabinetry to complete the final phase of the renovation and re-equipping of the care clinics at the College of Dentistry in Chicago.

Travel Control

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

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

A summary of travel headquarter reports for 2013 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 34-36.

Bids Awarded to Other Than the Lowest Bidder

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

- Illinois Housing Development Authority—award for \$1,000,000.00 (two years) for legal counsel to six bidders who scored highest in their respective categories (22028795).
- Department of Transportation—award for \$919,296.00 (2-3 years) for automated speed enforcement in work zones to the bidder with the most responsive points overall (22028850).

- Illinois Emergency Management Agency—award \$72,600.00 for a database administrator to the bidder that met all the mandatories (22029271).
- Department of Human Services—award for \$1,358,091.00 (33 months) for an Early Intervention Clearinghouse to the most responsible bidder (22029345).
- Illinois Housing Development Authority—award \$1,000,000.00 (two years) for Bond Counsel, Issuer’s Counsel, and Underwriter’s Counsel to the 13 vendors who had higher scores on the RFP evaluation (22029717).
- Illinois Student Assistance Commission—award for \$4,437,500.00 (five years) for a Fixed Investment Manager for College Illinois! Two vendors tied in scoring, so the contract was awarded to most qualified bidder with the lowest price (22029907).
- Toll Highway Authority—award for \$6,044,250.00 (four years) for IT consultant to replace mainframe computer system to the bidder with the greatest number of technical points (22030415).
- Department of Employment Security—award for \$158,000.00 for ad placement services on social media concerning re-employment of veterans to the only responsive and responsible bidder (22030675).
- Illinois Housing Development Authority—award \$467,750.00 (two years) for mortgage loan quality control services to the bidder with the highest technical evaluation (22031107).
- State Board of Elections—award for \$162,000.00 for maintenance and support of the Voter Registration System to bidder with most expertise (22031188).
- Illinois Housing Development Authority—award for \$96,000.00 for PR management services for a marketing campaign to bidder with the highest scores on the RFP (22031265).
- Department of Transportation—award for \$2,585,000.00 (ten years) to provide assistance to Disadvantages Business Enterprise firms to the bidder with the highest technical points (22031787).

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 over the rulemakings of the Auditor General. The Commission is given an opportunity, through statutory authority, to

comment on all proposed rules of the Office. One rulemaking adopted by the Office of the Auditor General became effective in 2014 and served to update and conform its rule to coincide with changes in the Procurement Code including PA 97-895.

Office of the Legislative Audit Commission

Audit Commission members monitor all expenditures, receiving and considering a detailed monthly summary of all vouchers submitted for payment at each meeting. Presented below is a summary of expenditures made from appropriations for Fiscal Year 2013 as well as an interim report as of January 1, 2014.

I. Financial Statement - Year Ended June 30, 2013

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Lapsed</u>
Personal services		\$ 201,768	
Retirement, Employer		8,083	
Social security		15,227	
Contractual services		2,570	
Travel		1,194	
Commodities		613	
Printing		509	
Equipment		206	
Electronic data processing		-0-	
Telecommunications		<u>1,281</u>	
TOTAL	\$ <u>233,500</u>	\$ <u>231,451</u>	\$ <u>2,049</u>

II. Status of FY14 Appropriation at January 1, 2014

<u>Expenditure Object</u>	<u>Appropriation</u>	<u>Expended</u>	<u>Balance</u>
Personal services		\$ 101,345	
Retirement, Employer		4,059	
Social security		7,563	
Contractual services		1,192	
Travel		479	
Commodities		45	
Printing		-0-	
Equipment		-0-	
Electronic data processing		-0-	
Telecommunications		<u>471</u>	
TOTAL	\$ <u>243,100</u>	\$ <u>115,155</u>	\$ <u>127,945</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, 2013.

APPENDIX A
Financial Audits and Compliance Examinations
(For FY2012 unless otherwise indicated)

CONSTITUTIONAL OFFICERS

Office of the Attorney General
Office of the Comptroller, Fiscal Officer Responsibilities
Office of the Comptroller, Non-Fiscal Officer Responsibilities
Office of the State Treasurer
Office of the State Treasurer, College Savings Program
Office of the State Treasurer, The Illinois Funds
Office of the Secretary of State, 2011

CODE DEPARTMENTS

Department on Aging
Department of Central Management Services
 State Employees' Deferred Compensation Plan
Department of Children & Family Services
Department of Commerce and Economic Opportunity
Department of Employment Security, 2011, 2012
Department of Financial & Professional Regulation
Department of Insurance
Department of Healthcare and Family Services, 2011
Department of Healthcare and Family Services, Community College
 Health Insurance Security Fund, 2011
Department of Healthcare and Family Services – Local Government
 Health Insurance Reserve Fund, 2011
Department of Healthcare and Family Services – Teacher Health
 Insurance Security Fund, 2011
Department of Human Services, 2011
Department of Lottery
Department of Military Affairs
Department of Natural Resources
Department of Natural Resources, Capital Assets Account, 2011
Department of Public Health, 2011
Department of Revenue, 2011
Department of State Police
Department of Transportation, financial, 2011
Illinois Gaming Board

LEGISLATIVE AGENCIES

General Assembly Retirement System
General Assembly Retirement System, financial

Joint Committee on Administrative Rules
Legislative Information System
Office of the Legislative Inspector General
Legislative Ethics Commission

OTHER AGENCIES

Capital Development Board, 2011, 2012
DryCleaner Environmental Response Trust Fund
East St. Louis Financial Advisory Authority
Emergency Management Agency, 2011
Environmental Protection Agency
Environmental Protection Trust Fund Commission
Executive Ethics Commission
Governor's Office of Management and Budget, 2011
Illinois Board of Examiners
Illinois Commerce Commission, 2011
Illinois Commerce Commission, Wireless Emergency Telephone Safety Act, 2011
Illinois Conservation Foundation
Illinois Gaming Board, 2011, 2012
Illinois Housing Development Authority, 2011, 2012
Illinois Mathematics and Science Academy
Illinois Medical District Commission
Illinois Power Agency, 2011
Illinois Prisoner Review Board
Illinois State Board of Investment
Illinois State Board of Investment, financial
IMSA Fund for Advancement of Education
Judicial Inquiry Board
Judges' Retirement System
Judges' Retirement System, financial
Kankakee River Valley Area Airport Authority
Law Enforcement Training and Standards Board
Mid-America Medical District Commission
Office of Executive Inspector General, 2011
Office of the State Appellate Defender
Office of the State's Attorneys Appellate Prosecutor
Office of the State Fire Marshal
Pollution Control Board
Procurement Policy Board
Property Tax Appeal Board
Sex Offender Management Board
State Board of Education
State Employees' Retirement System
State Employees' Retirement System, financial

State Universities Retirement System
State Universities Retirement System, financial
State Police Merit Board
Southwestern Illinois Development Authority
Teachers' Retirement System
Teachers' Retirement System, financial
Village of Robbins' Use of Municipal Economic Development Fund
Workers' Compensation Commission

HIGHER EDUCATION

Chicago State University
Illinois Community College Board
Illinois State University
Illinois Student Assistance Commission
Northeastern Illinois University
Northern Illinois University, 2011, 2012
Western Illinois University
Southern Illinois University

REGIONAL OFFICES OF EDUCATION

Adams and Pike Counties, No. 1
Alexander, Johnson, Massac, Pulaski and Union Counties, No. 2, 2011, 2012
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 and Jasper Counties, No. 12
Clinton, Marion and Washington Counties, No. 13
DeKalb County, No. 16
Edward, Hardin, Gallatin, Pope, Saline, Wabash, Wayne and White Counties, No. 20
Franklin and Williamson Counties, No. 21
Fulton and Schuyler Counties, No. 22
Grundy and Kendall Counties, No. 24
Hamilton and Jefferson Counties, No. 25, 2011
Hancock and McDonough Counties, No. 26
Henderson, Mercer and Warren Counties, No. 27
Bureau, Henry and Stark Counties, No. 28, 2011, 2012
Jackson and Perry Counties, No. 30
Kane County, No. 31
Iroquois and Kankakee Counties, No. 32
Knox County, No. 33
Lake County, No. 34

LaSalle County, No. 35
Logan, Mason and Menard Counties, No. 38
Macon and Piatt Counties, No. 39
Calhoun, Greene, Jersey and Macoupin Counties, No. 40
Madison County, No. 41
Marshall, Putnam and Woodford Counties, No. 43
McHenry County, No. 44
Monroe and Randolph Counties, No. 45
Brown, Cass, Morgan and Scott Counties, No. 46
Lee and Ogle Counties, No. 47
Peoria County, No. 48
Rock Island County, No. 49, 2011, 2012
St. Clair County, No. 50
Sangamon County, No. 51
Tazewell County, No. 53
Vermillion County, No. 54
Whiteside County, No. 55
Will County, No. 56
Intermediate Service Center, No. 1, North Cook
Intermediate Service Center No. 2, 2011
Intermediate Service Center, No. 4, South Cook

OTHER

Chicago Transit Authority, Retiree Health Care Trust, December 2012
Chicago Transit Authority, Retirement Plan, November 2012
Management Audit of the College Illinois! Prepaid
Tuition Program's Administrative Operations (May 2012)
Management Audit of the Illinois Department of Transportation's Life-Cycle Analysis
Cost Analysis for Road Construction Contracts
Program Audit of the Covering ALL KIDS Health Insurance Program
State Actuary's Annual Report on the Actuarial Assumptions and Valuations of the
Five State-Funded Retirement System
Railsplitter Tobacco Settlement Authority
2011 Statewide Single Audit

APPENDIX B

Agencies Appearing Before Commission

(For FY2012 unless otherwise indicated)

	<u>Audit Recommendations</u>	
	<u>Total</u>	<u>Repeated</u>
Constitutional Officers		
Secretary of State – 2011	9	3
CODE DEPARTMENTS		
Department of Children and Family Services		
Statewide Single Audit	9	6
Department of Employment Security – 2011	7	4
Statewide Single Audit – 2011	7	5
Department of Healthcare and Family Services – 2011	12	3
Program Audit Covering ALL KIDS Health Insurance Program	14	11
Statewide Single Audit – 2011	22	17
Department of Human Services – 2011	43	29
Program Audit Covering ALL KIDS Health Insurance Program	14	11
Statewide Single Audit – 2011	13	6
Department of Financial and Professional Regulation	14	10
Department of Lottery	2	NA
Department of Natural Resources	13	7
Department of Public Health – 2011	17	11
Statewide Single Audit – 2011	6	4
Department of Revenue – 2011	12	6
Statewide Single Audit – 2011	1	1
Department of Transportation		
Statewide Single Audit – 2011	14	8
Management Audit of Life-Cycle Cost Analysis for Road Construction Contracts	6	
OTHER AGENCIES		
Emergency Management Agency – 2011	12	10
Statewide Single Audit – 2011	5	5
Illinois Gaming Board	12	1
Illinois Housing Development Authority	13	5
Illinois Power Agency – 2011	23	22
Hamilton and Jefferson Counties Regional Office of Education	14	5
Office of Education – 2011		
State Board of Education	10	3
Statewide Single Audit	4	4

HIGHER EDUCATION

Chicago State University	29	16
Illinois Community College Board	10	4
Illinois Student Assistance Commission (financial) – 2011	10	5
Management Audit of the College Illinois! Prepaid Tuition		
Program’s Administrative Operations	15	
Statewide Single Audit	4	3
Northeastern Illinois University	12	5

APPENDIX C
Emergency Purchase Transactions
Calendar Year 2013

	Number	Anticipated Cost
CONSTITUTIONAL OFFICERS		
Auditor General	3	\$ 687,840
State Comptroller	1	16,492
CODE DEPARTMENTS		
Central Management Services	25	2,219,788
Commerce & Economic Opportunity	2	992,559
Corrections	73	10,241,796
Employment Security	3	1,479,151
Healthcare & Family Services	6	11,683,075
Human Services	9	1,953,646
Juvenile Justice	5	408,995
Natural Resources	6	287,282
Public Health	7	1,011,985
State Police	4	989,000
Transportation	12	1,342,331
Veterans' Affairs	5	330,691
OTHER AGENCIES		
Capital Development Board	14	2,166,285
State Board of Elections	1	45,750
Student Assistance Commission	3	324,638
Toll Highway Authority	5	754,884
UNIVERSITIES		
Governors State University	1	97,181
Illinois State University	1	346,150
Northeastern Illinois University	2	183,195
Northern Illinois University	5	3,300,555
Southern Illinois University	4	1,375,694
University of Illinois	<u>31</u>	<u>31,894,153</u>
 GRAND TOTAL	 <u>228</u>	 <u>\$ 74,133,116</u>

APPENDIX D
Travel Headquarter Reports
July 16, 2013 – January 15, 2014

CONSTITUTIONAL OFFICERS	<u>Reported</u>
Attorney General	0
Auditor General	0
Comptroller	12
Office of the Governor	0
Executive Ethics Commission	0
Inspector General	0
Secretary of State	227
State Treasurer	4
JUDICIAL AGENCIES	
Administrative Office of the Illinois Courts	0
Judges' Retirement System	0
State Appellate Defender	0
State's Attorney Appellate Prosecutor	4
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	11
House – Republican	2
Retirement System	0
Senate	0
Joint Committee on Administrative Rules	0
Legislative Audit Commission	0
Legislative Ethics Commission	2
Legislative Information System	0
Legislative Inspector General	2
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	193
Department of Central Management Services	53
Department of Children and Family Services	8
Department of Commerce and Economic Development	53

Department of Corrections	408
Department of Juvenile Justice	2
Department of Employment Security	0
Department of Financial and Professional Regulation	133
Department of Healthcare and Family Services	49
Department of Human Rights	0
Department of Human Services	469
Department of Insurance	61
Department of Labor	14
Department of Natural Resources	58
Department of Revenue	416
Department of State Police	17
Department of Transportation	594
Department of Veterans' Affairs	0
Illinois Gaming Board	1
Illinois Racing Board	0

OTHER AGENCIES

Arts Council	0
Capital Development Board	14
Civil Service Commission	6
Commerce Commission	37
Court of Claims	0
Criminal Justice Information Authority	1
Deaf and Hard of Hearing Commission	0
Educational Labor Relations Board	5
Emergency Management Agency	0
Environmental Protection Agency	24
Executive Ethics Commission	0
Governor's Office of Management and Budget	0
Historic Preservation Agency	0
Housing Development Authority	11
Human Rights Commission	0
Illinois Board of Examiners	13
Illinois Finance Authority	1
Illinois Power Agency	0
Independent Tax Tribunal	0
Labor Relations Board	0
Math & Science Academy	0
Pollution Control Board	0
Prisoner Review Board	15
Procurement Policy Board	0
Property Tax Appeal Board	0
State Board of Education	35
State Board of Elections	4
State Board of Investment	0

State Fire Marshal	74
State Employees' Retirement System	4
State Toll Highway Authority	0
Teachers' Retirement System	0

HIGHER EDUCATION

Chicago State University	23
Eastern Illinois University	173
Governors State University	0
Illinois State University	384
Illinois Student Assistance Commission	0
Northern Illinois University	20
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	21