

**STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2018

STATE OF ILLINOIS
 LEGISLATIVE ETHICS COMMISSION
 COMPLIANCE EXAMINATION
 For the Two Years Ended June 30, 2018

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STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

AGENCY OFFICIALS

Executive Director

Randy Erford

Commission Members as of June 30, 2018:

Senator Terry Link, Chairman

Representative Avery Bourne

Senator Cristina Castro

Representative Barbara Flynn Currie

Senator Michael Connelly

Representative Norine Hammond

Senator Karen McConnaughay

Representative Arthur Turner

The Commission's office is located at:

420 Stratton Building
Springfield, Illinois 62706

Senator Christina Castro
Senator Michael Connelly
Senator Terry Link
Senator Jil Tracy

EXECUTIVE DIRECTOR:
Randy Erford



CHAIRMAN:
Representative Avery Bourne
Representative Barbara Currie
Representative Norine Hammond
Representative Arthur Turner

LEGISLATIVE ETHICS COMMISSION

420 Stratton Building, Springfield, IL 62706
Phone: (217) 558-1561
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MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

December 21, 2018

Auditor General Mautino:

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 Legislative Ethics Commission. 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 Legislative Ethics Commission's compliance with the following assertions during the two-year period ended June 30, 2018. Based on this evaluation, we assert that during the years ended June 30, 2017, and June 30, 2018, the Legislative Ethics Commission has materially complied with the assertions below.

- A. The Legislative Ethics Commission 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 Legislative Ethics Commission 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 Legislative Ethics Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Yours truly,

Legislative Ethics Commission

SIGNED ORIGINAL ON FILE

Randy Erford, Executive Director

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

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, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	2	2
Repeated findings	2	2
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2018-001	7	Procedural Deficiencies	Significant Deficiency and Noncompliance
2018-002	9	Inadequate Segregation of Duties	Significant Deficiency and Noncompliance

EXIT CONFERENCE

The Commission waived an exit conference in a correspondence from Randy Erford, Executive Director, on December 14, 2018. The responses to the recommendations were provided by Randy Erford, Executive Director, in a correspondence dated December 20, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

We have examined the State of Illinois, Legislative Ethics Commission'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, 2018. The management of the State of Illinois, Legislative Ethics Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Legislative Ethics Commission's compliance based on our examination.

- A. The State of Illinois, Legislative Ethics Commission 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, Legislative Ethics Commission 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, Legislative Ethics Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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, Legislative Ethics Commission 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, Legislative Ethics Commission 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, Legislative Ethics Commission's compliance with specified requirements.

In our opinion, the State of Illinois, Legislative Ethics Commission complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2018. However, the results of our procedures disclosed 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 2018-001 and 2018-002.

The State of Illinois, Legislative Ethics Commission's response to the finding identified in our examination is described in the accompanying schedule of findings. The State of Illinois, Legislative Ethics Commission's response was not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the response.

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, Legislative Ethics Commission 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, Legislative Ethics Commission'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, Legislative Ethics Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Legislative Ethics Commission's internal control over compliance.

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 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

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

The State of Illinois, Legislative Ethics Commission's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Legislative Ethics Commission'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, 2018, and June 30, 2017, in Schedules 1 through 4 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, 2018, and June 30, 2017, accompanying supplementary information in Schedules 1 through 4. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2016, accompanying supplementary information in Schedules 3 and 4 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

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 21, 2018

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-001. **FINDING** (Procedural Deficiencies)

The Legislative Ethics Commission (Commission) did not comply with certain procedural requirements established by State laws and regulations.

While we noted some improvements from the Commission's last examination as our testing indicated the Fiscal Control and Internal Auditing Act certifications were properly filed with the Office of the Auditor General and the Commission properly performed monthly reconciliations of its expenditures to the Office of the Comptroller's *Monthly Appropriation Status Report* (SB01), we continued to note the following procedural deficiencies:

- The Commission was unable to provide signed authorizations for employee payroll deductions, including the *Federal/Illinois W-4 Employee's Withholding Allowance Certificate* (Form C-25).

The Statewide Accounting Management System (SAMS) (Procedure 23.20.05) requires the Commission to have on file a properly completed Form C-25 for all active employees.

- The Commission did not timely submit its *Agency Workforce Report* for Fiscal Year 2016 to the Governor and Secretary of State. The Fiscal Year 2016 *Agency Workforce Report* was submitted to the Governor on January 19, 2017, and the Secretary of State on January 17, 2017, which was 18 days and 16 days late, respectively.

The State Employment Records Act (5 ILCS 410/20) requires the Commission to file an annual *Agency Workforce Report* with the Secretary of State and the Governor by January 1.

- The Commission did not submit its annual equipment inventory certification to the Department of Central Management Services (CMS) in Fiscal Year 2016 and filed its Fiscal Year 2017 certification 14 days late.

The Illinois Administrative Code (44 Ill. Admin. Code 5010.460(f)) requires the Commission's Executive Director to certify completion of annual physical inventory of State equipment and submit a complete property listing to CMS.

Commission management indicated the conditions noted were due to employee error and oversight. During the prior examination, management cited oversight and confusion regarding filing dates as the primary causes for the conditions noted.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-001. **FINDING** (Procedural Deficiencies) (continued)

Failure to provide authorized documentation to show employee payroll deductions can result in inaccurate amounts being deducted from payroll. In addition, failure to timely submit the annual *Agency Workforce Report* and timely file Certifications of Inventory represents noncompliance with State statute. (Finding Code No. 2018-001, 2016-001, 2014-001, 12-1, 10-1)

RECOMMENDATION

We recommend the Commission:

- ensure signed authorization forms for employee payroll deductions are maintained for all personnel;
- timely file its annual *Agency Workforce Report* with the Governor and the Secretary of State; and,
- timely submit property inventory certifications to CMS.

COMMISSION RESPONSE

Accepted. The LEC will endeavor to file Agency Workforce reports in a more timely fashion and will obtain a copy of the referenced Illinois W-4 on file with the Department of Revenue. The agency has made or is in the process of making the suggested corrections to its property inventory and will endeavor to timely file Certifications of Inventory.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-002. **FINDING** (Inadequate Segregation of Duties)

The Legislative Ethics Commission (Commission) had an inadequate segregation of duties in the areas of expenditure control and State property.

During testing, we noted an inadequate segregation of duties for both the Commission's expenditure and property related transactions. We noted one individual performed all parts of the transaction cycle, including:

- **Authorization** by reviewing and approving transactions;
- **Custody** by tagging all equipment purchases;
- **Recordkeeping** by preparing entries and maintaining the Commission's internal expenditure records and property records;
- **Reconciliation** by preparing reconciliations of the Commission's records to the Comptroller's records; and,
- **Reporting** by completing required quarterly reports over the State property maintained by the Commission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. In addition, good business practices require the Commission to maintain an adequate segregation of duties in order to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

Commission management acknowledged the lack of segregation of duties, but noted hiring additional staff does not seem to be a cost-effective solution, given the volume of work. During the prior examination, Commission personnel cited similar cost concerns as a barrier to compliance.

A lack of adequate segregation of duties increases the likelihood that a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2018-002, 2016-002, 2014-002, 12-2, 10-2, 08-2)

RECOMMENDATION

We recommend the Commission seek additional involvement from Commission members to achieve an adequate segregation of duties and improve its internal control structure.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF FINDINGS – STATE COMPLIANCE
For the Two Years Ended June 30, 2018

2018-002. **FINDING** (Inadequate Segregation of Duties) (continued)

COMMISSION RESPONSE

Accepted. As previously noted, segregation of duties is problematic in a single staff office, but management will continue to endeavor to enhance its procedural compliance with State filing requirements.

The Commission also will continue its enhanced financial oversight of agency operations, as a means to ensure accurate accounting and recordkeeping with reference to expenditures and property control.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

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 2018

- Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017

- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

- Schedule of Changes in State Property

- Analysis of Operations (Not Examined):

- Agency Functions and Planning Program (Not Examined)

- Analysis of Significant Variations in Expenditures (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 Fiscal Year 2017 Invoices (Not Examined)

- Average Number of Employees (Not Examined)

- Service Efforts and Accomplishments (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, 2018, and June 30, 2017, accompanying supplementary information in Schedules 1 through 4. 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 LEGISLATIVE INSPECTOR GENERAL - LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations For Fiscal Year 2018

For the Fifteen Months Ended September 30, 2018

P. A. 100-0021	Expenditure Authority	Lapse Period		Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
		Expenditures Through June 30	Expenditures July 1 to September 30		
FISCAL YEAR 2018					
GENERAL REVENUE FUND - 001					
	Ordinary and Contingent Expenses of the Legislative Ethics Commission and the Office of the Legislative Inspector General	\$ 312,500	\$ 120,095	\$ 11,154	\$ 181,251
	Total Fiscal Year 2018	<u>\$ 312,500</u>	<u>\$ 120,095</u>	<u>\$ 11,154</u>	<u>\$ 181,251</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2018, and have been reconciled to Legislative Ethics Commission (Commission) records. Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 2: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using its Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 19 includes information from Commission management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2017 held by the Commission which were submitted against its Fiscal Year 2018 appropriation.

Note 3: The Legislative Inspector General and the Commission each share an appropriation and expenditure data. In Fiscal Year 2018, both entities were reported under the Commission's agency code. Therefore, the Fiscal Year 2018 appropriation, expenditures, and lapsed balances are reported in the compliance reports for both agencies.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL - LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
Appropriations For Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Continuing Appropriations	Expenditure Authority	Expenditures Through June 30	Lapse Period		Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
			Expenditures July 1 to September 30	Expenditures September 30		
FISCAL YEAR 2017						
GENERAL REVENUE FUND - 001						
Ordinary and Contingent Expenses of the Legislative Ethics Commission and the Office of the Legislative Inspector General	\$ 312,500	\$ 38,983	\$ 1,694	\$ 40,677	\$ 271,823	
Total Fiscal Year 2017	<u>\$ 312,500</u>	<u>\$ 38,983</u>	<u>\$ 1,694</u>	<u>\$ 40,677</u>	<u>\$ 271,823</u>	

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 Legislative Ethics Commission (Commission) records. Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 2: The Civil Administrative Code (State Budget Law) (15 ILCS 20/50-22(b)) provides aggregate appropriations available for legislative operations for all funds for each fiscal year shall not be less than the aggregate appropriations made available for legislative operations during the immediately preceding fiscal year. The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the State's legislative branch agencies pursuant to this statute. Therefore, the Commission's Fiscal Year 2015 appropriation for Fund 001 was carried forward to become the Commission's Fiscal Year 2017 expenditure authority for Fund 001.

Note 3: The Legislative Inspector General and the Commission each share an appropriation and expenditure data. In Fiscal Year 2017, both entities were reported under the Commission's agency code. Therefore, the Fiscal Year 2017 appropriation, expenditures, and lapsed balances are reported in the compliance reports for both agencies.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL - LEGISLATIVE ETHICS COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2018	2017	2016
	P.A. 100-0021	Continuing Appropriations	Continuing Appropriations
GENERAL REVENUE FUND - 001			
Appropriations	\$ 312,500	\$ 312,500	\$ 312,500
Expenditures			
Ordinary and Contingent Expenses of the Legislative Ethics Commission and the Office of the Legislative Inspector General	\$ 131,249	\$ 40,677	\$ 40,323
Lapsed Balances	\$ 181,251	\$ 271,823	\$ 272,177

Note 1: Fiscal Year 2017 and Fiscal Year 2018 expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2018, and have been reconciled to the records of the Legislative Ethics Commission (Commission). Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

Note 2: The Civil Administrative Code (State Budget Law) (15 ILCS 20/50-22(b)) provides aggregate appropriations available for legislative operations for all funds for each fiscal year shall not be less than the aggregate appropriations made available for legislative operations during the immediately preceding fiscal year. The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the State's legislative branch agencies pursuant to this statute. Therefore, the Commission's Fiscal Year 2015 appropriation for Fund 001 was carried forward to become the Commission's Fiscal Year 2017 expenditure authority for Fund 001.

Note 3: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Commission to pay for all costs incurred prior to July 1, 2018, using its Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 19 includes information from Commission management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2017 held by the Commission which were submitted against its Fiscal Year 2018 appropriation.

Note 4: The Office of the Legislative Inspector General and the Legislative Ethics Commission share an appropriation and expenditure data. As such, for Fiscal Years 2016, 2017, and 2018, both entities were reported under the Commission's agency code. Therefore, the expenditure authority, appropriations, expenditures, and lapsed balances are reported in the compliance reports for both agencies.

STATE OF ILLINOIS
 LEGISLATIVE ETHICS COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2018

	<u>Equipment</u>
Balance at July 1, 2016	\$ 9,509
Additions	-
Deletions	-
Net Transfers	<u>-</u>
Balance at June 30, 2017	<u>\$ 9,509</u>
Balance at July 1, 2017	\$ 9,509
Additions	-
Deletions	-
Net Transfers	<u>-</u>
Balance at June 30, 2018	<u>\$ 9,509</u>

Note: The above schedule has been derived from the Legislative Ethics Commission's records, which have been reconciled to property reports submitted to the Office of the State Comptroller. The Office of the Legislative Inspector General and the Legislative Ethics Commission share an appropriation and expenditure data. All equipment is reported under the Legislative Ethics Commission.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Fiscal Years Ended June 30, 2018

(NOT EXAMINED)

The Legislative Ethics Commission (Commission) was created in December 2003 by the State Officials and Employees Ethics Act (Act) (5 ILCS 430/et seq.). The Commission consists of eight commissioners with the President and Minority Leader of the Senate and the Speaker and Minority Leader of the House of Representatives each appointing two members. The Executive Director of the Legislative Ethics Commission is appointed by the Commission, subject to approval of, at least, three of the four legislative leaders.

The jurisdiction of the Commission extends to members of the General Assembly and all State employees whose ultimate jurisdictional authority is a legislative leader, the Senate Operations Commission, or the Joint Committee on Legislative Support Services.

The Act states the Commission shall have the following duties:

- To promulgate rules governing the performance of its duties and the exercise of its powers and governing the investigations of the Legislative Inspector General.
- To conduct administrative hearings and rule on matters brought before the Commission only upon the receipt of pleadings filed by the Legislative Inspector General and not upon its own prerogative.
- Any other allegations of misconduct received by the Commission from a person other than the Legislative Inspector General shall be referred to the Office of the Legislative Inspector General.
- To prepare and publish manuals and guides and, working with the Office of the Attorney General, oversee training of employees under its jurisdiction that explains their duties.
- To prepare public information materials to facilitate compliance, implementation, and enforcement of the Act.
- To submit reports as required by the Act.
- To the extent authorized by the Act (as the powers and duties of the Commission are limited to matters clearly within the purview of the Act), make rulings, issue recommendations, and impose administrative fines, if appropriate, in connection with the implementation and interpretation of the Act.
- To issue subpoenas with respect to matters pending before the Commission to compel the attendance of witnesses for purposes of testimony and the production of documents and other items for inspection and copying.
- To conspicuously display on the Commission's website the procedures for reporting a violation of the Act, including how to report violations via email or online.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Fiscal Years Ended June 30, 2018

(NOT EXAMINED)

- To conspicuously display on the Commission's website any vacancies within the Office of the Legislative Inspector General.

- To appoint special Legislative Inspectors General.

PLANNING PROGRAM

The Commission is an investigative body with its powers and duties detailed in the Act. As a result, the Commission does not have formal written goals and objectives, but instead operates to fulfill the statutory responsibilities in a timely and efficient manner.

The Commission's *Operating Rules* and the Commission's *Personnel Manual* helps implement and communicate the responsibilities set forth in the Act.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2018

General Revenue Fund - 001

Ordinary and Contingent Expenses of the Legislative Ethics Commission and the Office of the Legislative Inspector General

The overall increase in expenditures was primarily due to the absence of a Legislative Inspector General (LIG) until the appointment of Julie Porter as Special LIG (and later Acting LIG) in November 2017. The associated costs are primarily due to legal fees for investigative services provided by and to the Acting LIG in the latter part of Fiscal Year 2018.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2017

There were no significant variations in expenditures between Fiscal Years 2016 and 2017.

Note: The Legislative Ethics Commission shared an appropriation with the Office of the Legislative Inspector General during Fiscal Years 2016, 2017, and 2018. This analysis includes both agencies' expenditures.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

FISCAL YEAR 2018

The Office of the Legislative Inspector General and the Legislative Ethics Commission did not have any significant Lapse Period expenditures during Fiscal Year 2018.

FISCAL YEAR 2017

The Office of the Legislative Inspector General and the Legislative Ethics Commission did not have any significant Lapse Period expenditures during Fiscal Year 2017.

Note: The Legislative Ethics Commission shared an appropriation with the Office of the Legislative Inspector General during Fiscal Years 2016, 2017, and 2018. This analysis includes both agencies' expenditures.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

All of the Legislative Ethics Commission's (Commission's) Fiscal Year 2016 and Fiscal Year 2017 costs were paid pursuant to continuing appropriation. The Commission did not have any outstanding unpaid invoices from either Fiscal Year 2016 or Fiscal Year 2017 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016, and the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017, respectively.

In addition, Article 998 of Public Act 100-0021 authorized the Commission to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using the Commission's Fiscal Year 2018 appropriation for non-payroll expenditures. The Commission did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Commission did not use its Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Legislative Ethics Commission (Commission) and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

The following chart shows the Commission's VPP transactions for Fiscal Year 2017:

VPP TRANSACTIONS

	<u>2017</u>
Dollar Value	\$ 278
Vendors	1
Invoices	3

STATE OF ILLINOIS
LEGISLATIVE ETHICS COMMISSION
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Commission lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Commission was required to determine a participating vendor's invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid the invoice after the Commission received appropriations or other legal expenditure authority to pay the invoice, the participating vendor received the remaining 10% due (less any offsets).

During Fiscal Year 2017, none of the Commission's vendors participated in the Vendor Support Initiative Program (VSI).

STATE OF ILLINOIS
 LEGISLATIVE ETHICS COMMISSION
INTEREST COSTS ON FISCAL YEAR 2017 INVOICES
 For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Prompt Payment Interest Costs

The Legislative Ethics Commission (Commission) calculated 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 issued a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. 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 Commission. The following chart shows the Commission's prompt payment interest incurred related to Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2017, by fund:

PROMPT PAYMENT INTEREST INCURRED
 Year Ended June 30, 2017

<u>Fund #</u>	<u>Fund Name</u>	<u>Invoices</u>	<u>Vendors</u>	<u>Dollar Value</u>
001	General Revenue Fund	<u>4</u>	<u>2</u>	\$ 44
		<u>4</u>	<u>2</u>	<u>\$ 44</u>

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL –
LEGISLATIVE ETHICS COMMISSION
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

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

<u>Division</u>	Fiscal Year		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Inspector General	1	0	0
Executive Director	1	1	1
Total average employees	2	1	1

Note 1: The Legislative Inspector General is a part-time employee and was vacant from December 31, 2014, through November 3, 2017. The position was filled by the Special/Acting Legislative Inspector General who served as an independent contractor through the end of the examination period.

Note 2: The Executive Director of the Legislative Ethics Commission is a contractual payroll employee and serves on a part-time basis.

Note 3: The Legislative Ethics Commission shared an appropriation and agency code with the Office of the Legislative Inspector General during Fiscal Years 2016, 2017, and 2018. This analysis includes both agencies.

STATE OF ILLINOIS
 LEGISLATIVE ETHICS COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Fiscal Years Ended June 30, 2018

(NOT EXAMINED)

The Legislative Ethics Commission (Commission) maintained a website for State employees and the general public. This website outlines information about the Commission, including its history, legislative authority, and purpose. In addition, the website provides contact information for the Commission.

Pursuant to the State Officials and Employees Ethics Act (5 ILCS 430/1-1 et seq.), the Commission receives quarterly reports summarizing investigation activity from the Office of the Legislative Inspector General. Listed below is a compilation of allegation and investigation information reported to the Commission for the Fiscal Year Ended June 30,

	Fiscal Year		
	2018	2017	2016
Number of allegations received	55	*	*
Number of investigations initiated	42	*	*
Number of investigations concluded	30	*	*
Number of total open investigations	17	*	*

*The Legislative Inspector General position was vacant from January 1, 2015 through November 3, 2017. Julie B. Porter was appointed Special Legislative Inspector General on November 4, 2017, and Acting Legislative Inspector General on May 30, 2018. Due to the vacancy, no quarterly reports summarizing investigation activity were submitted to the Commission covering January 1, 2015 through November 3, 2017.