STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE EXAMINATION
For the two years ended June 30, 2009

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE EXAMINATION

For the two years ended June 30, 2009

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STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AGENCY OFFICIALS

For the two years ended June 30, 2009

Governor - as of January 29, 2009	Mr. Pat Quinn
Governor - until January 29, 2009	Mr. Rod Blagojevich
Chief of Staff - as of February 16, 2009	Mr. Jerome Stermer
Chief of Staff - January 16, 2009 through February 16, 2009	Mr. Clayton Harris III
"acting" Chief of Staff - December 17, 2008 through January 15, 2009	Mr. Clayton Harris III
Chief of Staff - until January 15, 2009	Mr. John Harris
Deputy Governor - March 14, 2009 through present	Vacant
Deputy Governor - December 1, 2008 through March 13, 2009	Mr. Dean Martinez
Deputy Governor - June 16, 2008 through December 10, 2008	Mr. Robert Greenlee
Deputy Governor - until February 13, 2009	Ms. Louanner Peters
Deputy Governor - until June 13, 2008	Ms. Sheila Nix
Chief Administrative Officer - as of March 2, 2009	Mr. Jack Lavin
Chief Administrative Officer - November 6, 2008 through March 1, 2009	Vacant
Chief Administrative Officer - until November 5, 2008	Mr. John Filan
General Counsel - as of February 9, 2009	Mr. Theodore Chung
General Counsel - December 31, 2008 through February 8, 2009	Vacant
General Counsel - until December 30, 2008	Mr. William Quinlan
Fiscal Director	Mrs. Mary Fanning

Agency offices are located at:

414 Stratton Building
Springfield, IL 62706

207 State House
Springfield, IL 62706

100 West Randolph
JRTC 16-100
Chicago, IL 60601

444 N. Capitol Street, Suite 400
Washington, DC 20001

OFFICE OF THE GOVERNOR
207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

PAT QUINN
GOVERNOR

May 7, 2010

Doehring, Winders & Co, LLP
1601 Lafayette Avenue
Mattoon, Illinois 61938

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Office of the Governor. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Office of the Governor's compliance with the following assertions during the two-year period ended June 30, 2009. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2008, the Office of the Governor has materially complied with the assertions below except as noted in the Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes.

A. The Office of the Governor has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Office of the Governor has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Office of the Governor has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Office of the Governor are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the Office of the Governor have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Office of the Governor

Jerome Stermer, Chief of Staff

Mary Fanning, Fiscal Director

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE REPORT SUMMARY

For the two years ended June 30, 2009

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	5	6
Repeated findings	3	1
Prior recommendations implemented or not repeated	3	5

Details of findings are included in a separate section of this report.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
09-1	9	Use of Outside Legal Counsel	Material Weakness and Material Noncompliance
09-2	14	Monitoring of Outside Legal Work	Significant Deficiency and Noncompliance
09-3	16	Appointments of Members to Boards and Commissions	Significant Deficiency and Noncompliance
09-4	20	Inadequate Monitoring of Interagency Agreements	Significant Deficiency
09-5	21	Non-compliance with Statutorily Mandated Responsibilities	Significant Deficiency and Noncompliance
		PRIOR FINDINGS NOT REPEATED	
A	23	Employee Individual Development and Performance Reviews not Conducted on a Regular Basis	
B	23	Computer Equipment not Installed or Used in a Timely Manner	
C	23	State Property not Properly Recorded or Safeguarded	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on May 3, 2010. Attending were:

Office of the Governor
- Mary Fanning, Fiscal Director
- John Schomberg, Deputy General Counsel
- Israel Salazar, Director - Office of Executive Appointments

Office of the Auditor General
- Kevin Carhill, Audit Manager
- Mike Maziarz, Audit Manager
- Auzy Oliver, Audit Supervisor

Doehring, Winders & Co. LLP
- Robert Arnholt, Partner
- Matthew Clarkson, Supervising Senior Accountant

Responses to the recommendations were provided by Mary Fanning in correspondence received May 6, 2010.

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61938

Independent Accountant's Report on State Compliance,
on Internal Control over Compliance, and on
Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois - Office of the Governor's (Office) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2009. The management of the Office is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Office's compliance based on our examination.

A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Office's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Office's compliance with specified requirements.

As described in finding 09-1 in the accompanying schedule of findings, the Office did not comply with requirements regarding A, B, and C. Compliance with such requirements is necessary, in our opinion, for the Office to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Office complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2009. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 09-2, 09-3, and 09-5.

Internal Control

The management of the Office is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Office's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as finding 09-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in findings 09-2 through 09-5 in the accompanying schedule of findings, to be significant deficiencies.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

The Office's response to the findings indentified in our examination are described in the accompanying schedule of findings. We did not examine the Office's response and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2008 and the 2009 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2007 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

Doehring, Winders & Co. LLP

May 7, 2010

09-1 USE OF OUTSIDE LEGAL COUNSEL

The Office of the Governor (Office) made extensive use of the services of outside legal counsel during the audit period. These services were not competitively procured, the Office had other State agencies pay for the services with no documentation to support the payment percentages or benefits the State agencies received, and utilizing these outside attorneys was not as cost effective for taxpayers as utilizing the Attorney General.

Legal Costs

During the engagement period, the Office **executed** 62 contracts with outside legal counsel. Hourly rates ranged from $75 per hour to $425 per hour. The State paid **over $7.2 million** for these legal services. Exhibit 1 provides a listing, by contract number, of the amount paid by the State under these agreements.

Exhibit 1
STATE PAYMENTS UNDER OUTSIDE LEGAL CONTRACTS
FY08-FY09

Contract #	Payments	Contract #	Payments	Contract #	Payments
GOV200016	$1,943,596.79	GOV200053	$20,045.76	GOV200077	$60,512.80
GOV200017	$112,452.62	GOV200055	$34,639.02	GOV200078	$207,947.50
GOV200022	$0.00	GOV200057	$83,900.31	GOV200079	$3,306.75
GOV200025	$78,688.02	GOV200058	$490,173.30	GOV200080	$3,105.93
GOV200026	$1,626.00	GOV200059	$82,833.76	GOV200081	$50,064.95
GOV200027	$2,868.54	GOV200060	$631,639.61	GOV200082	$218,168.46
GOV200030	$37,051.36	GOV200061	$348,984.81	GOV200083	$58,686.77
GOV200031	$57,004.32	GOV200063	$247,692.00	GOV200084	$22,195.40
GOV200034	$0.00	GOV200064	$2,758.39	GOV200085	$61,681.10
GOV200035	$0.00	GOV200065	$3,077.82	GOV200089	$37,093.84
GOV200036	$54,276.84	GOV200066	$21,439.13	GOV200090	$189,689.08
GOV200037	$0.00	GOV200067	$322,295.97	GOV200094	$255.58
GOV200038	$0.00	GOV200068	$29,312.95	GOV200095	$6,778.39
GOV200039	$119,488.70	GOV200069	$67,442.05	GOV200096	$7,736.41
GOV200041	$21,885.36	GOV200070	$36,577.59	GOV200097	$24,928.00
GOV200042	$1,152.25	GOV200071	$6,614.74	GOV200098	$19,130.77
GOV200043	$28,349.26	GOV200072	$19,840.00	GOV200099	$49,503.90
GOV200044	$438.53	GOV200073	$67,471.84	GOV200100	$173,271.38
GOV200050	$0.00	GOV200074	$32,688.75	GOV200101	$0.00
GOV200051	$6,600.00	GOV200075	$388,723.28	GOV20017A	$274,625.18
GOV200052	$309,458.12	GOV200076	$48,993.45		
				TOTAL	*$7,230,763.43*

Competitive Procurement

A review of the outside legal contracts showed the work could be classified as either general legal representation or legal work as appointed Special Assistant Attorneys General. Forty-seven percent (29 of 62) contracts were for general legal representation. Our review found that **none** of the 29 contracts for general legal services had been competitively procured. State payments under these 29 contracts totaled $5.2 million during the two years of the audit period.

09-1 USE OF OUTSIDE LEGAL COUNSEL (continued)

The Office reported that the contracts were **not competitively procured**, the basis being an exemption in the Procurement Code for "anticipated litigation." (30 ILCS 500/1-10(b)(7)) A review of the contractual agreements shows that no legal case was mentioned for these 29 contracts. The exemption requires the approval of the General Counsel from the Office as a means of documentation. The Office maintains that for the use of the exemption by the Office no documentation is necessary. However, this position appears counter to the public policy of the State that "the principles of competitive bidding and economical procurement practices shall be applicable to **all** purchases and contracts by or for **any** State agency (emphasis added)." (30 ILCS 500/1-5)

Interagency Agreements

Nineteen State agencies paid for the services contracted for by the Office during the audit period. The Office generally executed interagency agreements with the State agencies detailing what percentage each agency would pay for the outside legal work. Exhibit 2 details how much each agency paid during FY08 and FY09 for the work.

Exhibit 2
STATE AGENCY PAYMENTS
FY08-FY09

AGENCY/DEPARTMENT	FY08	FY09	TOTAL
Central Management Services	$907,994.18	$587,413.90	$1,495,408.08
Healthcare and Family Services	$728,506.35	$511,133.30	$1,239,639.65
Public Health	$507,577.89	$345,547.94	$853,125.83
Transportation	$478,552.59	$318,363.97	$796,916.56
Revenue	$394,620.68	$271,991.98	$666,612.66
Corrections	$336,955.76	$202,642.62	$539,598.38
Human Services	$215,747.98	$219,106.15	$434,854.13
Commerce and Economic Opportunity	$276,721.41	$121,025.55	$397,746.96
Illinois State Police	$164,595.63	$85,035.03	$249,630.66
Natural Resources	$71,508.15	$81,091.98	$152,600.13
Children and Family Services	$102,175.33	$21,110.04	$123,285.37
Court of Claims	$12,749.93	$62,804.07	$75,554.00
Financial and Professional Regulation	$32,117.26	$27,505.35	$59,622.61
Employment Security	$31,860.95	$26,778.01	$58,638.96
Historic Preservation	$27,451.40	$29,552.92	$57,004.32
Office of the Governor	$11,755.58	$10,019.13	$21,774.71
Environmental Protection	$3,052.97	$456.03	$3,509.00
State Board of Education	$3,077.82	$0.00	$3,077.82
Capital Development Board	$0.00	$2,163.60	$2,163.60
TOTAL	$4,307,021.86	$2,923,741.57	$7,230,763.43

The Office **paid less than 1 percent** ($21,775 of $7,230,763) of all billings during the audit period. While the interagency agreements were executed pursuant to the Intergovernmental Cooperation Act (5 ILCS 220), the Office **had no documentation** to show how it was determined what agencies would be responsible for payment and how much each agency would pay.

09-1 USE OF OUTSIDE LEGAL COUNSEL (continued)

Our review of the billings showed that some work had **questionable benefit for the State agencies** that paid the billings. Our review found:

- Contract GOV200036 – General Legal Services contract paid by Departments of Public Health, Transportation, Healthcare and Family Services, Central Management Services and Human Services:
  - FY09 billing details $12,080 in work for impeachment which would not appear to benefit the State agencies that paid the billing.
  - FY08 billing details $5,989 for research on a grant to Pilgrim Baptist Church, a grant that was not paid by any of the State agencies that paid for this work.
  - FY08 billing details $5,192 in work regarding the Chicago Park District and special assessments.
- Contract GOV200051 – Contract for assistance in taxation and other financial matters paid by the Department of Revenue:
  - FY09 billing details $1,100 in work on the constitutionality of the Governor's veto power would not appear to benefit the Department of Revenue.
  - FY08 billing details $5,500 in work researching the obligations of the General Assembly after the Governor convenes a special session.
- Contract GOV200058 – General Legal Services contract paid by the Departments of Corrections, Central Management Services, Children and Family Services, Healthcare and Family Services, Transportation, Commerce and Economic Opportunity, Revenue and the Illinois State Police:
  - FY09 billing detail shows work for Senate appointment research that would not have benefited the State agencies that paid for the billing.
  - FY08 billing details $300,000 of work related to the Governor's ability to call special legislative sessions and impeachment memos.
- Contract GOV200061 – General Legal Services contract paid by the Departments of Corrections, Central Management Services, Children and Family Services, Healthcare and Family Services, Transportation, Commerce and Economic Opportunity, Revenue and the Illinois State Police:
  - FY09 billings mainly detailed work related to depositions of Governor's office staff.
  - FY08 billings indicated that the work was for the Governor vs. the Speaker of the Illinois House of Representatives yet eight State agencies paid for the services.
- Contract GOV200078 – General Legal Services contract paid by the Departments of Central Management Services and Healthcare and Family Services:
  - FY09 billings showed work on veteran's preference and substituting members of the Commission on Governmental Forecasting would not appear to benefit the agencies that paid for this work.

Funds State agencies used to pay for these outside legal contracts executed by the Office are then unavailable for the agencies to use for their stated missions. This is especially egregious when there is no benefit to the State agency.

Special Assistant Attorney General Appointments

Thirty-three of the outside legal contracts were executed by the Office pursuant to its request to have Special Assistant Attorneys General appointed to represent the Governor. An official for the Attorney General's Office reported that the previous Governor requested his own separate representation virtually every time he was named in a lawsuit. This request was made at the same time the Attorney General would be representing other State employees named in the same lawsuit. While the Special Assistant Attorney's General were compensated at a rate of $200 per hour, the same work potentially could have been performed internally by the Attorney General for less.

09-1 USE OF OUTSIDE LEGAL COUNSEL (continued)

Our review also found that 36 percent (12 of 33) of the contracts which were made based on the Office requesting a Special Assistant from the Attorney General were executed by the Office **prior to receiving a formal appointment**.

In two other contracts the Office went ahead and executed agreements even after receiving a formal denial of the appointment by the Attorney General. Documentation showed:

- Contract GOV200098 – The Office executed an agreement (on 10/23/08) with the firm after the Attorney General **denied appointment** of the attorney as a Special Assistant. An attorney from the firm filed an appeal in the case even though he was not appointed to represent the State in the matter. The Department of Healthcare and Family Services paid $19,131 for the work.
- Contract GOV200099 – The Attorney General **denied** the Office's request for a Special Assistant on 10/17/08. The Office went ahead and executed a contract with the firm anyway on 10/23/08. An attorney filed an appeal even though he was not appointed and three State agencies paid $49,504 to the vendor in FY09.

The contracts detailed in this finding were executed by staff from the **previous** administration. Current administration officials reported that a review was conducted in March 2009 of the use of outside legal counsel. The decision was made to renew 17 contracts for FY10, cancel 12 of the contracts, and not renew another 19 in FY10.

Because of the significance of the exceptions regarding noncompliance with applicable laws and regulations, this is considered to be a material weakness in the Office's internal control over State compliance. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies, including the Office, to establish and maintain a system, or systems, of internal fiscal and administrative controls. These controls should provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; and (2) obligations and costs are in compliance with applicable law. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected on a timely basis. (Finding Code No. 09-1)

RECOMMENDATION

We recommend that when the Office deems the use of outside counsel necessary it should document that competitive procurement is not in the best interest of the State when it makes use of the exemption in the Procurement Code. Additionally, the Office should have formal documentation showing how any agency that is required to make payments under interagency agreements benefits from the work performed. Also, the Office should not use attorneys to represent the State in court unless approved by the Attorney General. Finally, the Office should document that the use of the external legal services, as opposed to utilizing the Attorney General, are in the best financial interests of the State.

OFFICE RESPONSE

The Office agrees with this recommendation. The above recommendation arose out of actions largely, if not entirely, taken by the previous administration. The Office has created policies and procedures regarding the retention of outside counsel and, since Governor Quinn took office, has made the use of outside counsel the option of last resort—reserved for only those occasions when the Office of the Attorney General has a conflict,

09-1 USE OF OUTSIDE LEGAL COUNSEL (continued)

lacks the resources, or lacks the particular expertise to represent the Office in a matter. The Office consults with the Office of the Attorney General regarding the applicability of these exceptions. When at all practicable, the Office will secure SPAAG approval prior to letting outside counsel represent the Office in court. In those few instances when a time-sensitive matter (e.g. the seeking of a temporary restraining order) does not allow formal approval prior to going to court, the Office will contact the Office of the Attorney General ahead of time and seek short-term, informal approval. On the rare occasions when the Office seeks to use outside counsel, the Office will consider the legal interests, short-term financial interests, and long-term financial interests of the State.

09-2 MONITORING OF OUTSIDE LEGAL COUNSEL WORK

The Office of the Governor (Office) had no policies and procedures for monitoring the work of contracted outside legal counsel. This resulted in significant control issues, including payments for legal work performed by individuals that had yet to be licensed to practice law and paying for expenses by attorneys when they had not charged work hours on those same days. Given that the State paid over $7.2 million during FY08 and FY09 to these contractors, the lack of monitoring put State assets in jeopardy of loss.

The Office is identified, in interagency agreements with State agencies responsible for payment of the outside legal work, as the "Coordinating Agency responsible for the preparation of the underlying contract and other administrative functions in connection with these services." Billings under these outside legal contracts also showed that the Office received the billings and approved them for payment. After approval, the billings were sent to the State agencies responsible for payment.

We reviewed all FY08 and FY09 billings submitted by the outside legal services providers to determine whether contractual obligations were met, assigned attorneys were utilized and expenses were adequately supported by documentation. In total, we questioned $1,115,404 (15 percent) of the FY08 and FY09 expenditures. Specifically we found:

- **Use of Attorneys Not Named in Attorney General Appointments:** In 23 percent of the contracts (14 of 62) firms billed, the Office approved, and State agencies paid for services of attorneys that had not been specifically appointed by the Attorney General. Appointment documentation showed instances where the Governor had requested multiple attorneys but the Attorney General only would appoint one or two. Over the two year audit period we **questioned $316,689** in billings for non-appointees.
- **Use of Unlicensed Attorneys:** In 21 percent of the contracts (13 of 62) firms billed individuals as attorneys that had yet to be licensed. As part of our review we compared billed attorneys to the list of registered attorneys on the Attorney Registration and Disciplinary Commission (ARDC) website. The Office reviewed billings and approved individuals that either were not registered with ARDC or had yet to be registered while they billed hours. Over the two year audit period we **questioned $279,839** in billings.
- **Charged Time Prior to Contract Execution or Appointment:** In 26 percent of the contracts (16 of 62) firms billed, the Office approved and State agencies paid for services that occurred either prior to the execution of the contract (between the Office and the vendor) or prior to a specific appointment by the Attorney General. We **questioned $187,931** over the two year period.
- **Rates Not Specified in Contract/Overpaid Rates:** In 24 percent of the contracts (15 of 62) billings included rates that were either not specified in contractual agreements or rates which were higher than the stated rate in the contractual agreement. The Office approved such rates and State agencies paid these billings. We **questioned $130,297** over the two year period.
- **Legal Research Expenses:** In 15 percent of the contracts (9 of 62) firms billed for legal research on days when the individual had either not charged any time to the State contract or when the time had been denied by the Office. We **questioned $19,926** over the two years.
- **Lack of Billing Invoices or Detailed Support:** In 15 percent of the contracts (9 of 62) the Office did not have documentation to support the detail of the billing or lacked billing invoices for services paid by State agencies. We **questioned $169,595** over the two year period.
- **Billings Paid Under Incorrect Contract:** The Office approved billings that were specific to named matters and sent these billings to State agencies to pay under a general legal services contract. We **questioned $11,127** under the contract.

09-2 MONITORING OF OUTSIDE LEGAL COUNSEL WORK (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies, including the Office, to establish and maintain a system, or systems, of internal fiscal and administrative controls. Good internal controls require billings, including the legal billings, be properly evaluated before payment is made to ensure that the State received quality services and only services for which it was contractually obligated. (Finding Code No. 09-2)

RECOMMENDATION

We recommend that the Office develop policies and procedures for staff to follow when monitoring the work of contracted outside legal counsel. The procedures should include ensuring: that only attorneys authorized to work on the contracts charge time that is paid by the State; that legal research charges are supported by the attorney actually detailing effort on the same days; that the use of attorneys specifically appointed by the Attorney General is strictly enforced; and that rates only be paid that are detailed in contractual agreements.

OFFICE RESPONSE

The Office agrees with this recommendation. The Office is currently developing Outside Counsel Guidelines for both the Office and agencies that are direct reports to the Governor. With respect to legal research, the Office will ensure that research and attorney work were done on the same day or that there is an adequate explanation why they were not (e.g. attorney time was written off, legal research billing is delayed from the actual date of research). The Office will also ensure that rates billed and paid are equal to or less than those contained in the legal contracts.

09-3 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS

The Office of the Governor (Office) did not make all required appointments to various boards and commissions.

Thirty of 74 (41%) of the boards and commissions tested did not have the required number of appointees. These were:

- Advisory Board to the Department of Labor – 6 vacancies
- Interagency Committee on Employees with Disabilities - 1 vacancy
- Lottery Control Board - 2 vacancies
- Illinois Finance Authority - 4 vacancies
- Council on Responsible Fatherhood - 5 vacancies
- Motor Vehicle Theft Prevention Council – 4 vacancies
- East St. Louis Financial Advisory Board – 2 vacancies
- Eastern Illinois Economic Development Authority – 1 vacancy
- Jackson-Union Counties Regional Port District Board – 1 vacancy
- Seneca Regional Port District Board - 1 vacancy
- Illinois Mathematics and Science Academy Board of Trustees - 2 vacancies
- Board of Debt Management Service - 3 vacancies
- Real Estate Appraisal Board - 4 vacancies
- Epilepsy Advisory Committee - 4 vacancies
- Carnival Amusement Safety Board - 1 vacancy
- Worker's Compensation Commissions Review Board – 1 vacancy
- State Rehabilitation Council - 4 vacancies
- Board of the Illinois State Museum – 2 vacancies
- Statewide Independent Living Council - 4 vacancies
- Elevator Safety Review Board - 4 vacancies
- Community Water Supply Operator's Advisory Board - 1 vacancy
- Illinois Ethanol Research Advisory Board - 1 vacancy
- Air Service Commission - 2 vacancies
- Illinois Advisory Council on Alcoholism and Other Drug Dependency - 6 vacancies
- Advisory Council on the Education of Children with Disabilities - 5 vacancies
- Illinois Student Assistance Commission - 3 vacancies
- Site Remediation Advisory Committee - 4 vacancies
- Illinois River Coordinating Council - 1 vacancy
- Mississippi River Coordinating Council - 7 vacancies
- Maternal and Child Health Advisory Board - 8 vacancies

No appointments were made to 7 of 74 (9%) of the boards and commissions tested. These were:

- Commission on Discrimination and Hate Crimes
- Illinois Steel Development Board
- Hospital Basic Services Review Board
- Central Illinois Economic Development Authority
- Health Care Workplace Violence Prevention Task Force
- HIV/AIDS Response Review Panel

09-3 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS (continued)

- Children's Savings Account Task Force

The Civil Administrative Code (20 ILCS 5/5-555) requires the Governor to appoint 13 members to the Advisory Board to the Department of Labor.

The Personnel Code (20 ILCS 415/19a) requires the Governor to appoint 4 State employees with disabilities to the Interagency Committee on Employees with Disabilities.

The Lottery Law (20 ILCS 1605/6) requires the Governor to appoint 5 members to the Lottery Control Board.

The Finance Authority Act (20 ILCS 3501/801-15) requires the Governor to appoint 15 members to the Illinois Finance Authority.

The Council on Responsible Fatherhood Act of 2008 (20 ILCS 3928/15) requires the Governor to appoint 21 members to the Council on Responsible Fatherhood.

The Motor Vehicle Theft Prevention Act (20 ILCS 4005/4) requires the Governor to appoint 7 members to the Motor Vehicle Theft Prevention Council.

The Financially Distressed City Law (65 ILCS 5/8-12-7) requires the Governor to appoint 5 members to the East St. Louis Financial Advisory Board.

The Eastern Illinois Economic Development Authority Act (70 ILCS 506/15(b)) requires the Governor to appoint 3 members to the Eastern Illinois Economic Development Authority.

The Jackson-Union Counties Regional Port District Act (70 ILCS 1820/16) requires the Governor to appoint 4 members to the Jackson-Union Counties Regional Port District Board.

The Seneca Regional Port District Act (70 ILCS 1845/16) requires the Governor to appoint 3 members to the Seneca Regional Port District Board.

The Mathematics and Science Academy Law (105 ILCS 305/3) requires the Governor to appoint 8 members to the Illinois Mathematics and Science Academy Board of Trustees.

The Debt Management Service Act (205 ILCS 665/15.1) requires the Governor to appoint 5 members to the Board of Debt Management Service Advisors.

The Real Estate Appraiser Licensing Act of 2002 (225 ILCS 458/25-10(a)) requires the Governor to appoint 10 members to the Real Estate Appraisal Administration and Disciplinary Board.

The Epilepsy Disease Assistance Act (410 ILCS 413/15) requires the Governor to appoint 13 members to the Epilepsy Advisory Committee.

The Carnival and Amusement Rides Safety Act (430 ILCS 85/2-3) requires the Governor to appoint 7 members to the Carnival-Amusement Safety Board.

The Worker's Compensation Act (820 ILCS 305/14.1) requires the Governor to appoint 2 members to the Illinois Workers' Compensation Commission Review Board.

09-3 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS (continued)

The Civil Administrative Code of Illinois (20 ILCS 5/5-550) requires the Governor to appoint 25 members to the State Rehabilitation Council.

The Department of Natural Resources Act (20 ILCS 801/20-10(a)) requires the Governor to appoint 11 members to the Board of the Illinois State Museum.

The Disabled Persons Rehabilitation Act (20 ILCS 2405/12a(d)) requires the Governor to appoint 18 members to the Statewide Independent Living Council.

The Elevator Safety and Regulation Act (225 ILCS 312/25(a)) requires the Governor to appoint 14 members to the Elevator Safety Review Board.

The Public Water Supply Operations Act (415 ILCS 45/11) requires the Governor to appoint 5 members to the Community Water Supply Operator's Advisory Board.

The Southern Illinois University Management Act (110 ILCS 520/6.6(b)) requires the Governor to appoint 6 at-large members to the Illinois Ethanol Research Advisory Board.

The I-Fly Act (20 ILCS 3958/20) requires the Governor to appoint 5 members to the Air Service Commission.

The Alcoholism and Other Drug Abuse and Dependency Act (20 ILCS 301/10-15) requires the Governor to appoint 13 members to the Illinois Advisory Council on Alcoholism and Other Drug Dependency.

The School Code (105 ILCS 5/14-3.01) requires the Governor to appoint 23 members to the Advisory Council on the Education of Children with Disabilities.

The Higher Education Student Assistance Act (110 ILCS 947/15(a)) requires the Governor to appoint 10 members to the Illinois Student Assistance Commission.

The Environmental Protection Act (415 ILCS 5/58.11(a)) requires the Governor to appoint 10 members to the Site Remediation Advisory Committee.

The Illinois River Watershed Restoration Act (20 ILCS 3967/15(a)) requires the Governor to appoint 13 members to the Illinois River Coordinating Council.

The Mississippi River Coordinating Council Act (20 ILCS 4003/10(a)) requires the Governor to appoint 13 members to the Mississippi River Coordinating Council.

The Illinois Family Case Management Act (410 ILCS 212/20(a)) requires the Governor to appoint 20 members to the Maternal and Child Health Advisory Board.

The Commission on Discrimination and Hate Crimes Act (20 ILCS 4070/10(a)) requires the Governor to appoint 20 members to the Commission on Discrimination and Hate Crimes.

The Department of Commerce and Economic Opportunity Law (20 ILCS 605/605-425(a)) requires the Governor to appoint 8 members to the Illinois Steel Development Board.

The Hospital Basic Services Preservation Act (20 ILCS 4050/7(b)) requires the Governor to appoint 1 member to the Hospital Basic Services Review Board.

09-3 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS (continued)

The Central Illinois Economic Development Authority Act (70 ILCS 504/15(b)(2)) requires the Governor to appoint 3 members to the Central Illinois Economic Development Authority.

The Health Care Workplace Violence Prevention Act (405 ILCS 90/35(b)) requires the Governor to appoint 11 members to the Health Care Workplace Violence Prevention Task Force.

The African-American HIV/AIDS Response Act (410 ILCS 303/25) requires the Governor to appoint 6 members to the HIV/AIDS Response Review Panel.

The Illinois Children's Savings Account Act (20 ILCS 4065/15) requires the Governor to appoint 13 members to the Children's Savings Account Task Force.

According to Office personnel, the appointments were not made because the Governor is charged with the task of appointing several thousand individuals to over 300 boards and commissions, and often the membership requirements are very specific and difficult to fill.

Failure to appoint members to boards and commissions can result in those boards and commissions not performing their duties. Failure to appoint members also violates the specific statute that created the board or commission. (Finding Code No. 09-3, 07-2)

RECOMMENDATION

We recommend the Office continue to pursue appointments to all boards and commissions as mandated by statutes.

OFFICE RESPONSE

The Office agrees with the Recommendation.

Governor Quinn's Office of Executive Appointments (formerly "Boards and Commissions") has taken dramatic steps to revamp the State's 300+ boards and commissions appointment process by increasing transparency and reducing the staggering number of vacancies and expired terms inherited from the previous administration.

A new public website was created and launched in April of 2009 (www.appointments.illinois.gov) that has since generated several million page hits and over 3,287 applications from interested citizens. This progressive step in State government has culminated in over 730 appointments made to various State boards and commissions in one year's time.

In relation to the entities randomly tested and found to be non-compliant, the Office has since reduced the deficiency percentage from 41% to 12%. This was done by making appointments, reappointments, or advancing legislation to officially repeal the act creating the entity for those that have been identified as duplicative or to have fulfilled their mission.

While vacancies currently remain, real progress has been made towards complete compliance.

09-4 INADEQUATE MONITORING OF INTERAGENCY AGREEMENTS

The Office of the Governor's (Office) process to monitor interagency agreements was inadequate.

During our testing of interagency agreements between the Office and other State agencies the following deficiencies were identified:

- Fifteen of 25 (60%) interagency agreements tested were not signed by the office before the effective date. The agreements were signed 2 to 132 days after the effective date.

Prudent business practices require the approval of agreements prior to the effective date. Prudent business practices also dictate that payments should not be paid prior to the effective date or the date the agreement was signed by all parties.

Office personnel stated the agreements are between governmental units, with a spirit of cooperation and terms agreed to. Signatures are not viewed as a formal contract between outside vendors but documentation to explain action, employee assignments, etc.

In order to assess whether the agreement is reasonable and appropriate, the agreement needs to be approved prior the effective date. Erroneous payments could be made if payments are made before the effective date or the date the agreement was signed by all parties. (Finding Code No. 09-4, 07-3)

RECOMMENDATION

We recommend the Office ensure interagency agreements are approved by all parties prior to the effective date of the agreement. Additionally the Office should take the necessary steps to increase monitoring of the billings and expenses submitted to ensure no payments are made before the effective date of the agreements.

OFFICE RESPONSE

The Office agrees with this recommendation. The Office will strive to have all IGAs fully executed prior to their effective date. While the billings and expenses are ordinarily paid by the agency(ies) with which the Office is entering into the IGA, the Office will strive to ensure that no payments are made prior to the effective date of the agreements.

09-5 NON-COMPLIANCE WITH STATUTORILY MANDATED RESPONSIBILITIES

During our testing we noted the Office of the Governor (Office) did not perform the following responsibilities as required by State statutes:

- The Office did not designate an African-American HIV/AIDS Response Officer. The African-American HIV/AIDS Response Act (410 ILCS 303/10) requires the designation of an African-American HIV/AIDS Response Officer in the Office to be responsible for coordinating efforts to address the African-American AIDS crisis and to serve as a liaison to governmental and non-governmental entities.

- The Office did not designate an Early Childhood Intervention Ombudsman. The Early Intervention Services System Act (325 ILCS 20/9) requires the creation of an Early Childhood Intervention Ombudsman in the Office to assist families and local parties in ensuring that all State agencies serving eligible families do so in a comprehensive and collaborative manner.

  According to Office personnel, the Governor's Office did not designate the positions within the Agency since the appropriate agencies under the Governor have individuals and the framework to meet the needs of these positions and answer to the Governor. The redundancy is inefficient and costly and legislation should alter the verbiage to correct the situation.

- The Office did not determine the compensation for the curator of the Executive Mansion as required by the Historic Resources Preservation Act (20 ILCS 3420/5(f)).

  According to Office personnel this noncompliance resulted since there has not been any money appropriated to pay the salary, and the salary has been determined by a separate not-for-profit group that oversees the Executive Mansion.

- The Office did not properly number Executive Orders. The Secretary of State Act (15 ILCS 305/6a) specifies that Executive Orders shall be numbered in an annual series with the number of the order or proclamation preceded by the last two figures of the current year and a dash. During our testing of Executive Orders executed during the engagement period, we noted that 5 of 15 orders issued by Governor Pat Quinn, and 4 of 4 orders issued by former Governor Rod Blagojevich did not comply with the numbering system.

  Office personnel stated that inadvertent oversight caused the Executive Orders to be improperly numbered.

- The Office did not maintain documentation showing that the Governor's appointment to the Review Board of the Illinois Workers' Compensation Commission was certified with the Secretary of the Illinois Workers' Compensation Commission as required by the Workers' Compensation Act (820 ILCS 305/14.1).

  According to Office personnel, no appointments were made to the Commission during the examination period, and certifications made by previous administrations could not be located.

Not complying with the responsibilities as outlined in the State statutes can prevent the Office from effectively serving the people of the State or assisting other State agencies through the mandated committee, council, task force and designations. (Finding Code No. 09-5, 07-5)

RECOMMENDATION

We recommend the Office comply with the responsibilities as set forth in the State statutes.

09-5 NON-COMPLIANCE WITH STATUTORILY MANDATED RESPONSIBILITIES (continued)

OFFICE RESPONSE

The Office agrees with the Recommendation. The Office will work diligently to ensure that all required and necessary steps are taken to ensure that the people of Illinois are appropriately served in an efficient manner. Furthermore, we pledge to provide these services for the public while not creating needless duplication or waste within State operations.

PRIOR FINDINGS NOT REPEATED - *STATE*

A EMPLOYEE INDIVIDUAL DEVELOPMENT AND PERFORMANCE REVIEWS NOT CONDUCTED ON A REGULAR BASIS

In the prior examination, the Office did not conduct Individual Development and Performance Reviews on a timely basis in accordance with the Personnel Rules of the Illinois Administrative Code. (Finding Code No. 07-1)

Status: Not Repeated

Prior to the current examination, the Office removed rules requiring periodic reviews of employees, and it was determined that the Office was exempt from Personnel Rules of the Illinois Administrative Code; therefore, this finding is not repeated.

B COMPUTER EQUIPMENT NOT INSTALLED OR USED IN A TIMELY MANNER

In July 2006 the Office purchased 140 biometric reader (thumbprint scanner) security devices for their computers at a cost of $23,100. Office personnel stated the devices were purchased with the assurances that CMS, their network provider, would be able to upgrade necessary systems to install the devices. Five devices were installed soon after they were received in July, 2006, but 16 months after being purchased, the others had not been installed or put to use. (Finding Code No. 07-4)

Status: Not Repeated

During our current examination, we noted that 15 more scanners had been placed in service but according to Office personnel, the remaining scanners require a cost prohibitive upgrade before they are usable. The Office had not sent the scanners to surplus because there are costs associated with sending computer equipment to surplus and if another State agency obtained them through transfer, they would have to purchase software licensing and upgrades to use them. At the conclusion of our prior examination, the Office response stated corrective procedures and internal controls had been implemented to prevent any future occurrences of similar issues.

C STATE PROPERTY NOT PROPERLY RECORDED, REPORTED AND SAFEGUARDED

In the prior examination, the Office did not comply with the Office of the Comptroller's Statewide Accounting Management System (SAMS) Procedures, the Fiscal Control and Internal Auditing Act, and the State Property Control Act when recording, reporting, and safeguarding State property. (Finding Code No. 07-6)

Status: Not Repeated

During our current examination sample testing did not disclose similar exceptions.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
SUMMARY

For the two years ended June 30, 2009

Supplementary Information for State Compliance Purposes presented in this section includes the following:

Fiscal Schedules and Analysis

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Accounts Receivable

Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen months ended August 31, 2009

Public Act 95-0731	Appropriations (Net after Transfers)	Expenditures through June 30, 2009	Lapse Period Expenditures 7/1 - 8/31/09	Total Expenditures	Balance Lapsed
Appropriated Funds					
GENERAL REVENUE FUND - 001					
Personal services	$ 5,099,300	$ 4,319,377	$ -	$ 4,319,377	$ 779,923
State employee retirement	922,500	909,900	-	909,900	12,600
Social Security	390,100	313,880	1,649	315,529	74,571
Contractual services	680,600	589,122	74,527	663,649	16,951
Travel	120,000	49,271	49,382	98,653	21,347
Commodities	75,000	42,715	18,358	61,073	13,927
Printing	40,000	16,759	14,951	31,710	8,290
Equipment	5,100	-	-	-	5,100
Electronic data processing	278,200	147,817	123,873	271,690	6,510
Telecommunications	305,000	241,131	55,278	296,409	8,591
Repair & maintenance	32,000	17,666	1,173	18,839	13,161
Ethnic & other special events	70,000	19,465	25,274	44,739	25,261
Total General Revenue Fund - 001	8,017,800	6,667,103	364,465	7,031,568	986,232
GOVERNOR'S GRANT FUND - 947					
Governor's grant fund	100,000	-	-	-	100,000
Totals - All appropriated funds	$ 8,117,800	6,667,103	364,465	7,031,568	$ 1,086,232
Nonappropriated Funds					
MANSION TRUST FUND - 296					
Mansion expenses		39,781	9,668	49,449	
Grand total - All funds		$ 6,706,884	$ 374,133	$ 7,081,017	

Note: The data for this report was obtained from Office records and has been reconciled to the records of the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2008

Fourteen months ended August 31, 2008

Public Act 95-0348	Appropriations (Net after Transfers)	Expenditures through June 30, 2008	Lapse Period Expenditures 7/1 - 8/31/08	Total Expenditures	Balance Lapsed
Appropriated Funds					
GENERAL REVENUE FUND - 001					
Personal services	$ 5,099,300	$ 4,092,613	$ 11,874	$ 4,104,487	$ 994,813
State employee retirement	846,500	678,828	1,966	680,794	165,706
Social Security	390,100	293,073	1,088	294,161	95,939
Contractual services	680,600	597,243	52,355	649,598	31,002
Travel	150,000	125,968	16,155	142,123	7,877
Commodities	75,000	54,620	14,699	69,319	5,681
Printing	50,000	15,522	9,731	25,253	24,747
Equipment	5,000	3,093	1,474	4,567	433
Electronic data processing	160,000	112,202	24,922	137,124	22,876
Telecommunications	445,000	271,433	39,196	310,629	134,371
Repair & maintenance	32,000	30,234	563	30,797	1,203
Ethnic & other special events	70,000	51,011	11,012	62,023	7,977
Total General Revenue Fund - 001	8,003,500	6,325,840	185,035	6,510,875	1,492,625
GOVERNOR'S GRANT FUND - 947					
Governor's grant fund	100,000	-	-	-	100,000
Totals - All appropriated funds	$ 8,103,500	6,325,840	185,035	6,510,875	$ 1,592,625
Nonappropriated Funds					
MANSION TRUST FUND - 296					
Mansion expenses		73,878	2,334	76,212	
Grand total - All funds		$ 6,399,718	$ 187,369	$ 6,587,087	

Note: The data for this report was obtained from Office records and has been reconciled to the records of the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

	For the fiscal year ended June 30,		
	2009 PA 95-0731	2008 PA 95-0348	2007 PA 94-0798
APPROPRIATED FUNDS			
General Revenue Fund - 001			
Appropriations (net after transfers)	$ 8,017,800	$ 8,003,500	$ 7,711,900
Expenditures			
Personal services	4,319,377	4,104,487	4,773,116
State employee retirement	909,900	680,794	551,521
Social Security	315,529	294,161	344,156
Contractual services	663,649	649,598	580,987
Travel	98,653	142,123	118,759
Commodities	61,073	69,319	72,545
Printing	31,710	25,253	30,159
Equipment	-	4,567	16,095
Electronic data processing	271,690	137,124	177,417
Telecommunications	296,409	310,629	368,571
Repair & maintenance	18,839	30,797	29,345
Ethnic & other special events	44,739	62,023	34,743
Total expenditures	7,031,568	6,510,875	7,097,414
Lapsed balances	$ 986,232	$ 1,492,625	$ 614,486
Governor's Grant Fund - 947			
Appropriations (net after transfers)	$ 100,000	$ 100,000	$ 100,000
Expenditures			
Governor's Grant Fund	-	-	13
Lapsed balances	$ 100,000	$ 100,000	$ 99,987
Grand Total - All Appropriated Funds			
Appropriations (net after transfers)	$ 8,117,800	$ 8,103,500	$ 7,811,900
Expenditures	7,031,568	6,510,875	7,097,427
Lapsed balances	$ 1,086,232	$ 1,592,625	$ 714,473
General Revenue Fund - 001 - State Comptroller			
Governor's salary *	$ 177,066	$ 170,917	$ 157,914

* The Governor's salary is subject to separate appropriations - accountability maintained by the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF CHANGES IN STATE PROPERTY

For the years ended June 30,

	Total	Land and Land Improvements	Building and Building Improvements	Equipment	Equipment under a Capital Lease
Balance, June 30, 2007	$ 8,352,549	$ 41,100	$ 6,551,098	$ 1,753,594	$ 6,757
Additions:					
Purchases	90,979	-	-	90,979	-
Transfers in	48,477	-	48,477	-	-
Total additions	139,456	-	48,477	90,979	-
Deletions and adjustments:					
Surplus	5,165	-	-	5,165	-
Transfers out	32,642	-	-	32,642	-
Total deletions	37,807	-	-	37,807	-
Balance, June 30, 2008	8,454,198	41,100	6,599,575	1,806,766	6,757
Additions:					
Purchases	23,358	-	-	23,358	-
Transfers in	52,002	-	45,653	6,349	-
Total additions	75,360	-	45,653	29,707	-
Deletions and adjustments:					
Surplus	15,135	-	-	15,135	-
Transfers out	241,634	-	-	241,634	-
Total deletions	256,769	-	-	256,769	-
Balance, June 30, 2009	$ 8,272,789	$ 41,100	$ 6,645,228	$ 1,579,704	$ 6,757

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the fiscal year ended June 30,

	2009	2008	2007
General Revenue Fund - 001			
Miscellaneous	$ 2,469	$ 1,134	$ 1,542
Mansion Trust Fund - 296			
Proceeds from private event activities	41,591	114,266	94,277
Governor's Grant Fund - 947			
Donations	-	-	932
Total cash receipts - all funds	$ 44,060	$ 115,400	$ 96,751

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

For the fiscal year ended June 30,

	2009	2008	2007
Receipts per Office records	$ 44,060	$ 115,400	$ 96,751
Add: Deposits in transit, beginning of year	1,408	1,909	175
Less: Deposits in transit, end of year	10	1,408	1,909
Receipts per comptroller records	$ 45,458	$ 115,901	$ 95,017

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the two years ended June 30, 2009

A comparative schedule of significant variations in expenditures (greater than $10,000 and 15%) for the fiscal years ended June 30, 2009 and June 30, 2008 are shown below:

		Fiscal Year ended June 30		Increase/(Decrease)	
		2009	2008	Amount	%
General Revenue Fund					
Personal services		$ 4,319,377	$ 4,104,487	$ 214,890	5 %
State employee retirement	(1)	909,900	680,794	229,106	34
Social Security		315,529	294,161	21,368	7
Contractual services		663,649	649,598	14,051	2
Travel	(2)	98,653	142,123	(43,470)	(31)
Commodities		61,073	69,319	(8,246)	(12)
Printing		31,710	25,253	6,457	26
Equipment		-	4,567	(4,567)	(100)
Electronic data processing	(3)	271,690	137,124	134,566	98
Telecommunications		296,409	310,629	(14,220)	(5)
Repair & maintenance	(4)	18,839	30,797	(11,958)	(39)
Ethnic & other special events	(5)	44,739	62,023	(17,284)	(28)
Governor's Grant Fund					
Governor's Grant Fund		-	-	-	0
Mansion Trust Fund					
Mansion expenses	(6)	49,449	76,212	(26,763)	(35)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)

For the two years ended June 30, 2009

All variations greater than $10,000 and 15% were determined to be significant.

(1) State retirement is a percentage, set by the State Retirement Systems, of gross salaries. From fiscal year 2008 to fiscal year 2009 the percentage increased approximately 4 percentage points, which increased retirement expenses.

(2) The Homeland Security Deputy Chief left in fiscal year 2008 and was not replaced. This position entailed traveling all over the State to view flooding, preparedness, and coordinating response teams for other natural disasters. Due to this vacancy, travel was greatly reduced in fiscal year 2009.

(3) The methodology used to calculate charges to the Governor's Office was completely altered by CMS in 2008, which created the increase in EDP expenditures. In fiscal year 2008, a percentage of the bills were covered by other agencies on behalf of the Governor; however, in 2009 the Office had to assume full responsibility for the expenditures.

(4) The decrease in repairs and maintenance for fiscal year 2009 was the result of major repairs and maintenance expenditures to the Governor's Mansion during fiscal year 2008.

(5) The DuQuoin Fair in August 2008 did not have any regular staff, receptions or events. Also, the number of scheduled events for Holiday lightings were reduced because of the very unusual circumstances for the Office.

(6) The Mansion Trust Fund did not host as many private events in 2009 because supplies were difficult to attain due to vendors discontinuing deliveries of items ordered because of the State's slow pay.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

For the two years ended June 30, 2008

A comparative schedule of significant variations in expenditures (greater than $10,000 and 15%) for the fiscal years ended June 30, 2008 and June 30, 2007 are shown below:

		Fiscal Year ended June 30		Increase/(Decrease)	
		2008	2007	Amount	%
General Revenue Fund					
Personal services		$ 4,104,487	$ 4,773,116	$ (668,629)	(14) %
State employee retirement	(1)	680,794	551,521	129,273	23
Social Security	(2)	294,161	344,156	(49,995)	(15)
Contractual services		649,598	580,987	68,611	12
Travel	(3)	142,123	118,759	23,364	20
Commodities		69,319	72,545	(3,226)	(4)
Printing		25,253	30,159	(4,906)	(16)
Equipment	(4)	4,567	16,095	(11,528)	(72)
Electronic data processing	(5)	137,124	177,417	(40,293)	(23)
Telecommunications	(6)	310,629	368,571	(57,942)	(16)
Repair & maintenance		30,797	29,345	1,452	5
Ethnic & other special events	(7)	62,023	34,743	27,280	79
Governor's Grant Fund					
Governor's Grant Fund		-	13	(13)	(100)
Mansion Trust Fund					
Mansion expenses	(8)	76,212	51,622	24,590	48

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)

For the two years ended June 30, 2009

All variations greater than $10,000 and 15% were determined to be significant.

(1) State retirement is a percentage, set by the State Retirement Systems, of gross salaries. From fiscal year 2007 to fiscal year 2008 the percentage increased approximately 5 percentage points, which increased retirement expenses.

(2) Social Security is a percentage function of payroll. The decrease in Social Security expenditures is a result of the reduction in payroll from fiscal year 2007 to 2008.

(3) The increase in travel expenditures is as a result of the session not ending in a timely manner in the summer of 2007. During the first quarter of fiscal year 2008, the staff continued to work in Springfield through hearings, sessions, and policy meetings. This created an unusual circumstance increasing the travel expenditures.

(4) During fiscal year 2007 several items were purchased to replace old and worn out equipment such as chairs, shredders, time stampers, and hole punches. As a result of the equipment purchased in fiscal year 2007, there were less items purchased in fiscal year 2008.

(5) The Office replaced a large number of computers because of age during fiscal year 2007.

(6) The decrease in expenditures was a result of the decrease in professional staff during fiscal year 2008; therefore, the phone lines, videoconferencing and fax services were not utilized as heavily.

(7) This appropriation line is used to fund special events, such as meetings, conferences, and receptions honoring visiting officials, sponsored by the Governor in his official capacity as the Constitutional Head of State. The increase in expenditures was a result of the Governor hosting more foreign dignitaries. There were more presentations from the State of Illinois and more receptions held than in fiscal year 2007.

(8) The increase in expenditures is a direct result of an increase in the number of events hosted at the Executive Mansion and with that increase was an increase in supplies to meet those obligations.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the two years ended June 30, 2009

A comparative schedule of significant variations in receipts ($10,000 and 10%) for the fiscal years ended June 30, 2009, June 30, 2008, and June 30, 2007 are shown below:

		Fiscal Year ended June 30,		Increase/(Decrease)	
		2009	2008	Amount	%
General Revenue Fund - 001					
Miscellaneous		$ 2,469	$ 1,134	$ 1,335	118 %
Mansion Trust Fund - 296					
Proceeds from private event activities	(1)	41,591	114,266	(72,675)	(64)
Governor's Grant Fund - 947					
Donations		-	-	-	0

		2008	2007	Amount	%
General Revenue Fund - 001					
Miscellaneous		$ 1,134	$ 1,542	$ (408)	(26) %
Mansion Trust Fund - 296					
Proceeds from private event activities	(1)	114,266	94,277	19,989	21
Governor's Grant Fund - 947					
Donations		-	932	(932)	(100)

(1) The increase between fiscal years 2007 and 2008 was due to more events being hosted at the Executive Mansion during 2008. During fiscal years 2008 and 2009, the number of events at the Executive Mansion returned to more normal levels and the Office ceased imposing fees for use of the Executive Mansion in December 2008.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the two years ended June 30, 2009

The Office's lapse period spending of $374,133 for fiscal year 2009 and $187,369 for fiscal year 2008 as shown in the Schedule of Appropriations, Expenditures and Lapsed Balances, represented 5.3% and 2.8% of the total expenditures, respectively. Following are the Office's explanations for lapse period spending which exceeded twenty percent (20%) of the total expenditure line item.

Fiscal Year 2009	Lapse Period	Total Expenditures	%
Travel	$ 49,382	$ 98,653	50 %

Many employees waited and turned in several travel vouchers during the lapse period.

Commodities	$ 18,358	$ 61,073	30

The Office purchased videotapes and other supplies used during the last session.

Printing	$ 14,951	$ 31,710	47

The Office replenished letterhead, envelopes and ordered paper that was used up during the year.

Electronic Data Processing (EDP)	$ 123,873	$ 271,690	46

The Office waited until the very end of the year to pay the majority of their bills due to a lack of money.

Ethnic & Other Special Events	$ 25,274	$ 44,739	56

The Office was billed for May and June video conferencing in August.

Fiscal Year 2008

Commodities	$ 14,699	$ 69,319	21

The Office purchased videotapes, notebooks, and pens from being in session.

Printing	$ 9,731	$ 25,253	39

The Office replenished letterhead, envelopes, and calendars.

Equipment	$ 1,474	$ 4,567	32

The Office purchased new chairs, staplers, heavy duty hole punches, state seals and easels.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF ACCOUNTS RECEIVABLE

For the two years ended June 30, 2009

Accounts receivable of the Office are reported under the Illinois Executive Mansion Trust Fund (296). The receivable consists of amounts to be collected from private party organizers. The balances are $12,591 and $0 as of June 30, 2009 and 2008, respectively. The balance became $0 during the year ended June 30, 2009, after the Office of the Governor ceased imposing fees for use of the Executive Mansion in December 2008 and all amounts due at that time were collected.

The following is an aging of the Office's accounts receivable balances:

	June 30,		
	2009	2008	2007
Current	$ -	$ 11,791	$ 11,416
1-30 days past due	-	-	4,540
31-90 days past due	-	800	235
	$ -	$ 12,591	$ 16,191

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the two years ended June 30, 2009

Agency Functions

The Governor is the Chief Executive Officer of the State of Illinois. His official duties are set forth in Sections 8 through 13 of Article V of the Illinois Constitution and in numerous statutory provisions. Section 8 provides that "the Governor shall have supreme executive power and shall be responsible for the faithful execution of the laws" of the State.

The Honorable Pat Quinn is the current governor and was sworn into office the evening of January 29, 2009, after the impeachment of then Governor Blagojevich the 40th Governor of the State of Illinois. Governor Quinn became the 41st Governor of the State of Illinois.

The Governor maintains direct supervision over the operation of State agencies, authorities, code departments, boards, commissions, councils, deputy governors' offices, and the Governor's Office of Management and Budget. The Governor negotiates legislative issues and state affairs with other elected constitutional officers of the Executive Branch of the State, members of the General Assembly of Illinois, the National Administration of Governors, and other governors.

Planning Program

The Office engages in both long-term and short-term planning on a continuing basis. Longer range planning is principally embodied in ongoing discussions with the governmental units under the jurisdiction of the Governor and with members of the legislature. Shorter range planning occurs in the annual budget process during which the Office functions in a review and advisory capacity to the Governor's Office of Management and Budget.

The Program Staff works directly with the governmental units subject to the Governor's jurisdiction. They serve as the Governor's liaisons and deal with specific operating problems, resource allocation, and policy objectives and alternatives. The results and findings of their efforts are prioritized and incorporated into the budgetary process as resources permit.

The budgetary process identifies various programs and issues to be addressed by fiscal period, and also more routine State government operating considerations. The result of this process is a formal program of objectives to be accomplished, which is subject to monitoring and revision throughout each fiscal period.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AVERAGE NUMBER OF EMPLOYEES

For the two years ended June 30, 2009

The following table, prepared from Office records, presents the average number of employees.

Function	2009	2008	2007
Executive Office	74	71	80
Executive Mansion	9	8	9
	83	79	89