State of Illinois
OFFICE OF THE GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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, 2017

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STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

OFFICE OFFICIALS

Governor	Honorable Bruce Rauner
Chief of Staff	Mr. Rodger Heaton (10/9/2017 to Present) Ms. Kristina Rasmussen (7/10/2017 to 10/8/2017) Mr. Richard Goldberg (7/1/2016 to 7/9/2017) Mr. Michael Zolnierowicz (Through 6/30/2016)
Deputy Governors*	Ms. Leslie Munger (2/3/2017 to Present) Mr. Trey Childress
Chief Operating Officer	Mr. Trey Childress (7/2/2016 to Present) Ms. Linda Lingle (Through 7/1/2016)
General Counsel	Ms. Lise Spacapan (8/29/2017 to Present) Mr. Dennis Murashko (11/1/2016 to 8/31/2017) Mr. Jason Barclay (Through 10/31/2016)
Director of Operations	Ms. Brittany Ladd (Through 3/15/2016)
Director of Fiscal Operations**	Ms. Julie Love (12/18/2017 to Present) Ms. Jessica Molloy (3/16/2016 to 12/31/2017)

Agency offices are located at:

207 State House Springfield, IL 62706	100 West Randolph JRTC 16-100 Chicago, IL 60601
222 South College Springfield, IL 62706	444 N. Capitol Street, Suite 400 Washington, DC 20001
Executive Mansion, 5th and Jackson Springfield, IL 62701	

* As of February 3, 2017, the Office of the Governor had two Deputy Governors.

** The job description of this position was performed by the Director of Operations through March 15, 2016.

OFFICE OF THE GOVERNOR
207 STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

BRUCE RAUNER
GOVERNOR

MANAGEMENT ASSERTION LETTER

March 8, 2018

E.C. Ortiz & Co., LLP
Certified Public Accountants
333 S. Desplaines Street, Suite 2-N
Chicago, Illinois 60661

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 State of Illinois, 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 State of Illinois, Office of the Governor's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2016 and June 30, 2017, the State of Illinois, Office of the Governor has materially complied with the assertions below.

A. The State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, Office of the Governor on behalf of the State or held in trust by the State of Illinois, 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,

State of Illinois, Office of the Governor

SIGNED ORIGINAL ON FILE

Rodger Heaton, Chief of Staff

SIGNED ORIGINAL ON FILE

Julie Love, Director of Fiscal Operations

SIGNED ORIGINAL ON FILE

Lise Spacapan, General Counsel

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

COMPLIANCE REPORT

SUMMARY

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, but does contain a qualified opinion on compliance and material weaknesses over internal control.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	7	5
Repeated findings	4	4
Prior recommendations implemented or not repeated	1	0

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
2017-001	10	Inadequate controls over State property	Material noncompliance and material weakness
2017-002	16	Appointments of members to boards, commissions, councils, and committees	Noncompliance and significant deficiency
2017-003	23	Non-compliance with statutorily mandated responsibilities	Noncompliance and significant deficiency
2017-004	28	Interagency agreements	Noncompliance and significant deficiency

Item No.	Page	Description	Finding Type
2017-005	30	Voucher processing weaknesses	Noncompliance and significant deficiency
2017-006	32	Inadequate controls over travel expenditures and failure to file TA-2 reports timely	Noncompliance and significant deficiency
2017-007	35	Inadequate controls over receipts processing	Noncompliance and significant deficiency

PRIOR FINDINGS NOT REPEATED

A	38	Inadequate maintenance of records

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on February 28, 2018. Attending were:

OFFICE OF THE GOVERNOR

Rodger Heaton	Chief of Staff
Lise Spacapan	General Counsel
Jill Hutchison	Deputy General Counsel
Julie Love	Director of Fiscal Operations
Christina McClernon	Associate General Counsel
Jalene Ellis	Director of Human Resources

OFFICE OF THE AUDITOR GENERAL

Adam Ausmus	Audit Manager

E. C. ORTIZ & CO., LLP

Marites Sy	Partner
Rosemarie Sison	Manager

The responses to the recommendations were provided by Christina McClernon in a letter dated March 8, 2018.

E.C. ORTIZ & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
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 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, 2017. The management of the State of Illinois, Office of the Governor is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Office of the Governor's compliance based on our examination.

A. The State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, 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 State of Illinois, Office of the Governor on behalf of the State or held in trust by the State of Illinois, 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.

333 SOUTH DES PLAINES STREET, SUITE 2-N CHICAGO, IL 60661 tel: 312.876.1900 fax: 312.876.1911

Our examination was conducted 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Office of the Governor complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Office of the Governor complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Office of the Governor's compliance with specified requirements.

As described in item 2017-001 in the accompanying schedule of findings, the State of Illinois, Office of the Governor did not comply with requirements regarding applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Office of the Governor 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 State of Illinois, Office of the Governor complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the requirements, 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 items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007.

The State of Illinois, Office of the Governor's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Office of the Governor's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Office of the Governor 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 State of Illinois, Office of the Governor's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 State of Illinois, Office of the Governor's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Governor'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, 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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2017-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007, to be significant deficiencies.

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

The State of Illinois, Office of the Governor's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Office of the Governor's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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 for the years ended June 30, 2017 and June 30, 2016 in Schedules 1 through 5 and the Analysis of Operations Section 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 June 30, 2017 and June 30, 2016 accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015 accompanying supplementary information in Schedules 3, 4, and 5 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
March 8, 2018

CURRENT FINDINGS – STATE COMPLIANCE

2017-001. **FINDING** (Inadequate controls over State property)

The Office of the Governor (Office) did not maintain adequate controls over the recording and reporting of State property.

During our testing, we noted the following:

- The Office did not comply with the Agency Report of State Property (C-15 Form) reporting requirements as follows:

    - The beginning balances of building and building improvements and equipment categories were not reported correctly on the September 30, 2015 C-15 Form. The September 30, 2015 C-15 Form reported total beginning balances for these asset categories of $8,087,427, while the same asset categories had ending balances, totaling $13,063,578, on the June 30, 2015 audited C-15 Form. In addition, the September 30, 2015 C-15 Form erroneously reported equipment additions of $12,399,990, which should have been the cumulative balance of the building and building improvements at the end of the quarter. The errors reported this quarter resulted in a net overstatement of $7,423,839 in the C-15 report.

    - The Office reported additions, totaling $937,154, to the building and building improvements on the December 31, 2015, March 31, 2016, and June 30, 2017 C-15 Forms for capital improvements of the Executive Mansion. Auditors noted capital improvements that should have been capitalized as building and building improvements during Fiscal Years 2016 and 2017 were $2,375,842. In addition, neither the $937,154 amount nor the $2,375,842 amount was recorded in the fixed asset system.

    - The C-15 Form for the quarter ended March 31, 2016 reported transfers to Central Management Services surplus, totaling $17,586, under deletions instead of net transfers.

    - The C-15 Form for the quarter ended March 31, 2017 reported equipment additions, totaling $3,327; however, the Office was unable to provide the supporting documentation for the additions.

- Property deletions, totaling $167,872, and surplused items, totaling $925, were not reported on the Office's C-15 Forms.

- The C-15 Form for the quarter ended June 30, 2017 reported total assets of $21,398,912, while the fixed assets report generated by the system was $12,933,988. The variance of $8,464,924 was mainly due to the erroneous beginning balances and additions on the September 30, 2015 C-15 Form that were not subsequently corrected. Additionally, the variance also resulted from capital improvements, deletions, and surplused items not properly reported on either the C-15 Forms or the fixed assets systems.

- The Office did not maintain fixed assets reports generated by the fixed assets systems to support the amounts reported on the quarterly C-15 Forms for all quarters except for the quarters ended June 30, 2016 and June 30, 2017.

- The C-15 Form for the quarter ended September 30, 2016 was filed 165 days late.

The Statewide Accounting Management System (SAMS) (Procedure 03.30.10) states that building improvements are capital expenditures that materially extend the useful life of a building, increase the capacity and/or efficiency of the building, or adapt to a new use. Building improvements also include capital expenditures that add value, extend the useful life, or adapt a leased building to a new use. SAMS (Procedure 03.30.20) states that valuation of building improvements includes all costs incurred to complete the improvement, including all labor, material, and professional services to construct the building together with insurance, interest and other indirect costs incurred during the period of construction, to place the building into its intended use.

The State Records Act (5 ILCS 160/8) requires each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

SAMS (Procedure 29.20.10) states the C-15 Form is to be filed on a quarterly basis and should be submitted to the Office of the Comptroller no later than the last day of the month following the last day of the quarter.

- The Office's Annual Certification of Inventory for Fiscal Years 2016 and 2017 was not supported with a complete inventory listing report from the Central Inventory System.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.460 (a) and (f)) requires agencies to make an annual physical inventory of State equipment in their possession. When an agency completes its inventory, the agency head or his designee shall complete and sign the certification of inventory and discrepancy report and forward the completed certificate, with a complete inventory listing to the Central Management System (CMS) Property Control Division.

- One of three (33%) property additions tested, amounting to $660, was not included on the Office inventory listing. Also, the related asset was not properly reported on the quarterly C-15 Form.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.220) states that all equipment with an acquisition value of $500 or more and equipment that is subject to theft with a value less than $500 must be reported to CMS by the holding agency.

- There were exceptions noted during our property deletion testing, as follows:

    - Twenty-seven of 40 (68%) deleted equipment items tested, totaling $83,510, consisting of a microwave, tables, chairs, cabinets, carpet, rugs, curtains, drapes and lining, sofa, lectern, and system panel, do not have adequate documentation to verify whether CMS approved the transaction prior to deletion of the asset from the system.

    - Five of 40 (13%) deleted items, totaling $9,890, were not removed from the property listing as of June 30, 2017.

    - The acquisition dates for 3 of 13 (23%) surplus items, totaling $2,268, were not accurately reported in the CMS Surplus Property Delivery Forms.

    - The Office could not provide the CMS Surplus Property Delivery Forms for 4 of 13 (31%) surplus items tested, totaling $6,022.

  The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.310 (e)) states that all deletions from agency property records except transfers to another State agency or surplus warehouse must be approved by CMS Property Control Division prior to completing the transactions. The Code (44 Ill. Adm. Code 5010.400) states that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items. In additions, the Code (44 Ill. Adm. Code 5010.240 (d)) states that the date of purchase of equipment shall be designated on inventory records by a four digit number. When the date of purchase is unknown, agencies shall report the number 9950.

The State Records Act (5 ILCS 160/8) requires each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

- The Office did not ensure physical locations of property and equipment were accurate based on its property listing. During our physical inspection of properties, we noted the following:

  - Five of 60 (8%) equipment items tested, totaling $5,429, consisting of shredders, sofa, and a computer from the Office's property listing, could not be physically located. The computer in question was not reported as missing during the Fiscal Year 2016 and Fiscal Year 2017 annual inventory certifications, but was unable to be located during equipment testing as the Office was unable to provide documentation on the last custodian of the computer. In addition, the Office could not determine whether the computer contained confidential information.

  - Thirteen of 60 (22%) equipment items tested, totaling $13,225, consisting of printers, copier, chair, laptop, and cabinet, were physically found in locations different from locations indicated in the property listing.

  - Fifteen of 60 (25%) equipment items tested, totaling $14,195, consisting of printers, copier, chair, cabinet, computer, and shredder, were not being used by the Office and were considered transferable properties.

  - Four of 30 (13%) equipment items tested during floor-to-list testing, consisting of a DVD player, microwave, table, and filing cabinet, could not be traced to the property listing.

The State Property Control Act (30 ILCS 605/4) requires the Office to be accountable for the supervision, control and inventory of all property under its jurisdiction and control.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.620(a)) requires State agencies to regularly survey inventories for transferable equipment and report any such equipment to the CMS Property Control Division.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and obligations and costs are in compliance with applicable laws.

According to Office personnel, the Office attempted to report the Executive Mansion in the C-15 Form during the first quarter of Fiscal Year 2016. When the Office added the Executive Mansion to its total assets, it double counted the assets that the Office already reported in the previous C-15 Forms. The Office did not capitalize fees and ancillary costs of the Executive Mansion renovation because the Office did not initially understand the capitalization requirement of fees and ancillary costs that do not themselves add value to the building. The other issues noted in the finding were due to the turnover of several staff in the Office during the audit period.

Inadequate control over State property may result in inaccurate Statewide property information and increases the risk of equipment theft or loss occurring without detection. Failure to maintain adequate records and proper documentation for equipment transactions does not allow for a determination as to whether the asset is recorded properly. (Finding Code No. 2017-001, 2015-001, 2013-001, 11-1)

RECOMMENDATION

We recommend the Office:

- Properly review and monitor the submission of the C-15 Forms to the Office of the Comptroller to ensure compliance with the requirements of the Statewide Accounting Management System.

- File revised C-15 Forms with the Comptroller's Office to reflect corrected balances.

- Evaluate the procedures and strengthen the controls over property and equipment to ensure proper safekeeping and accurate recordkeeping of all State assets.

- Keep adequate records and proper documentation of the Office activities.

OFFICE RESPONSE

The Office agrees with the recommendation to ensure proper review, monitoring, and documentation of reports, procedures, and record-keeping related to State property. The Office will continue to work to ensure that proper processes are in place to correctly and timely file future C-15 Forms. The Office notes that problems maintaining adequate controls over recording and reporting State property relate, in large part, to a mistaken calculation with the 2015 change, at the direction of the Office's past audit, to incorporate the Executive Mansion as Office inventory. From 2015-2017, the Office quarterly submitted C-15 reports with this same error to the Comptroller's Office. Alerted to the miscalculation, the Office has filed revised C-15 Forms with the Comptroller's Office, and the Office will continue to submit correct C-15 Forms in the future. Finally, the Office is evaluating its procedures, strengthening its control over property and equipment and working to complete and keep adequate records and proper documentation of its activities. For example, because all the missing property tested in this audit has been missing for many years, much of it from the Blagojevich administration, the Office is focusing on properly submitting discrepancy reports and requests for deletion with the Department of Central Management Services to correctly account for its inventory.

2017-002. **FINDING** (Appointments of members to boards, commissions, councils, and committees)

The Office of the Governor (Office) did not make the required appointments to various boards, commissions, councils, and committees to fill vacancies.

Forty-eight of 82 (59%) boards, commissions, councils, and committees tested were considered operational by the Office. During our testing, 27 of 48 (56%) boards, commissions, councils, and committees tested did not have the required number of members. These were the following:

- Illinois Advisory Council on Alcoholism and Other Drug Abuse – 1 vacancy

  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.

- Eastern Illinois Economic Development Authority – 1 vacancy

  The Eastern Illinois Economic Development Authority Act (70 ILCS 506/15(b)(2)) requires the Governor to appoint 3 members to the Eastern Illinois Economic Development Authority.

- Regulations and Site Remediation Advisory Committee – 4 vacancies

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

- Epilepsy Advisory Committee – 2 vacancies

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

- Illinois Student Assistance Commission – 1 vacancy

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

- Illinois DREAM Fund Commission – 1 vacancy

  The Higher Education Student Assistance Act (110 ILCS 947/67(a)) requires the Governor to appoint 9 members to the Illinois DREAM Fund Commission.

- Chicago State University Board of Trustees – 2 vacancies

  The Chicago State University Law (110 ILCS 660/5-15) requires the Governor to appoint 7 members to the Chicago State University Board of Trustees.

- Illinois Plain Language Task Force – 2 vacancies

  The Illinois Plain Language Task Force Act (20 ILCS 4090/15(a)) requires the Governor to appoint 3 members to the Illinois Plain Language Task Force.

- Advisory Council on the Education of Children with Disabilities – 4 vacancies. In addition, 7 of 19 (37%) filled positions were held by individuals whose service terms exceeded the 2 full consecutive 4-year term limit.

  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. Members shall not serve for more than 2 full consecutive 4-year terms.

- Department of Corrections Advisory Board – 1 vacancy

  The Unified Code of Corrections (730 ILCS 5/3-2-6(a)) requires the Governor to appoint 11 members to the Department of Corrections Advisory Board.

- Weatherization Initiative Board – 1 vacancy

  The Urban Weatherization Act (30 ILCS 738/40-40(b)) requires the Governor to appoint 5 members to the Weatherization Initiative Board.

- Illinois Single Audit Commission – 1 vacancy

  The Illinois Grant Funds Recovery Act (Act) (30 ILCS 705/15.1) requires the Governor to appoint a representative to the Illinois Single Audit Commission from each of the following grant-making agencies who is an expert in grants subject matter: Department on Aging; Department of Children and Family Services; Department of Healthcare and Family Services; Department of Human Services; Department of Public Health; Criminal Justice Information Authority; Department of Commerce and Economic Opportunity; Department of Transportation; Illinois State Board of Education; Illinois Student Assistance Commission; Department of Agriculture; Environmental Protection Agency; and Department of Natural Resources. The Act also requires the Governor to appoint a representative of the Governor's Office of Management and Budget and four members of the General Assembly, one from the House of Representatives Democratic Caucus, one from the House of Representatives Republican Caucus, one from the Senate Democratic Caucus, and one from the Senate Republican Caucus.

- Illinois Holocaust and Genocide Commission – 1 vacancy. Additionally, 7 of the 18 (39%) appointed members had expired terms.

  The Illinois Holocaust and Genocide Commission Act (20 ILCS 5010/10(a)(1)) requires the Governor to appoint 19 members, one of which shall be a student, to the Illinois Holocaust and Genocide Commission. In addition, the Illinois Holocaust and Genocide Commission Act (20 ILCS 5010/30(a)) states that a public member of the Commission serves a term of 4 years, except that the terms of the initial members shall expire on February 1, 2015. Following the expiration of the terms of the initial members of the Commission, the Governor may re-appoint initial members as follows: (1) five members to terms that expire February 1, 2016; (2) five members to terms that expire February 1, 2017; and (3) five members to terms that expire February 1, 2018. Initial members re-appointed to terms that expire on February 1, 2016 or February 1, 2017 may be appointed to a 4-year term following expiration of their re-appointment.

- Board of Savings Bank – 1 vacancy. Additionally, 3 of the 6 appointed members represent the public interest instead of 2 as required by the statute.

  The Savings Bank Act (205 ILCS 205/12201) requires the Governor to appoint 7 members to the Board of Savings Banks. Two of the 7 appointed by the Governor shall represent the public interest and the remainder shall have been engaged actively in savings bank or savings and loan management in this State for at least 5 years immediately prior to appointment.

- Economic Data Task Force – 1 vacancy

  The Unemployment Insurance Act (820 ILCS 405/1900.2(b)) requires the Governor to appoint 1 member to the Economic Data Task Force.

- Health Facilities and Services Review Board – 2 vacancies. Additionally, 2 of the 7 (29%) appointed members had expired terms.

  The Illinois Health Facilities Planning Act (20 ILCS 3960/4(b) and (c)) requires the Governor to appoint 9 members to the Health Facilities and Services Review Board. In addition, the Illinois Health Facilities Planning Act (20 ILCS 3960/4(d)) states the Governor may reappoint a member for additional terms, but no member shall serve more than 3 terms, subject to review and re-approval every 3 years.

- Plumbing Code Advisory Council – 2 vacancies; however, subsequent to June 30, 2017, two members were appointed to fill the vacant positions.

  The Illinois Plumbing License Law (225 ILCS 320/39) requires the Governor to appoint 11 members to the Plumbing Code Advisory Council. The appointed members shall consist of 4 Illinois licensed plumbers engaged in plumbing in Illinois who are residents of Illinois, 1 registered professional engineer actively engaged in construction and design of plumbing systems; 1 licensed architect; 1 elected official of a municipality in Illinois; 2 representatives of the consumer public in Illinois; and 2 persons representing labor.

- State Trauma Advisory Council – 4 vacancies; however, subsequent to June 30, 2017, a member was appointed to fill one of the vacant positions. In addition, none of the four (100%) appointed members were appointed to a three-year term.

  The Emergency Medical Services (EMS) Systems Act (210 ILCS 50/3.205(b)) requires the Governor to appoint 8 members to the State Trauma Advisory Council. Members shall be appointed for a term of 3 years.

- 21st Century Workforce Development Fund Advisory Committee – 1 vacancy. Additionally, 9 of the 10 (90%) appointed members had expired terms.

The Illinois Emergency Employment Development Act (20 ILCS 630/11(d)) requires the Governor to appoint 11 members to the 21st Century Workforce Development Fund Advisory Committee. In addition, the Illinois Emergency Employment Development Act (20 ILCS 630/11(f)) states that appointees under subsection (d) shall serve a 2-year term and are eligible to be re-appointed one time.

- Fair Practices in Contracting Task Force – 2 vacancies

  The Fair Practices in Contracting Task Force Act (20 ILCS 5080/5(b)) requires the Governor to appoint 8 members to the Fair Practices in Contracting Task Force.

- African American Employment Plan Advisory Council – 2 vacancies

  The African American Employment Plan Act (20 ILCS 30/25) requires the Governor to appoint 11 members to the African American Employment Plan Advisory Council.

- Illinois Affordable Housing Advisory Commission – 3 vacancies

  The Illinois Affordable Housing Act (310 ILCS 65/6) requires the Governor to appoint 11 members to the Illinois Affordable Housing Advisory Commission.

- McCormick Place Advisory Board – 2 vacancies

  The Metropolitan Pier and Exposition Authority Act (70 ILCS 210/23.1(f)) requires the Governor to appoint 2 members to the McCormick Place Advisory Board.

- Upper Illinois River Valley Development Authority – 1 vacancy

  The Upper Illinois River Valley Development Authority Act (70 ILCS 530/4) requires the Governor to appoint 10 members to the Upper Illinois River Valley Development Authority.

- University of Illinois Board of Trustees – 2 vacancies; however, subsequent to June 30, 2017, one member was appointed to fill a vacant position.

The University of Illinois Trustees Act (110 ILCS 310/1) requires the Governor to appoint 9 trustees to the University of Illinois Board of Trustees.

- Sex Offender Management Board – 1 member with an expired term; however, subsequent to June 30, 2017, the Governor has reappointed this member. Additionally, 8 of the 9 (89%) appointed members with unexpired term were not appointed to a five-year term.

  The Sex Offender Management Board Act (20 ILCS 4026/15(a)) requires the Governor to appoint 10 members to the Sex Offender Management Board. In addition, the Sex Offender Management Board Act (20 ILCS 4026/15(d)) states the members shall serve for a term of 5 years and may be reappointed.

- Quality Care Board – 1 vacancy and 3 of 6 (50%) appointed members had expired terms.

  The Department of Human Services Act (20 ILCS 1305/1-17(u)) requires the Governor to appoint 7 members to the Quality Care Board. Of the initial appointments made by the Governor, 4 board members shall each be appointed for a term of 4 years and 3 members shall each be appointed for a term of 2 years. Upon the expiration of each member's term, a successor shall be appointed for a term of 4 years.

According to Office personnel, the Office makes every effort to comply with state mandates. Office officials state they always use their best efforts to appoint qualified members to boards and commissions, but in some cases, vacancies occur before a qualified appointee can be identified and some vacancies occur and are not communicated to the Office by the contact at the board or commission.

Failure to appoint members to boards, commissions, councils, and committees may prevent the board, committee, council, or commissions from carrying out their mandated duties. Members should be appointed in a timely manner to properly perform their function as intended. (Finding Code No. 2017-002, 2015-002, 2013-002, 11-2, 09-3, 07-2)

RECOMMENDATION

We recommend the Office appoint qualified members to these boards, commissions, councils, and committees as required by the Acts cited and reappoint applicable board members in a timely manner or seek a legislative remedy.

OFFICE RESPONSE

The Office agrees with the recommendation to appoint and reappoint qualified members to serve on statutory boards, commissions, councils, and committees. The Office has worked diligently to fill vacancies to boards, commissions, councils, and committees since Governor Rauner took office. Since January 12, 2015, the Governor has appointed roughly 950 individuals to boards, commissions, councils, and committees. The Office reports that, at the time of this writing, it has already filled a number of vacancies tested in this audit: The Department of Corrections Advisory Board, the Health Facilities and Services Review Board, the Fair Practices in Contracting Task Force, and the Plumbing Code Advisory Board, which you make note of in your report. The Office will continue to review potential appointments to boards, commissions, councils, and committees and work to appoint qualified Illinois citizens to serve on such boards, commissions, councils, and committees.

2017-003. **FINDING** (Non-compliance with statutorily mandated responsibilities)

The Office of the Governor (Office) did not comply with certain provisions of statutory mandates.

During our testing, we noted the following:

- The Office distributed the quarterly financial reports on operating funds to the General Assembly and the Office of the Comptroller 1 and 25 days after they were due for the first and fourth quarter of Fiscal Year 2017, respectively. In addition, the quarterly financial reports for the fourth quarter of Fiscal Year 2017 were posted on the Governor's Office of Management and Budget's (GOMB) website 4 days after they were due.

  The Civil Administrative Code of Illinois (State Budget Law) (15 ILCS 20/50-5) requires the Governor to distribute written quarterly financial reports on operating funds, which may include general, state, or federal funds and may include funds related to agencies that have significant impacts on State operations, and budget statements on all appropriated funds to the General Assembly and the State Comptroller. The reports are to be submitted no later than 45 days after the last day of each quarter of the fiscal year and posted on the GOMB website on the same day.

- The Office could not provide the appointment letter for one member of the Illinois Single Audit Commission.

  The Illinois Grant Funds Recovery Act (Act) (30 ILCS 705/15.1) requires the Governor to appoint a representative to the Illinois Single Audit Commission from each of the following grant-making agencies who is an expert in grants subject matter: Department on Aging; Department of Children and Family Services; Department of Healthcare and Family Services; Department of Human Services; Department of Public Health; Criminal Justice Information Authority; Department of Commerce and Economic Opportunity; Department of Transportation; Illinois State Board of Education; Illinois Student Assistance Commission; Department of Agriculture; Environmental Protection Agency; and Department of Natural Resources. The Act also requires the Governor to appoint a representative of the Governor's Office of Management and Budget and four members of the General Assembly, one from the House of Representatives Democratic Caucus, one from the House of Representatives Republican Caucus, one from the Senate Democratic Caucus, and one from the Senate Republican Caucus.

- The Governor did not appoint a public administrator and public guardian for 22 of the 102 (22%) counties in the State.

  The Probate Act of 1975 (755 ILCS 5/13-1) requires the Governor to appoint in each county a suitable person to serve as public administrator and a suitable person to serve as public guardian of the county. The Governor may appoint the same person to serve as public guardian and public administrator in one or more counties.

- The Violence Prevention Task Force did not prepare and submit to the Governor, a report of its activities for Fiscal Year 2016 and 2017.

  The Violence Prevention Task Force Act (20 ILCS 4028/15) requires the Violence Prevention Task Force to report to the Governor and General Assembly, by December 1 of each year, its activities for the previous year.

- The Office could not provide the appointment letter for one member of the Smart Grid Advisory Council.

  The Public Utilities Act (220 ILCS 5/16-108.6(b)) requires the Governor to appoint 5 members to the Smart Grid Advisory Council.

- The Office could not provide documentation to determine whether 2 members of the African American Employment Plan Advisory Council (Council) were African American subject matter experts. In addition, the Office could not provide the appointment letters for another 2 of 11 (18%) members of the Council.

  The African American Employment Plan Act (20 ILCS 30/25) requires the Governor to appoint 11 members to the Council, each of whom shall be an African American subject matter expert.

- The Office could not provide the appointment letters for 2 members of the Illinois Workforce Innovation Board.

  The Illinois Workforce Innovation Board Act (20 ILCS 3975/3) requires the Governor to appoint members, with the advice and consent of the Senate, from among the following: representatives of business in this State; chief elected officials from cities and counties; representatives of labor organizations who have been nominated by State labor federations; representatives of individuals or organizations that have experience with youth activities; representatives of individuals or organizations that have experience and expertise in the delivery of workforce investment activities, including chief executive officers of community colleges and community-based organizations within the State; the lead State agency officials with responsibility for the programs and activities that are described in Section 121(b) of the federal Workforce Investment Act of 1998 and carried out by one-stop partners and, in any case in which no lead State agency official has responsibility for such a program, service, or activity, a representative in the State with expertise in such program, service, or activity; and any other representatives and State agency officials that the Governor may appoint, including, but not limited to, one or more representatives of local public education, post-secondary institutions, secondary or post-secondary vocational education institutions, and community-based organizations.

- The Office could not provide documentation to determine whether the Social Security Number Protection Task Force reported its findings and recommendations to the Governor no later than December 31 of each year.

  The Social Security Number Protection Task Force Act (20 ILCS 4040/10(c)) requires the Social Security Number Protection Task Force to report its findings and recommendations, including its recommendations concerning a unique identification number system, to the Governor, the Attorney General, the Secretary of State, and the General Assembly no later than December 31 of each year.

- The Office could not provide documentation to determine whether one member of the Illinois Affordable Housing Advisory Commission was appointed with the advice and consent of the Senate.

  The Illinois Affordable Housing Act (310 ILCS 65/6) requires the Governor to appoint 11 members to the Illinois Affordable Housing Advisory Commission, with the advice and consent of the Senate.

- The Office could not provide documentation to determine whether an annual report and annual audit were filed with any public agency providing funds to the Local Food, Farms, and Jobs Council (Council) and made available to the public. In addition, the appointment letters for 8 Council members were not provided.

The Local Food, Farms, and Jobs Act (Act) (30 ILCS 595/25(a) and (b)) requires the Governor to appoint 15 members to the Council. In addition, the Act (30 ILCS 595/25(f)) states that both an annual report and annual audit shall be filed with any public agency providing funds to the Council and be made available to the public.

- The Office could not provide documentation to determine whether qualifications of members appointed by the Governor to the Upper Illinois River Valley Development Authority are in accordance with the statute and whether the members were appointed with the advice and consent of the Senate.

  The Upper Illinois River Valley Development Authority Act (70 ILCS 530/4) requires the Governor to appoint 10 members to the Upper Illinois River Valley Development Authority, with the advice and consent of the Senate. Members shall reside within the territorial jurisdiction of the Act and shall be persons of recognized ability and experience in one or more of the following areas: economic development, finance, banking, industrial development, small business management, real estate development, community development, venture finance, organized labor or civic, community or neighborhood organization.

- The Office could not provide documentation to determine whether qualifications of members appointed by the Governor to the Western Illinois Economic Development Authority are in accordance with the statute and whether the members were appointed with the advice and consent of the Senate.

  The Western Illinois Economic Development Authority Act (70 ILCS 532/20(b)) requires the Governor to appoint 6 members to the Western Illinois Economic Development Authority, with the advice and consent of the Senate. All public members shall reside within the territorial jurisdiction of the Authority. The public members shall be persons of recognized ability and experience in one or more of the following areas: economic development, finance, banking, industrial development, state or local government, commercial agriculture, small business management, real estate development, community development, venture finance, organized labor, or civic or community organization.

According to Office personnel, the Office had made reasonable best efforts to search and locate documentation from the prior administration records to support compliance with the various mandated statutes. However, according to Office personnel, the inadequate recordkeeping from the prior administration has resulted in the current administration being unable to locate certain requested documentation. According to Office personnel, the Office has significantly improved its inventorying and tracking processes from the past audit. Additionally, the Office stated the above issues are a result of staff turnover, and other priorities that took precedence.

Failure to perform mandated responsibilities prevents the Office from effectively serving the people of the State. (Finding Code No. 2017-003, 2015-003, 2013-003, 11-4, 09-5, 07-5)

RECOMMENDATION

We recommend the Office comply with statutory requirements or seek legislative remedy.

OFFICE RESPONSE

The Office agrees with the recommendation to comply with statutory requirements or seek legislative remedy. The Governor's Office complies with more than 600 legal mandates. The Office will continue to work to comply with applicable statutory mandates and maintain documentation evidencing compliance with all mandates. Since 2015, the Governor's Office has initiated a new legal review process to ensure appointees meet all qualifications of office. The Governor's Office has not repeated its prior 2015 finding of inadequate maintenance of records, but it agrees it can still do more to ensure it is documenting compliance and retaining records relating to its legal mandates and it intends to continue to improve its processes.

2017-004. **FINDING** (Interagency agreements)

The Office of the Governor (Office) did not have adequate controls over interagency agreements.

During our testing of 25 interagency agreements, we noted the following deficiencies:

- Twenty-four (96%) interagency agreements tested pertained to employees hired by the Office to work on Office activities; however, in each of the 24 agreements, the employee's full salary, including benefits, was paid solely by another State agency.

- Three (12%) interagency agreements tested were not signed by the Office on or prior to the effective date of the agreement. The agreements were signed 5 to 73 days late.

- One (4%) amended interagency agreement tested was not signed by both parties. The interagency agreement was amended when an employee transferred out of an existing interagency agreement and was replaced by another employee during Fiscal Year 2017.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that resources are utilized efficiently and effectively and obligations and costs are in compliance with applicable laws. Good internal controls require the approval of agreements prior to their effective dates.

The State Finance Act (30 ILCS 105/9.03) requires a certification on every State payroll voucher stating "that the results of the work performed by these employees and that substantially all of their working time is directly related to the objectives, functions, goals, and policies of the organizational unit for which the appropriation is made…"

According to Office personnel, the Office and the agencies who are parties to these agreements have a mutual interest in establishing and maintaining an effective and efficient organizational and administrative structure, and agree that hiring employees subject to the agreements directly advances the objectives, functions, goals, and policies of both the respective agency and the Office. According to Office personnel, agreements between the Office and agencies that report to the Office are legally effective as of their stated effective dates regardless of the date next to the signature. The Office initiated an amendment to the agreement but the amendment was not returned timely by the agency to the Office. When the interagency agreement was returned by the agency, the new fiscal year had already begun; therefore, the Office executed the interagency agreement for the new fiscal year.

Failure to appropriately allocate the cost of employees' services may result in inaccurate operational expenses of individual State agencies. Failure to approve interagency agreements prior to the effective date prevents all parties from timely assessing whether the agreements are reasonable and appropriate and results in each party's responsibilities not being sufficiently documented in a timely manner. Failure to enter into an amended agreement may prevent the Office from protecting its legal rights under the interagency agreement. (Finding Code No. 2017-004, 2015-004, 2013-004, 11-3, 09-4, 07-3)

RECOMMENDATION

We recommend the Office reevaluate interagency agreements to determine an appropriate allocation of the cost related to employees whose services are shared with other agencies or who are assigned to the Office by other agencies, or document the reason why the costs are only being paid by the other agencies. We also recommend the Office ensure each interagency agreement is signed by the parties prior to the effective date. Further, we recommend the Office monitor timely receipt of signed amendments from other agencies to ensure both parties are bound to the changes in the interagency agreement.

OFFICE RESPONSE

The Governor's Office agrees with the recommendation to reevaluate interagency agreements (a/k/a intergovernmental agreements) to determine an appropriate allocation and to properly document and maintain all interagency agreements. Under the current administration, the Office has increased transparency in its use of interagency agreements. The Office now includes on its head count employees on interagency agreements with another state agency, a change made in 2016. The Office developed a review process for all new employees to ensure that only employees properly serving the mission of both the Office and the salaried agency work on an interagency agreement.

Going forward, the Office will ensure that interagency agreement costs are properly allocated and documented. In addition, the Office will ensure that interagency agreements are signed prior to the respective effective dates, and that copies of such agreements are properly and appropriately kept to facilitate proper monitoring and compliance.

2017-005. **FINDING** (Voucher processing weaknesses)

The Office of the Governor (Office) did not exercise adequate controls over voucher processing.

During our testing, we noted the following:

- The Office used incorrect dates in calculating the interest penalty due to vendors under the State Prompt Payment Act. The Office used the goods acceptance date, which is a later date compared to the invoice receipt date, in calculating the interest penalty. Sixty-eight of 115 (59%) vouchers tested required interest payments in Fiscal Year 2017. Five of 68 (7%) vouchers requiring interest, totaling $11,920, had interest penalties understated by a total of $221.

  The State Prompt Payment Act (30 ILCS 540/3-2(1.05)) states any bill approved for payment must be paid or the payment issued to the payee within 90 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 90-day period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month, or 0.033% of any amount approved and unpaid for each day, after the end of this 90-day period, until final payment is made.

- Fifty-one of 115 (44%) vouchers tested, totaling $50,885, had required interest penalties, totaling $3,748 (ranges from $6 to $1,412), which were not accrued and paid by the Office at the end of the fiscal year.

  The State Prompt Payment Act (30 ILCS 540/3-2(2)) requires agencies to automatically pay interest penalties amounting to $50 or more to the appropriate vendor. Interest due to the vendor that amounts to greater than $5 and less than $50 shall not be paid automatically, but shall be accrued until all interest due to the vendor exceeds $50 and paid at that time. Interest less than $50 shall be accrued and payable at the end of the fiscal year.

- Seventeen of 115 (15%) vouchers tested, totaling $60,116, were not coded with the correct detail object code.

  The Statewide Accounting Management System (SAMS) (Procedure 11.10.50) states the purpose of assigning a correct detail object code is to report expenditure information at a more refined level within a common object.

According to Office personnel, the system calculates the interest penalties and they are unsure why incorrect dates were used in the calculation. The Office was also not aware that they needed to accrue interest penalties at the end of the fiscal year. Lastly, Office personnel stated they were unaware the detail object codes were inaccurate as none had been rejected by the Office of the Comptroller.

Failure to use proper dates in interest penalty calculations may result in incorrect interest payments to vendors. Failure to accrue interest penalties may result in interest penalties going unpaid to vendors. Inaccurate detail object codes reduce the overall accuracy and control over expenditures. (Finding Code No. 2017-005)

RECOMMENDATION

We recommend the Office review its procedures for calculating required interest penalties and accrue and pay penalties in accordance with the State Prompt Payment Act. Further, the Department should implement and maintain controls to ensure vouchers are coded with the correct SAMS detail object code.

OFFICE RESPONSE

The Governor's Office agrees with the recommendation to review its procedures for calculating and paying required interest penalties and to maintain controls to ensure vouchers are coded correctly. The Office, and the State under the current administration, are moving to adopt an enterprise resource planning solution through SAP to help guard against findings of this nature. The Office has retired the AIS system previously used to calculate prompt payment interest—an automated process calculated within the now obsolete software platform. Because AIS generated incorrect interest amounts, the Office improperly accrued and paid on these penalties. The Office has directed the Department of Innovation and Technology, as it works to implement SAP, to focus on this finding and work to ensure that all automated calculations going forward are correct.

Regarding SAMS detail object codes, the Governor's Office will continue to seek clarity from the Office of the Comptroller, which accepts and processes payment with the SAMS detail object code information, to ensure the Office is using the correct codes.

2017-006. **FINDING** (Inadequate controls over travel expenditures and failure to file TA-2 reports timely)

The Office of the Governor (Office) did not exercise adequate controls over travel expenditures. Further, the Office did not file its Travel Headquarter Reports (Form TA-2) timely and did not comply with its policy requiring employees using private vehicles for State business to certify certain information and maintain the certification on file.

During our testing, we noted the following:

- For one of 40 (3%) travel vouchers tested, totaling $267, the times of travel and the points of departure and arrival were not properly indicated on the Travel Voucher.

  The Illinois Administrative Code (80 Ill. Adm. Code 2800.240 (b)) states that when applicable, the travel voucher shall show in the space provided the dates and times of travel, the points of departure and destination, the mode of transportation, the cost of the transportation secured, lodging, meals per diem and other expenses.

- Two of 40 (5%) travel vouchers tested, totaling $1,147, were for out-of-state travel and were not submitted to the Governor's Travel Control Board for approval prior to the travel.

  The Governor's Travel Control Board Rules (80 Ill. Adm. Code 2800.700(b) require travel outside of Illinois be approved by the Governor's Office of Management and Budget prior to the travel. All requests shall be submitted to the Governor's Office of Management and Budget's on-line travel system (eTravel) at least 30 days in advance of the departure date.

- The Office did not file 3 of 4 (75%) Forms TA-2 with the Legislative Audit Commission timely. The reports were filed between 158 and 524 days late.

  The State Finance Act (30 ILCS 105/12-3) states each State agency shall file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The reports shall be filed with the Legislative Audit Commission no later than each July 15 for the period from January 1 through June 30 of that year and no later than each January 15 for the period from July 1 through December 31 of the preceding year. Agencies with no officers or employees in this status shall file negative reports.

- The Office did not comply with its policy to ensure that employees using private vehicles for State business completed the certification of official headquarters, residence, and motor vehicle insurance form as part of the new hire onboarding paperwork. This form certifies that the employee is duly licensed and carries at least the minimum insurance coverage. Eight of 25 (32%) employees tested did not have the certification on file.

  The Illinois Administrative Code (80 Ill. Adm. Code 3000.300 (f)(1)) states employees using private vehicles on State business must have insurance coverage in an amount not less than that required by the Illinois Vehicle Code. Prior to that authorization, the Agency Head shall require employees to file a statement certifying that they are duly licensed and carry at least the minimum insurance coverage or shall require that certification to be noted on the travel voucher.

  The Employee Handbook, New Hires Procedures, requires new hires to complete onboarding paperwork, which includes the certification of official headquarters, residence, and motor vehicle insurance.

According to Office personnel, the traveler did not provide the required information on the travel vouchers and the out-of-state travel requests were not submitted to the Office of Management and Budget because these travels were not initially planned and had to be made at a short notice to the travelers to ensure Office representation at the events. In addition, Office personnel stated the Forms TA-2 were not submitted timely because the Office was not aware that these reports were required to be filed and the certification of official headquarters, residence, and motor vehicle insurance forms that were not on file for some employees was due to oversight.

Failure to include the times of travel and specific points of departure and arrival information may result in the Office's inability to verify the reasonableness of per diem and mileage reimbursements. Failure to submit out-of-state travel requests does not provide the Governor's Travel Control Board an opportunity to review the need and appropriateness of the travel. Failure to timely file Forms TA-2 with the Legislative Audit Commission is noncompliance with the statute. Failure to ensure all employees using private vehicles for State business are properly licensed and insured may result in serious legal penalties to the State. (Finding Code No. 2017-006)

RECOMMENDATION

We recommend the Office review its travel vouchers to ensure travelers provide complete travel information. We also recommend the Office submit out-of-state travel requests in compliance with the Illinois Administrative Code. Further, we recommend the Office ensure required reports are timely filed and insurance certifications are obtained from employees in accordance with its policy.

OFFICE RESPONSE

The Governor's Office agrees with the recommendation to review travel vouchers for completeness, ensure compliance when submitting and processing out-of-state travel requests, and timely file required reports and insurance certifications. The Office will issue this month a new version of its Employee Handbook with an addendum to specifically address travel voucher processing procedures and compliance. The revised Handbook will reflect each employee's obligation to timely submit vouchers for both in-state and out-of-state travel. The Office's department of operations also maintains a policy, which it will continue to enforce, requiring all travel information to be filled out completely in order to process travel vouchers. The Office has filed all overdue Form TA-2 reports and will continue to file future Form TA-2 reports on time. Regarding insurance certifications, the Office is conducting a comprehensive review to ensure that employees properly file insurance certifications in compliance with law.

2017-007. **FINDING** (Inadequate controls over receipts processing)

The Office of the Governor (Office) did not maintain adequate controls over receipts processing.

During our testing of receipts, we noted the following:

- The Office did not keep a detailed itemized account of all moneys received during Fiscal Years 2016 and 2017 showing the date of receipt, the payor, and purpose and amount. The Office receipt listing only includes the dates receipts were deposited to the State Treasurer, dates of remittance to the Comptroller's Office, transmittal number, fund number, and amount.

- One of four (25%) receipts tested was not properly recorded in the Office's books, timely deposited into the clearing account, and remitted to the Office of the Comptroller for deposit into the Treasury within a reasonable time frame. The receipt amounting to $70,548 was received during Fiscal Year 2016, but was recorded as a receipt in Fiscal Year 2017. In addition, the receipt was deposited into the Treasurer's clearing account 67 days after it was received and remitted to the Office of the Comptroller 147 days from the date of the Treasurer's draft.

- For one of four (25%) receipts tested, the Office could not provide the Receipt Deposit Transmittal, Treasurer's draft, and other supporting documents. As such the auditors cannot determine whether the receipt was timely deposited into the clearing account and remitted to the Office of the Comptroller for deposit into the Treasury within a reasonable time frame.

- For one of four (25%) receipts tested, the Office erroneously reported a refund together with a receipt and used the Receipts Deposit Transmittal form instead of the Expenditure Adjustment Transmittal form to report a prior year refund received, totaling $303, to the Office of the Comptroller.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2) requires every agency to keep in proper books a detailed itemized account of all moneys received for or on behalf of the State of Illinois, showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement. All monies shall be paid into the State treasury the gross amount of money so received on the day of actual physical receipt with respect to any single item of receipt exceeding $10,000, within 24 hours of actual physical receipt with respect to an accumulation of receipts of $10,000 or more, or within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding $500 but less than $10,000, disregarding holidays, Saturdays and Sundays, after the receipt of same, without any deduction on account of salaries, fees, costs, charges, expenses or claims of any description whatever.

The State Records Act (5 ILCS 160/8) requires each agency to preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

The Statewide Accounting Management System Manual (SAMS) (Procedure 25.10.30) requires the Comptroller to order all deposits of money into funds held by the State Treasurer. Moneys received by a State agency in the form of checks, drafts or similar instruments must be delivered to the State Treasurer for collection. The State Treasurer shall remit such collected funds to the agency by Treasurer's Draft. The draft shall be remitted to the Comptroller to be ordered into the appropriate fund.

The State Comptroller Act (15 ILCS 405/10.14) requires appropriation credit to be provided when any warrant, or portion thereof, is returned to the State Treasury as a result of erroneous or overpayment made from a treasury held fund. SAMS (Procedure 25.10.30) states cash refunds may not be submitted to the Comptroller as receipts. Cash refunds are handled as reversals of expenditures so that for reimbursement purposes, the expenditure authority account that the original warrant was drawn on will be credited with the refund. In addition, SAMS (Procedure 25.20.20) requires agencies to use the Expenditure Adjustment Transmittal form when submitting cash refunds to the Comptroller for ordering monies into the State Treasury.

According to Office personnel, the above issues were due to turnover in personnel handling receipt records and transactions.

Failure to keep itemized records of receipts including information such as the date of receipt, payor, purpose, and amount may result in receipts not properly accounted for and difficulty in performing receipts reconciliations. Failure to maintain adequate records and proper documentation is noncompliance with the State Records Act (Act) and may limit the ability of the Office to provide support for its operations and make records available to the public, if requested, in accordance with the Act. Failure to timely deposit receipts may result in lost interest and increased risk of misappropriation of funds. In addition, failure to properly report cash refunds results in the fund on which the original warrant was drawn not being credited for the amount returned. (Finding Code No. 2017-007)

RECOMMENDATION

We recommend the Office maintain detailed itemized records of its receipts and supporting documentation. We also recommend the Office deposit receipts timely in accordance with the State Officers and Employees Money Disposition Act. Further, we recommend the Office review its receipts to determine whether they are refunds or revenues to ensure appropriate forms are used and accurate reporting to the Office of the Comptroller.

OFFICE RESPONSE

The Governor's Office agrees with the recommendation to maintain records of its receipts and supporting documentation and to timely deposit accurate receipts. This finding regards, most significantly, one transfer of $70,548. This receipt was not properly and timely filed because it was unusual in nature; it constituted a one-time grant payment that the Office properly, although not timely, remitted to the general revenue fund. The Office agrees to properly document and preserve information about all its financial transactions and will continue to maintain records with detailed itemized receipt information and supporting documentation. Going forward, the Office will continue to seek clarity from the Comptroller's Office to ensure it is accurately reporting refunds and revenues.

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Inadequate maintenance of records)

During the prior examination, the Office of the Governor (Office) did not maintain records and documents for various expenditures and receipts activities. The Office was not able to provide records for various expenditures, a list of employees on-leave of absence, or a list of receipts and refunds received.

During the current examination, our testing did not disclose similar exceptions. (Finding Code No. 2015-005)

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
CURRENT STATUS OF PERFORMANCE AUDIT RECOMMENDATION
For the Two Years Ended June 30, 2017

As part of the compliance examination of the Office of the Governor for the two years ended June 30, 2017, we followed up on the status of one recommendation from the Illinois Office of the Auditor General's Performance Audit of the Center for Comprehensive Health Planning and Health Facilities and Services Review Board (HFSRB) (released May 2014). One recommendation, listed below, applied to the Office of the Governor.

Recommendation #1 - Comprehensive Health Planner

The Governor should appoint a Comprehensive Health Planner as required by State statute (20 ILCS 2310/2310-217(b)(2)).

Status - Not Repeated

On July 8, 2016, Public Act 99-527 was signed into law which, effective January 1, 2017, repealed the requirement for the Illinois Department of Public Health to establish the Center for Comprehensive Health Planning Center and for the Governor to appoint a Comprehensive Health Planner; therefore, the recommendation is not repeated. (Finding Code No. 2015-003)

The above recommendation was also stated as not repeated in the Illinois Office of the Auditor General's Performance Audit of the HFSRB (released November 2017).

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

  Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2017
  Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2016
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  Schedule of Changes in State Property
  Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):

  Agency Functions and Planning Program (Not Examined)
  Analysis of Significant Variations in Expenditures (Not Examined)
  Analysis of Significant Variations in Receipts (Not Examined)
  Analysis of Significant Lapse Period Spending (Not Examined)
  Budget Impasse Disclosures (Not Examined)
  Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
  Interest Costs on Invoices (Not Examined)
  Average Number of Employees (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017 and June 30, 2016 accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant’s report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Operational Expenses		$ 3,471,114	$ 5,400	$ 3,476,514	
Lump Sums and Other Purposes	$ 350,000	326,854	17,696	344,550	$ 5,450
Total General Revenue Fund - 001	$ 350,000	$ 3,797,968	$ 23,096	$ 3,821,064	$ 5,450
BUDGET STABILIZATION FUND - 686					
Lump Sums and Other Purposes	$ 150,000	$ 148,017	$ 366	$ 148,383	$ 1,617
Total Budget Stabilization Fund - 686	$ 150,000	$ 148,017	$ 366	$ 148,383	$ 1,617
GOVERNOR'S GRANT FUND - 947					
Governor's Grant Fund	$ 100,000	$ -	$ -	$ -	$ 100,000
Total Governor's Grant Fund - 947	$ 100,000	$ -	$ -	$ -	$ 100,000
TOTAL - ALL APPROPRIATED FUNDS		$ 3,945,985	$ 23,462	$ 3,969,447	
NON-APPROPRIATED FUNDS					
ILLINOIS EXECUTIVE MANSION TRUST FUND - 296					
Mansion Expenses		$ -	$ -	$ -	
TOTAL - ALL NON-APPROPRIATED FUNDS		$ -	$ -	$ -	
GRAND TOTAL - ALL FUNDS		$ 3,945,985	$ 23,462	$ 3,969,447	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Office records.

Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payments of wages (for all State employees) at their normal rates of pay." As Public Act 100-0021 states appopriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Office was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Office incurred non-payroll obligations within Fund 001, which the Office was unable to pay until the passage of Public Act 100-0021.

Note 4: Public Act 99-0524 authorized the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 55 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office submitted against its Fiscal Year 2017 appropriation.

Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Office to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 55 includes information from Office management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Office to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court-Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
APPROPRIATED FUNDS					
GENERAL REVENUE FUND - 001					
Operational Expenses		$ 3,810,677	$ 6,525	$ 3,817,202	
Total General Revenue Fund - 001		$ 3,810,677	$ 6,525	$ 3,817,202	
GOVERNOR'S GRANT FUND - 947					
Governor's Grant Fund	$ 100,000	$ -	$ -	$ -	$ 100,000
Total Governor's Grant Fund - 947	$ 100,000	$ -	$ -	$ -	$ 100,000
TOTAL - ALL APPROPRIATED FUNDS		$ 3,810,677	$ 6,525	$ 3,817,202	
NON-APPROPRIATED FUNDS					
ILLINOIS EXECUTIVE MANSION TRUST FUND - 296					
Mansion Expenses		$ 980	$ -	$ 980	
TOTAL - ALL NON-APPROPRIATED FUNDS		$ 980	$ -	$ 980	
GRAND TOTAL - ALL FUNDS		$ 3,811,657	$ 6,525	$ 3,818,182	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Office records.

Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages (for all State employees) at their normal rates of pay." As the Office never received enacted personal services appropriation for Fund 001, the Office was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.

Note 4: During Fiscal Year 2016, the Office operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages (for all State employees) at their normal rates of pay." As such, the Office's court-ordered payroll payments were merged into the enacted appropriation within Fund 001. Further, the Office incurred non-payroll obligations within Fund 001, which the Office was unable to pay until the passage of Public Act 99-0524.

Note 5: Public Act 99-0524 authorized the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 55 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2017, 2016 and 2015

	Fiscal Year 2017 PA 99-0524, Court-Ordered Expenditures	Fiscal Year 2016 PA 99-0524, Court-Ordered Expenditures	Fiscal Year 2015 PA 98-0679
APPROPRIATED FUNDS			
General Revenue Fund - 001			
Appropriations (Net After Transfers)	$ 350,000	$ -	$ 5,521,100
Expenditures			
Operational Expenses	3,476,514	3,817,202	5,094,032
Lump Sums and Other Purposes	344,550	-	-
Total Expenditures	3,821,064	3,817,202	5,094,032
Lapsed Balances	$ 5,450	$ -	$ 427,068
Budget Stabilization Fund - 686			
Appropriations (Net After Transfers)	$ 150,000	$ -	$ -
Expenditures			
Lump Sums and Other Purposes	148,383	-	-
Lapsed Balances	$ 1,617	$ -	$ -
Governor's Grant Fund - 947			
Appropriations (Net After Transfers)	$ 100,000	$ 100,000	$ 100,000
Expenditures			
Governor's Grant Fund	-	-	-
Lapsed Balances	$ 100,000	$ 100,000	$ 100,000
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net After Transfers)	$ 600,000	$ 100,000	$ 5,621,100
Expenditures	3,969,447	3,817,202	5,094,032
Lapsed Balances	$ 107,067	$ 100,000	$ 527,068
NON-APPROPRIATED FUNDS			
Illinois Executive Mansion Trust Fund - 296			
Expenditures			
Mansion Expenses	$ -	$ 980	$ 37,937
Total Expenditures	$ -	$ 980	$ 37,937
GRAND TOTAL - ALL NON-APPROPRIATED FUNDS	$ -	$ 980	$ 37,937
GRAND TOTAL - ALL FUNDS	$ 3,969,447	$ 3,818,182	$ 5,131,969
General Revenue Fund - 001 - State Comptroller			
Governor's Salary	$ -	$ -	$ 94,539

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Office records.

Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payments of wages (for all State employees) at their normal rates of pay." As Public Act 100-0021 states appopriation authority granted by the General Assembly does not supersede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Office was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Further, the Office incurred non-payroll obligations within Fund 001, which the Office was unable to pay until the passage of Public Act 100-0021.

Note 4: Public Act 99-0524 authorized the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 55 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office submitted against its Fiscal Year 2017 appropriation.

Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Office to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 55 includes information from Office management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Office to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

Schedule 4

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2017

	Land and Land Improvements	Building and Building Improvements	Equipment	Capital Lease Assets	Total
Balance at July 1, 2015	$ 41,100	$ 11,747,658	$ 1,315,920	$ 10,900	$ 13,115,578
Additions:					
Additions	-	834,691	-	-	834,691
Total Additions	-	834,691	-	-	834,691
Deletions and Adjustments:					
Lost/Scrapped	-	-	(28,854)	-	(28,854)
Transfers Out	-	-	(17,586)	-	(17,586)
Other Adjustments	-	-	(127,577)	-	(127,577)
Total Deletions	-	-	(174,017)	-	(174,017)
Balance at June 30, 2016	$ 41,100	$ 12,582,349	$ 1,141,903	$ 10,900	$ 13,776,252
Additions and Adjustments:					
Additions	-	1,541,151	-	-	1,541,151
Other Adjustments	-	-	3,327	-	3,327
Total Additions	-	1,541,151	3,327	-	1,544,478
Deletions and Adjustments:					
Other Adjustments	-	-	-	(10,900)	(10,900)
Total Deletions	-	-	-	(10,900)	(10,900)
Balance at June 30, 2017	$ 41,100	$ 14,123,500	$ 1,145,230	$ -	$ 15,309,830

Note: The above schedule has been derived from the property records of the Office. However, we were not able to reconcile to the property reports submitted to the State Comptroller due to certain errors noted in the Office's property reports (see Finding Code No. 2017-001).

Schedule 5

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30,

	2017	2016	2015
General Revenue Fund - 001			
Miscellaneous	$ 70,573	$ 1,034	$ 904
Illinois Executive Mansion Trust Fund - 296			
Executive Mansion	2,448	3,254	18,830
Governor's Grant Fund - 947			
Donations	-	-	10
Receipts per Office Records	73,021	4,288	19,744
Add: Deposits in Transit, Beginning of Year	-	-	-
Less: Deposits in Transit, End of Year	-	-	-
Deposits Recorded by the State Comptroller	$ 73,021	$ 4,288	$ 19,744

AGENCY FUNCTIONS

The Governor is the Chief Executive Officer of the State of Illinois. His official duties are set forth in Section 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 Bruce Rauner is the current governor and was sworn into office as the 42nd Governor of the State of Illinois the morning of January 12, 2015.

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 of Illinois, members of the General Assembly of Illinois, the National Administration of Governors, and other governors.

Legal General Counsel

The General Counsel's Office manages legal issues for the Governor and the Governor's Office. This office performs administrative work for the State which includes, but is not limited to, the following areas: drafting legal documents and contracts; overseeing all legal matters under the Governor's responsibilities; and advising the Governor and Chief of Staff on legal issues. The legal department ensures that the Office of the Governor maintains compliancy with all ethics laws.

Office of the Chief of Staff

The Office of the Chief of Staff oversees Legislative Affairs, Policy, Communications, External Affairs, and Executive Appointments. The heads of those departments report to the Chief of Staff, who coordinates and reports to the Governor on their work.

- **Legislative Affairs**

  The Legislative Affairs Department represents the Governor's administration in proceedings before the Illinois General Assembly and manages legislative affairs for the Governor's Office and all State agencies that report to the Governor. This department works with members of the General Assembly, their staffs and other State Constitutional Officers to advance Governor Rauner's legislative agenda. This department also monitors legislation.

- **Policy**

  The Policy Department is involved in policy development and acts as a liaison with departments and agencies. This department oversees Federal Affairs. This department works closely with other units in the Governor's Office that are responsible for legislation and budget development. This department meets with State agencies regularly to get updates on each agency's goals and missions so they can be communicated with the Chief of Staff and the Governor.

  - **Federal Affairs**

    Federal Affairs is the only unit that is located outside of Illinois. Its office is located in Washington D.C. This unit is led by the Director of Federal Affairs, who maintains a relationship with elected Federal Officials. It is the job of this unit to act as a liaison between the State legislature and the Federal legislature. The Director of Federal Affairs reports to the Deputy Chief of Staff for Policy and the Chief of Staff on new Federal legislation that will affect the State of Illinois and also works with Federal grants.

- **Communications**

  The Communications Department develops and implements the Governor's communications strategy and serves as the point of contact for media seeking information about the Governor. The department works directly with the Governor and other departments to discuss scheduling and opportunities for the Governor to meet with the people of Illinois through interviews and media appearances. This department also works directly with the Governor's Office of Constituent Affairs (GOCA) to discuss constituent issues.

- **External Affairs**

  The External Affairs Department is responsible for creating relationships with various ethnic groups and organizations in Illinois. It is the goal of the Office of the Governor to be aware of all issues and concerns of the communities in Illinois and the External Affairs Department meets with these communities regularly to discuss concerns and how the Governor can become more involved in that organization/community. The External Affairs Department also houses the Advance Department, which organizes each of the Governor's events and plans out the Governor's travel. Through three Government Affairs managers, this department also acts as a liaison between the Office of the Governor and municipal governments around the State. These managers regularly meet with mayors and city officials to discuss the effect of State legislation on cities and counties. The External Affairs Department works directly with the Governor on policy that would affect local governments and also briefs the Governor and Chief of Staff on local government throughout the State.

- **Executive Appointments**

  The Executive Appointments Department is responsible for identifying and appointing suitable candidates for appointments under the jurisdiction of the Governor. The Executive Appointments Department maintains all appointment documentation for state government boards and commissions under the purview of executive powers and appointment. The department uses a selection process to identify individuals to serve on boards that advise, advocate, and/or regulate issues across a broad range of programs and services that address the concerns of individuals and groups. This department also works closely with the General Counsel's Office to ensure that all statutory requirements for these appointments are met.

Office of the Deputy Governor/Chief Operating Officer

The Office of the Deputy Governor/Chief Operating Officer (COO) oversees the Transformation and Metrics Department, Fiscal Operations Department, and Operations Department. The heads of those departments report to the Deputy Governor/COO, who coordinates and reports to the Governor on their work. This office also oversees Executive Mansion operations and event planning.

- **Government Transformation and Metrics**

  The Government Transformation and Metrics Department focuses on interagency projects, developing performance metrics and strategic planning. Projects focus on evaluating agency operations to improve effectiveness and efficiency. The department also focuses on building out the data tools and performance metrics for State agencies. Additionally, work focuses on key initiatives across state programs.

- **Fiscal Operations**

  The Fiscal Operations Department oversees the day to day fiscal operations of the Office of the Governor. The employees in this department are responsible for overseeing the internal office budget, managing all agency expenditures, authorizing payments through the Comptroller's Office, ensuring all financial transactions are adequately documented and appropriately recorded, and that corresponding internal controls are followed.

- **Operations**

  The Operations Department oversees the day to day operations of the Office of the Governor. The employees are responsible for handling personnel of the Office of the Governor in addition to providing support in the Front Office. This unit also prepares all documentation necessary to maintaining the property of the Office of the Governor. This requires the department to complete required forms to submit to designated agencies to stay in compliance with State laws.

Office of the Senior Advisor to the Governor

The Office of the Senior Advisor to the Governor oversees the Education Department. This office is also responsible for developing policy in the human services and early childhood spaces.

- **Education**

  The Education Department is involved in education policy development and acts as a liaison with universities and education agencies. The Education Department works closely with other units in the Governor's Office that are responsible for legislation and budget development. This department meets with State agencies and universities regularly to get updates on each agency's goals and missions so they can be communicated with the Chief of Staff and the Governor. The Education Department also provides support and organizes meetings of the Governor's Children's Cabinet.

Office of the Deputy Governor

The Office of the Deputy Governor oversees the Governor's Office of Constituent Affairs and the Illinois Bicentennial. The heads of those departments report to the Deputy Governor who coordinates and reports to the Governor on their work.

- **Governor's Office of Constituent Affairs (GOCA)**

  This office ensures that State government takes responsibility for providing citizens the services they rightfully deserve by connecting constituents to crucial state services and programs. In addition, GOCA promotes civic engagement across Illinois by educating constituents on Illinois State government programs and functions through outreach efforts. GOCA responds to correspondence sent to the Governor in order to address key issues that are important to the citizens of the State.

- **Office of the Illinois Bicentennial**

  This office is focused on planning and celebrating the State of Illinois' 200th birthday on December 3, 2018.

PLANNING PROGRAM

The Office of the Governor practices both long-term and short-term planning on a continuing basis. Longer range planning involves discussions with agencies and government units that fall 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 of the Governor functions in a review and advisory capacity to the Governor's Office of Management and Budget.

Operating Officers and Policy Advisors work 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 identifies 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
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Not Examined)
For the Two Years Ended June 30, 2017

Significant variances in expenditures were determined to be changes of $50,000 between fiscal years. A comparative schedule of significant variations and explanations for items meeting the criteria appear below.

	Fiscal Year Ended June 30,		Increase (Decrease)	
	2017	2016	Amount	%
General Revenue Fund (001)				
Operational Expenses	$ 3,476,514	$ 3,817,202	$ (340,688)	-9% (1)
Lump Sums and Other Purposes	344,550	-	344,550	100% (2)
Budget Stabilization Fund (686)				
Lump Sums and Other Purposes	148,383	-	148,383	100% (2)
Governor's Grant Fund (947)				
Governor's Grant Fund	-	-	-	0%
Illinois Executive Mansion Trust Fund (296)				
Mansion Expenses	-	980	(980)	-100%

(1) The decrease in operational expenses in Fiscal Year 2017 from Fiscal Year 2016 was mainly due to vacancies not being filled immediately and when those vacancies were filled; based on the level of experience of the candidate, the salary amounts were lower than those of the incumbent.

(2) The increase in lump sums and other purposes expenditures in Fiscal Year 2017 from Fiscal Year 2016 was due to nonpayment of nonpayroll related expenditures in Fiscal Year 2016 as a result of the budget impasse. In Fiscal Year 2017, the Office received appropriations from the General Revenue Fund and Budget Stabilization Fund to pay for Fiscal Year 2017 and Fiscal Year 2016 nonpayroll expenditures.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Not Examined)
For the Two Years Ended June 30, 2017

Significant variances in expenditures were determined to be changes of $50,000 between fiscal years. A comparative schedule of significant variations and explanations for items meeting the criteria appear below.

	Fiscal Year Ended June 30,		(Decrease)	
	2016	2015	Amount	%
General Revenue Fund (001)				
Operational Expenses	$ 3,817,202	$ 5,094,032	$ (1,276,830)	-25% (1)
Governor's Grant Fund (947)				
Governor's Grant Fund	-	-	-	0%
Illinois Executive Mansion Trust Fund (296)				
Mansion Expenses	980	37,937	(36,957)	-97%

(1) The decrease in operational expenses in Fiscal Year 2016 from Fiscal Year 2015 was due to lump sum payments to employees as a result of the transition of the administration included in Fiscal Year 2015 expenditures. In addition, Fiscal Year 2015 expenditures included both payroll and non-payroll expenditures, while Fiscal Year 2016 expenditures only included court-ordered payroll expenditures due to the budget impasse.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS (Not Examined)
For the Three Years Ended June 30, 2017

Significant variances in receipts were determined to be changes of $5,000 between fiscal years. A comparative schedule of significant variations and explanations for items meeting the criteria appear below.

	Fiscal Year Ended June 30		Increase/(Decrease)		
	2017	2016	Amount	%	
General Revenue Fund - 001					
Miscellaneous	$ 70,573	$ 1,034	$ 69,539	6,725%	(1)
Illinois Executive Mansion Trust Fund - 296					
Executive Mansion	2,448	3,254	(806)	-25%	
Governor's Grant Fund - 947					
Donations	-	-	-	0%	

	2016	2015	Amount	%	
General Revenue Fund - 001					
Miscellaneous	$ 1,034	$ 904	$ 130	14%	
Illinois Executive Mansion Trust Fund - 296					
Executive Mansion	3,254	18,830	(15,576)	-83%	(2)
Governor's Grant Fund - 947					
Donations	-	10	(10)	-100%	

(1) The increase in miscellaneous receipts in Fiscal Year 2017 from Fiscal Year 2016 was mainly due to the receipt of federal funds from the Illinois State Board of Education (ISBE) to reimburse the salary of the Office’s Preschool Expansion Policy Director in accordance with an intergovernmental agreement. ISBE is the fiscal agent of the Preschool Development Grant - Expansion Grant funds.

(2) The decrease in executive mansion receipts in Fiscal Year 2016 from Fiscal Year 2015 was due to fewer events held at the Executive Mansion. Events held at the Executive Mansion vary from year to year.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING (Not Examined)

For the Two Years Ended June 30, 2017

Fiscal Year 2017

There were no significant lapse period expenditures during Fiscal Year 2017.

Fiscal Year 2016

There were no significant lapse period expenditures during Fiscal Year 2016.

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Office to pay Fiscal Year 2016 costs using the Office's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Office to pay its unpaid Fiscal Year 2017 costs using either the Office's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Office's plan to pay its prior costs using future appropriations:

FISCAL YEAR 2016 INVOICES

		Paid From Fiscal Year 2017 Appropriations		Expect Payment from Fiscal Year 2018 Appropriations	
Fund #	Fund Name	Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	123	$ 82,967	-	$ -
686	Budget Stabilization Fund	346	143,236	-	-
		469	$ 226,203	-	$ -

FISCAL YEAR 2017 INVOICES

		Paid From Fiscal Year 2017 Appropriations		Expect Payment from Fiscal Year 2018 Appropriations	
Fund #	Fund Name	Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	257	$ 261,583	161	$ 87,565
686	Budget Stabilization Fund	44	5,147	-	-
		301	$ 266,730	161	$ 87,565

In addition, the Office lacked sufficient expenditure authority, from either court-ordered expenditures or enacted appropriations, to cover its Fiscal Year 2017 costs within the General Revenue Fund (001) and the Budget Stabilization Fund (686). The Office, as of the end of fieldwork, was holding 161 Fiscal Year 2017 invoices, totaling $87,565.

Finally, the Office's Fiscal Year 2016 personal services costs accounted for within the General Revenue Fund (001) were paid pursuant to court orders. The Office did not have any outstanding unpaid payroll invoices from Fiscal Year 2016 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016.

ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS (Not Examined)

For the Two Years Ended June 30, 2017

Transactions Involving the Illinois Finance Authority

The Office and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Office's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016 and Fiscal Year 2017.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
INTEREST COSTS ON INVOICES (Not Examined)
For the Two Years Ended June 30, 2017

Prompt Payment Interest Costs

The Office plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Adm. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Office. The following chart shows the Office's prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016 and June 30, 2017, by fund:

PROMPT PAYMENT INTEREST INCURRED
Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
001	General Revenue Fund	11	7	$ 261
686	Budget Stabilization Fund	139	29	4,031
		150	36	$ 4,292

PROMPT PAYMENT INTEREST INCURRED
Year Ended June 30, 2017

Fund #	Fund Name	Invoices	Vendors	Dollar Value
001	General Revenue Fund	241	55	$ 11,313
686	Budget Stabilization Fund	85	17	1,854
		326	72	$ 13,167

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
AVERAGE NUMBER OF EMPLOYEES (Not Examined)
For the Years Ended June 30, 2017, 2016 and 2015

The following table, prepared from Office records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

Function	2017	2016	2015
Executive Office	77	41	46
Executive Mansion	5	5	7
Total	82	46	53