

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE EXAMINATION
For the two years ended June 30, 2007

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, 2007
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STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AGENCY OFFICIALS

For the two years ended June 30, 2007

Governor	Mr. Rod Blagojevich
Chief of Staff - as of December 16, 2005	Mr. John Harris
Chief of Staff - until December 15, 2005	Mr. Alonzo Monk
Deputy Governor - as of December 16, 2006	Ms. Louanner Peters Ms. Sheila Nix
Deputy Governor - until December 15, 2006	Mr. Bradley Tusk
Chief Administrative Officer	Mr. John Filan
General Counsel - as of December 1, 2005	Mr. William Quinlan
General Counsel - July 1, 2005 through November 30, 2005	Vacant
Fiscal Director	Mrs. Mary Fanning

Agency offices are located at:

107 Stratton Building
Springfield, IL 62706

207 State House
Springfield, IL 62706

100 West Randolph
JRTC 16-100
Chicago, IL 60601

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



OFFICE OF THE GOVERNOR
207 STATE HOUSE, SPRINGFIELD, ILLINOIS 62706

ROD R. BLAGOJEVICH
GOVERNOR

April 30, 2008

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

Ladies and Gentlemen:

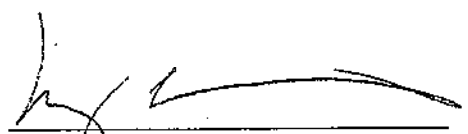
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Office of the Governor. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Office of the Governor's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, the Office of the Governor has materially complied with the assertions below.

- A. The Office of the Governor has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office of the Governor has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Office of the Governor has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office of the Governor are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the Office of the Governor have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Office of the Governor


John Harris, Chief of Staff


Mary Fanning, Fiscal Director

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE REPORT SUMMARY

For the two years ended June 30, 2007

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

ACCOUNTANT'S REPORT

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

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	6	6
Repeated findings	1	2
Prior recommendations implemented or not repeated	5	2

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

Item No.	Page	Description
FINDINGS (STATE COMPLIANCE)		
07-01	9	Employee Individual Development and Performance Reviews not Conducted on a Regular Basis
07-02	11	Appointments of Members to Boards and Commissions
07-03	14	Inadequate Monitoring of Interagency Agreements
07-04	15	Computer Equipment not Installed or Used in a Timely Manner
07-05	16	Non-compliance with Statutorily Mandated Responsibilities
07-06	17	State Property not Properly Recorded and Reported
PRIOR FINDINGS NOT REPEATED		
07-07	19	Efficiency Initiative Payments
07-08	19	Untimely Signing/Execution of Written Contract Agreements
07-09	19	Receipts not Processed in Accordance with Statutes
07-10	19	Excess Grant Receipts not Returned to the Grantor upon Expiration of the Grant Agreement
07-11	19	Travel Control Rules not Followed

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPLIANCE REPORT SUMMARY (Continued)

For the two years ended June 30, 2007

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on April 17, 2008. Attending were:

Office of the Governor

Mary Fanning, Fiscal Director

Illinois Office of Internal Audit

Carol Kraus, Chief Internal Auditor

Office of the Auditor General

R. Paul Usherwood, CPA, CIA, Audit Manager

Doehring, Winders & Co. LLP

Robert Arnholt, CPA, Partner

Sherrie Wade, CPA, Supervising Senior

Responses to the recommendations were provided by Mary Fanning in a letter dated April 29, 2008.

DOEHRING, WINDERS & CO. LLP
Certified Public Accountants
& Business Advisers
1601 LAFAYETTE AVENUE
MATTOON, ILLINOIS 61838

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois - Office of the Governor's (Office) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2007. The management of the Office is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Office's compliance based on our examination.

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

In our opinion, the Office complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance with those 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 finding 07-01, 07-02, 07-05, and 07-06.

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

Internal Control

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 07-01 through 07-06 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses.

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

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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2006 and the 2007 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2005 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

Dochring, Winders & Co. LLP

April 30, 2008

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE

For the two years ended June 30, 2007

07-01 EMPLOYEE INDIVIDUAL DEVELOPMENT AND PERFORMANCE REVIEWS NOT CONDUCTED ON A REGULAR BASIS

The Office of the Governor (Office) was unable to provide documentation that Individual Development and Performance Reviews (Review) of its employees were performed on a regular basis. Furthermore, the Office officially removed Article 29, Office Personnel Rules and Regulations, which required employee evaluations to be performed from its Personnel Handbook.

During the engagement period, we noted 30 out of 40 (63%) employees tested were required to have a Review. None of these 30 employees had documentation in their personnel file that a Review had been performed during the two years ended June 30, 2007. We noted of the 30 employees tested 23 had either received a salary adjustment, promotion or other employment related adjustment with no Review to support the change.

Office Personnel Rules and Regulations, Article 29, required periodic Reviews to be completed by the immediate supervisor of each employee. The Review shall be discussed with the employee and signed by the immediate supervisor, Deputy Chief of Staff and the employee. Copies of the Review shall be provided for the employee, immediate supervisor, Deputy Chief of Staff and placed in the official personnel file maintained in the Governor's fiscal office. In the fall of 2005, the Office considered removing Office Personnel Rules and Regulations, Article 29, from its Personnel Handbook and officially removed Article 29 on June 11, 2007. Article 29 was removed believing this would correct the prior finding of Reviews not being performed. Therefore, up until June 11, 2007, Reviews should have been performed in accordance with Article 29. Good business practices also require Reviews be performed on employees within a consistent time period, usually not to exceed one year.

Section 302.270(d) of the Personnel Rules (80 Ill. Admin. Code 302) specifies each agency shall prepare an evaluation for a certified employee not less often than annually. Per the Personnel Code (Code), 20 ILCS 415/8, the Director of Central Management Services shall prepare and submit rules for all positions and employees subject to the Code. In addition, 20 ILCS 415/4c(6) of the Code notes only employees of the Governor at the executive mansion and on his immediate personnel staff are exempt from the Code. Annual Reviews should have been performed for those applicable employees.

Office personnel stated the Personnel Rules and Regulations did not require formal employee evaluations to be documented in the personnel files.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, recalls, and reinstatement decisions. (Finding Code No. 07-1, 05-5)

RECOMMENDATION

We recommend the Office perform performance evaluations, Reviews, for all employees on a regular basis not to exceed one year and maintain written documentation of the evaluations in the personnel files of each employee to serve as a foundation for salary adjustments, promotions, demotions, discharges, layoffs, recalls, and reinstatement decisions.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

**07-01 EMPLOYEE INDIVIDUAL DEVELOPMENT AND PERFORMANCE REVIEWS NOT CONDUCTED
ON A REGULAR BASIS (continued)**

OFFICE RESPONSE

The Office concurs with this finding. Individual Development and Performance Reviews are not written with documentation of the evaluations placed in the personnel files of each employee. This issue has been sent to the legal department to review the Office's policy and procedures on performance evaluations.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-02 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS

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

Seventeen of 53 (32%) of the boards and commissions tested did not have the required number of appointees. These were:

- State Rehabilitation Council - 4 vacancies
- Board of the Illinois State Museum - 3 vacancies
- Statewide Independent Living Council - 4 vacancies
- Elevator Safety Review Board - 1 vacancy
- Community Senior Services and Resource Center Advisory Committee - 4 vacancies
- Community Water Supply Operator's Advisory Board - 2 vacancies
- Illinois Ethanol Research Advisory Board - 1 vacancy
- Air Service Commission - 2 vacancies
- Ticket for the Cure Board - 1 vacancy
- Center for Nursing Advisory Board - 1 vacancy
- Epilepsy Advisory Committee - 8 vacancies
- Illinois Advisory Council on Alcoholism and Other Drug Dependency - 6 vacancies
- Teachers' Retirement System Board of Trustees - 1 vacancy
- Advisory Council on the Education of Children with Disabilities - 7 vacancies
- Illinois Student Assistance Commission - 2 vacancies
- Site Remediation Advisory Committee - 3 vacancies
- Illinois River Coordinating Council - 1 vacancy

No appointments were made to 10 of 53 (19%) of the boards and commissions tested. These were:

- Illinois Steel Development Board
- Mississippi River Coordinating Council
- Hospital Basic Services Review Board
- Central Illinois Economic Development Authority
- Southern Illinois Economic Development Authority
- Health Care Workplace Violence Prevention Task Force
- Maternal and Child Health Advisory Board
- HIV/AIDS Response Review Panel
- Juvenile Advisory Board
- Capital Punishment Reform Study Committee

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

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

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-02 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS (continued)

The Elevator Safety and Regulation Act (225 ILCS 312/25) requires the Governor to appoint 11 members to the Elevator Safety Review Board.

The Community Senior Services and Resources Act (320 ILCS 60/35) requires the Governor to appoint 14 members to the Community Senior Services and Resource Center Advisory Committee.

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

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

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

The Department of Public Health Powers and Duties Law (20 ILCS 2310/2310-347) requires the Governor to appoint 2 members to the Ticket for the Cure Board.

The Nurse Practice Act (225 ILCS 65/75-15(a)) requires the Governor to appoint 11 members to the Center for Nursing Advisory Board.

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

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

The Illinois Pension Code (40 ILCS 5/16-163) requires the Governor to appoint 4 members to the Teachers' Retirement System Board of Trustees.

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

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

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

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

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-02 APPOINTMENTS OF MEMBERS TO BOARDS AND COMMISSIONS (continued)

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

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

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

The Southern Illinois Economic Development Authority Act (70 ILCS 519/5-20(b)(2)) requires the Governor to appoint 6 members to the Southern Illinois Economic Development Authority.

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

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

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

The Department of Juvenile Justice Law (730 ILCS 5/3-2.5-65) requires the Governor to appoint 11 members to the Juvenile Advisory Board.

The Capital Punishment Reform Study Committee Act (20 ILCS 3929/2) requires the Governor to appoint 1 member to the Capital Punishment Reform Study Committee.

Office personnel stated the screening and review of potential candidates prior to appointments requires time to fill vacancies for over 300 boards and commissions.

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

RECOMMENDATION

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

OFFICE RESPONSE

The Office concurs with this finding and recommendation. The Office will enhance current policies and procedures to improve the timing of appointments to all boards and commissions as mandated by statutes.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-03 INADEQUATE MONITORING OF INTERAGENCY AGREEMENTS

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

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

- Seventeen of 25 (68%) interagency agreements tested were not signed by either party before the effective date. The agreements were signed 1 to 223 days after the effective date.
- It could not be determined when one of 25 (4%) interagency agreements tested was signed by the agency entering into the agreement with the Office. Because the agency signature authorizing the agreement was not dated, we were unable to determine if it was signed prior to the effective date.
- One of 25 (4%) interagency agreements tested was signed but never dated by any of the parties. Because the Office and the agency entering into the agreement both failed to date the agreement, we were unable to determine if it was signed prior to the effective date. The employee covered by the interagency agreement was paid \$38,080.

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

Office personnel stated the process and procedures used to monitor the interagency agreements did not carefully inspect signature dates.

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

RECOMMENDATION

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

OFFICE RESPONSE

The Office concurs that not all of the interagency agreements were dated prior to the effective date of the agreement. A corrective plan and procedures have been implemented to insure the acquisition of all dated signatures prior to the effective date of the underlying contracts or agreements.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-04 COMPUTER EQUIPMENT NOT INSTALLED OR USED IN A TIMELY MANNER

The Office of the Governor (Office) ordered and received 140 biometric readers (thumbprint scanners) and associated software for their computers over a year and a half ago and has not yet put most of them into use.

The thumbprint scanners authenticate a user by means of scanning a person's thumbprint allowing an authorized user access to logon to the computer. The Office paid \$23,100 for the thumbprint scanners and software in July 2006. The Office installed 5 of the scanners soon after they were received. As of the end of our testing, approximately 16 months after the thumbprint scanners were purchased, the others have not been installed or put into use.

Good business practice dictates purchases only be made when the appropriate resources and plans are in place to allow for timely installation and use. This is especially true concerning computer related equipment due to the rapid advances in technology.

Office personnel stated they relied upon assurances given by the Department of Central Management Services (CMS) IT department as to compatibility, and the timing of the system upgrades necessary to install the devices. The network has not been upgraded yet.

The thumbprint scanners came with a warranty covering defects in materials and workmanship for a period of one year from the date of purchase. Failure to install and use the thumbprint scanners has resulted in the warranties expiring before the Office could determine whether the product was functional. (Finding Code No. 07-4)

RECOMMENDATION

We recommend the Office conduct appropriate planning and only purchase equipment when it can be put into use in a timely manner.

OFFICE RESPONSE

The Office concurs with this finding. The biometric devices were purchased with the assurances that CMS (our network provider) would migrate our operating system to a compatible platform in August 2006.

Corrective procedures and internal controls have been implemented to prevent any future occurrences of similar issues. CMS is taking steps to upgrade its network to utilize Active Directory, which will enable the use of the biometric devices. The plan is to have the network upgrade by the end of 2008.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-05 NON-COMPLIANCE WITH STATUTORILY MANDATED RESPONSIBILITIES

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

- Two of the three members designated by the Office as "rural" members of the State Housing Task Force (Task Force) do not appear to reside in "rural" areas of the State. One of the two members designated as being "rural" resided in Chicago and the other member resided in Springfield. The Comprehensive Housing Planning Act (310 ILCS 110/5) states "the Governor may also invite and appoint ... up to 18 housing experts, with proportional representation from urban, suburban, and rural areas throughout the State." However, the law does not explain "proportional representation". The Office does not have a definition of proportional representation in order to appoint housing experts to the Task Force and appears to only have one member representing rural areas.
- The Office failed to timely appoint a chairperson to the Illinois Interagency Council on Early Intervention (Council). A chairperson to the Council was appointed in 1998 under a former Governor. This chairperson resigned in May 2006. A new chairperson was not appointed until September 2007, leaving the Council without a chairperson for 16 months. The Early Intervention Services System Act (325 ILCS 20/4) requires the Governor designate a chairperson of the Council. This would include a designation if the position became vacant.
- The Office did not designate an African-American HIV/AIDS Response Officer. The African-American HIV/AIDS Response Act (410 ILCS 303/10 thru 303/30) requires the designation of an African-American HIV/AIDS Response Officer in the Office to be responsible for coordinating efforts to address the African-American AIDS crisis and to serve as a liaison to governmental and non-governmental entities.
- The Office did not designate an Early Childhood Intervention Ombudsman. The Early Intervention Services System Act (325 ILCS 20/9) requires the creation of an Early Childhood Intervention Ombudsman in the Office to assist families and local parties in ensuring that all State agencies serving eligible families do so in a comprehensive and collaborative manner.

Office personnel stated the appointment process requires a period of time to identify the prospective candidate, screen the qualifications and process the appointment or designated individual.

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

RECOMMENDATION

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

OFFICE RESPONSE

The Office concurs with the finding and will develop new procedures for the appointment and designation process.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

07-06 STATE PROPERTY NOT PROPERLY RECORDED, REPORTED AND SAFEGUARDED

The Office of the Governor (Office) did not comply with the Office of the Comptroller's Statewide Accounting Management System (SAMS) Procedures, Fiscal Control and Internal Auditing Act and State Property Control Act when recording, reporting and safeguarding State property.

During our testing we noted the following:

- Three of thirty one (9.7%) items selected from the Office's State property listing for testing could not be located. The 3 unlocatable items were a typewriter, monitor, and bookcase valued at \$900 in total. None of the 3 unlocatable items had been identified by the Office on their physical inventory of State property as missing or unlocatable. In addition, 3 of 30 (10%) tagged pieces of State property, which included a printer, monitor, and a cutlery box, were not on the State property listing; a value was undeterminable for these items.
- The Office identified to CMS on their March 31, 2006 Inventory Certification Discrepancy Report 2 computers they could not locate. Office staff indicated the computers had been on loan to other agencies and the other agencies could not locate the computers. Office staff indicated the computers did not contain any confidential information when they were issued to the users, but could not verify if the computers, when determined unlocatable, contained any confidential information that would require them to provide notification and reporting under the Personal Information Protection Act (815 ILCS 530).
- Four of eight (50.0%) quarterly CMS Agency Reports of State Property (form C-15) were understated by approximately \$43,088 due to an error made in the first quarter of FY07 when the buyout of two copiers was incorrectly calculated.
- The "CMS Surplus Property Delivery Form" was improperly completed for seven of 25 (28%) property deletions. The exceptions noted included the lack of proper signature, purchase price or date.
- The SAMS form SCO-560 (Accounting for Leases) relating to three of 11 (27.3%) leases tested were incorrectly completed. One form did not contain a proper signature, one form contained a miscalculation of the lease's rent per period, and the starting date found on one form did not agree to starting date shown on the corresponding lease agreement.
- Eight personal computers and 130 monitors purchased prior to July 1, 2007 were not added to the Office's property control records as of the 2007 fiscal year end. These computers and monitors had a value of \$25,610. Office staff indicated there was not sufficient time to input the property additions prior to the fiscal year end reports being generated.
- We identified a lack of segregation of duties related to recording and reporting the Office's property. The Property Control Administrator is also involved in receiving, recording, disposal, and the physical count/inventory of State property.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

**07-06 STATE PROPERTY NOT PROPERLY RECORDED, REPORTED AND SAFEGUARDED
(continued)**

The Office of the Comptroller's SAMS procedure 27.20.60 notes the requirements for completing Form SCO-560. The Office should prepare this form in accordance to these stated procedures. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each State Agency to establish and maintain an effective system of internal control, to provide assurance that property and other assets are safeguarded against loss. In addition, the State Property Control Act (30 ILCS 605/4) requires the Office be accountable for the supervision, control and inventory of all property under its jurisdiction and control. The Personal Information Protection Act requires a State agency to notify and report when it has been discovered that there has been a breach of the security of system data.

Office personnel stated the alignment of duties needed further segregation.

Failure to follow the required statutes and SAMS procedures reduces the reliability of the statewide property information and increases the risk errors and irregularities could occur and not be detected. In addition, all State property should be reported on the Office's property listing at year end so the total value is accurately stated. If State property is inaccurately reported, the Office is at an increased risk of theft, loss, or unauthorized use of State assets. The Office also puts the State at risk by not following up to determine if missing computers had any confidential information stored on them. (Finding Code No. 07-6)

RECOMMENDATION

We recommend the Office comply with the Fiscal Control and Internal Auditing Act, State Property Control Act and SAMS procedures by ensuring all property under its jurisdiction is accurately recorded, reported and adequately safeguarded. We also recommend the Office develop a policy and procedures to determine if confidential information is contained in computers identified as being unlocatable so if required, they can comply with the Personal Information Protection Act. In addition, we recommend the Office allocate sufficient resources so an adequate segregation of duties is maintained.

OFFICE RESPONSE

The Office concurs with the finding. The Office has functionally realigned responsibilities to further segregate duties, additional controls have been implemented, and new procedures have been adopted. This finding has been corrected.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

CURRENT FINDINGS - STATE (continued)

For the two years ended June 30, 2007

PRIOR FINDINGS NOT REPEATED - *STATE*

- 07-07 In the prior examination, the Office made payments for efficiency initiative billings from improper line item appropriations. During the current examination, no efficiency initiative billings were received or paid; therefore, this finding is not repeated. (Finding Code No. 05-01)
- 07-08 In the prior examination, the Office did not timely sign/execute written contract agreements with vendors. During the current examination, we noted no vendor contracts signed before services from the contract were performed; therefore, this finding is not repeated. (Finding Code No. 05-02)
- 07-09 In the prior examination, the Office did not process cash receipts in accordance with statutory requirements. During our current examination, the results of our testing indicated that cash receipts were properly processed and an adequate segregation of duties was obtained; therefore, this finding is not repeated. (Finding Code No. 05-03)
- 07-10 In the prior examination, the Office spent grant funds after the term of the agreement and further did not return unspent grant funds to the grantor. No grants were awarded during the current examination; therefore, this finding is not repeated. (Finding Code No. 05-04)
- 07-11 In the prior examination, the Office did not follow travel control rules when processing and approving employee travel. Improvements were noted during current year testing; therefore, this finding has been moved to the immaterial findings letter. (Finding Code No. 05-06)

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

STATUS OF MANAGEMENT AUDIT

June 30, 2007

Management Audit of the Flu Vaccine Procurement and the I-Save Rx Program (September 2006)

Illinois House of Representatives Resolution Number 394 directed the Auditor General to conduct a management audit of the process followed in negotiating and entering into the contract with Ecosse Hospital Products Limited and in establishing and operating the I-SaveRx Program. Regarding the contract with Ecosse Hospital Products Limited, the Resolution directed the Auditor General to determine the roles played by the Office of the Governor and the Special Advocate for Prescription Drugs in negotiating and entering into the flu vaccine contract. Regarding the I-SaveRx Program, the Auditor General was to determine the procedures applicable to, and the agencies responsible for, establishing and operating the Program and whether the entities involved in the Program followed all applicable laws, regulations, policies and procedures.

The management audit contained four recommendations to the Office of the Governor. During the period covered by this compliance examination, we noted the Office of the Governor had made progress in implementing some of the recommendations or did not initiate any procurements that would allow for us to test the recommendations reported in the management audit.

- *In order to protect State interests and not put State resources at risk, the Office of the Governor should: timely enter into formal agreements with vendors that define exactly each party's responsibilities, so that the State's interests are protected; require appropriate planning, even in emergency procurement situations, before entering into contracts; ensure that appropriately qualified State staff participate in the contract negotiation process; execute formal agreements with other government entities that delineate each party's responsibilities for participating in any procurements led by the State of Illinois; and, maintain appropriate contract files with a clear written determination when there is a need for an emergency procurement.*

During the current engagement, the Office of the Governor did not enter into any procurements based on the emergency provisions of the Procurement Code. Since there were no procurements to test the recommendation against, the finding is not repeated.

- *The Office of the Governor should take steps to obtain the necessary approval from appropriate federal authorities, when such approval is required, prior to committing State resources to procurements.*

During the current engagement, the Office of the Governor reported it did not initiate any procurement for goods or services that required federal agency approval. Since there were no procurements to test, the recommendation against, the finding is not repeated.

- *The Office of the Governor should ensure that no State employees paid with federal funds work on I-SaveRx promotional outreach activities since the I-SaveRx Program is not approved by the federal government. Additionally, when interagency agreements are used, the Office of the Governor should ensure that agreements exist with all State agencies contributing personnel.*

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

STATUS OF MANAGEMENT AUDIT (continued)

June 30, 2007

**Management Audit of the Flu Vaccine Procurement and the I-Save Rx Program (September 2006)
(continued)**

The management audit noted that 521 employees from 28 State agencies participated in promotional outreach activities for the I-SaveRx Program. During the current engagement (FY07), 22 staff from the Office of the Governor, Department of Central Management Services (CMS), and the Department of Healthcare and Family Services participated in outreach activities for I-SaveRx. All of these staff were paid wages from either General Revenue Funds or the CMS Communications Revolving Fund.

The I-SaveRx Program, which involves the importation of prescription drugs into the U.S. and is generally in violation of federal law, is now grouped into a package of the State's healthcare initiatives. These initiatives include the Illinois Breast and Cervical Cancer Program, Illinois Healthy Women, All Kids, All Kids Bridge, FamilyCares, Illinois Cares Rx, Illinois Rx Buying Club, I-SaveRx, Veterans Care, and Health Benefits for Women with Disabilities. According to officials from the Office of the Governor, interagency agreements were not developed for the outreach activities as the circumstances for the individuals' assignments did not warrant such an agreement.

Since all staff working on promotional efforts for the I-SaveRx Program were paid with non-federal funds and since there are no interagency agreements for these activities, the finding is not repeated.

- *With respect to travel: the Office of the Governor should take the steps necessary to ensure that its staff seek documented prior approval when traveling out of State or out of country, as outlined in the Governor's Travel Control Board Travel Guide for State Employees; and should take the steps necessary to ensure that its staff follow travel regulations when being reimbursed for per diem when traveling out of country, or seek appropriate exceptions to the travel regulations.*

During the current engagement, we noted that there were no staff travel expenditures from the Office of the Governor related to the I-SaveRx Program. The only out-of-country traveler was not reimbursed for the travel as the host organization paid travel and lodging expenses.

The management audit noted that staff from the Office of the Governor did not follow Governor's Travel Control Board regulations relative to per diem reimbursement for out-of-country travel for the I-SaveRx Program. During the current engagement, the Office of the Governor indicated that foreign per diem rates could be found on a U.S. Department of State website. State of Illinois employees that travel for the I-SaveRx Program are not being reimbursed by the federal government – federal laws prohibit such importation programs like I-SaveRx. These rates are not delineated in the State of Illinois travel regulations. However, since no staff were reimbursed for out-of-country travel, this finding is not repeated.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES
SUMMARY

For the two years ended June 30, 2007

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

Fiscal Schedules and Analysis

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

Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2007

Fourteen months ended August 31, 2007

Public Act 94-0798	Appropriations (Net after Transfers)	Expenditures through June 30, 2007	Lapse Period Expenditures 7/1 - 8/31/07	Total Expenditures	Balance Lapsed
Appropriated Funds					
GENERAL REVENUE FUND - 001					
Personal services	\$ 5,082,900	\$ 4,769,142	\$ 3,974	\$ 4,773,116	\$ 309,784
State employee retirement	585,400	550,985	536	551,521	33,879
Social Security	376,000	343,829	327	344,156	31,844
Contractual services	680,600	558,923	22,064	580,987	99,613
Travel	140,000	96,046	22,713	118,759	21,241
Commodities	75,000	63,203	9,342	72,545	2,455
Printing	50,000	25,095	5,064	30,159	19,841
Equipment	20,000	4,727	11,368	16,095	3,905
Electronic data processing	180,000	140,685	36,732	177,417	2,583
Telecommunications	420,000	294,388	74,183	368,571	51,429
Repair & maintenance	32,000	27,687	1,658	29,345	2,655
Ethnic & other special events	70,000	34,338	405	34,743	35,257
Total General Revenue Fund - 001	<u>7,711,900</u>	<u>6,909,048</u>	<u>188,366</u>	<u>7,097,414</u>	<u>614,486</u>
GOVERNOR'S GRANT FUND - 947					
Governor's grant fund	100,000	13	-	13	99,987
Totals - All appropriated funds	<u>\$ 7,811,900</u>	<u>6,909,061</u>	<u>188,366</u>	<u>7,097,427</u>	<u>\$ 714,473</u>
Nonappropriated Funds					
MANSION TRUST FUND - 296					
Mansion expenses		51,479	143	51,622	
Grand total - All funds		<u>\$ 6,960,540</u>	<u>\$ 188,509</u>	<u>\$ 7,149,049</u>	

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2006

Fourteen months ended August 31, 2006

Public Act 94-0015	Appropriations (Net after Transfers)	Expenditures through June 30, 2006	Lapse Period Expenditures 7/1 - 8/31/06	Total Expenditures	Balance Lapsed
Appropriated Funds					
GENERAL REVENUE FUND - 001					
Personal services	\$ 5,259,200	\$ 4,914,625	\$ (1,178)	\$ 4,913,447	\$ 345,753
State employee retirement	409,700	384,664	-	384,664	25,036
Social Security	376,000	351,901	86	351,987	24,013
Contractual services	620,000	551,584	57,902	609,486	10,514
Travel	106,000	81,756	7,683	89,439	16,561
Commodities	53,000	47,471	2,044	49,515	3,485
Printing	30,000	24,785	3,892	28,677	1,323
Equipment	2,600	1,565	995	2,560	40
Electronic data processing	200,400	104,052	94,548	198,600	1,800
Telecommunications	548,000	444,621	88,810	533,431	14,569
Repair & maintenance	32,000	17,013	1,589	18,602	13,398
Ethnic & other special events	70,000	69,557	379	69,936	64
Total General Revenue Fund - 001	7,706,900	6,993,594	256,750	7,250,344	456,556
GOVERNOR'S GRANT FUND - 947					
Governor's grant fund	100,000	14,327	-	14,327	85,673
Totals - All appropriated funds	\$ 7,806,900	7,007,921	256,750	7,264,671	\$ 542,229
Nonappropriated Funds					
MANSION TRUST FUND - 296					
Mansion expenses		54,765	7,764	62,529	
Grand total - All funds	\$ 7,062,686	\$ 7,062,686	\$ 264,514	\$ 7,327,200	

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES

	For the fiscal year ended June 30,		
	2007 PA 94-0798	2006 PA 94-0015	2005 PA 93-0842
APPROPRIATED FUNDS			
<u>General Revenue Fund - 001</u>			
Appropriations (net after transfers)	\$ 7,711,900	\$ 7,706,900	\$ 8,141,300
Expenditures			
Personal services	4,773,116	4,913,447	4,788,758
State employee retirement	551,521	384,664	773,255
Social Security	344,156	351,987	340,776
Contractual services	580,987	609,486	665,366
Travel	118,759	89,439	112,483
Commodities	72,545	49,515	64,550
Printing	30,159	28,677	64,513
Equipment	16,095	2,560	4,571
Electronic data processing	177,417	198,600	125,015
Telecommunications	368,571	533,431	413,726
Repair & maintenance	29,345	18,602	25,548
Ethnic & other special events	34,743	69,936	49,154
Total expenditures	<u>7,097,414</u>	<u>7,250,344</u>	<u>7,427,715</u>
Lapsed balances	<u>\$ 614,486</u>	<u>\$ 456,556</u>	<u>\$ 713,585</u>
<u>Governor's Grant Fund - 947</u>			
Appropriations (net after transfers)	\$ 100,000	\$ 100,000	\$ 100,000
Expenditures			
Governor's Grant Fund	13	14,327	4,675
Lapsed balances	<u>\$ 99,987</u>	<u>\$ 85,673</u>	<u>\$ 95,325</u>
<u>Grand Total - All Appropriated Funds</u>			
Appropriations (net after transfers)	\$ 7,811,900	\$ 7,806,900	\$ 8,241,300
Expenditures	<u>7,097,427</u>	<u>7,264,671</u>	<u>7,432,390</u>
Lapsed balances	<u>\$ 714,473</u>	<u>\$ 542,229</u>	<u>\$ 808,910</u>
<u>General Revenue Fund - 001 - State Comptroller</u>			
Governor's salary *	<u>\$ 157,914</u>	<u>\$ 150,691</u>	<u>\$ 150,691</u>

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF CHANGES IN STATE PROPERTY

For the year ended June 30, 2007

	<u>Total</u>	<u>Land and Land Improvements</u>	<u>Building and Building Improvements</u>	<u>Equipment</u>	<u>Equipment under a Capital Lease</u>
Balance, June 30, 2006	\$ 8,268,455	\$ 41,100	\$ 6,447,194	\$ 1,737,073	\$ 43,088
Additions:					
Purchases	32,607	-	-	25,850	6,757
Transfers in	183,222	-	103,904	79,318	-
Total additions	<u>215,829</u>	<u>-</u>	<u>103,904</u>	<u>105,168</u>	<u>6,757</u>
Deletions and adjustments:					
Surplus	71,338	-	-	71,338	-
Transfers out	60,397	-	-	17,309	43,088
Total deletions	<u>131,735</u>	<u>-</u>	<u>-</u>	<u>88,647</u>	<u>43,088</u>
Balance, June 30, 2007	<u>\$ 8,352,549</u>	<u>\$ 41,100</u>	<u>\$ 6,551,098</u>	<u>\$ 1,753,594</u>	<u>\$ 6,757</u>

Note: Information was obtained from Office records and reconciled to property records submitted to the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

SCHEDULE OF CHANGES IN STATE PROPERTY

For the year ended June 30, 2006

	<u>Total</u>	<u>Land and Land Improvements</u>	<u>Building and Building Improvements</u>	<u>Equipment</u>	<u>Equipment under a Capital Lease</u>
Balance, June 30, 2005	\$ 7,202,717	\$ 41,100	\$ 5,439,107	\$ 1,679,422	\$ 43,088
Additions:					
Purchases	112,503	-	-	112,503	-
Transfers in	1,017,425	-	1,008,087	9,338	-
Total additions	<u>1,129,928</u>	<u>-</u>	<u>1,008,087</u>	<u>121,841</u>	<u>-</u>
Deletions and adjustments:					
Surplus	45,478	-	-	45,478	-
Transfers out	18,712	-	-	18,712	-
Total deletions	<u>64,190</u>	<u>-</u>	<u>-</u>	<u>64,190</u>	<u>-</u>
Balance, June 30, 2006	<u>\$ 8,268,455</u>	<u>\$ 41,100</u>	<u>\$ 6,447,194</u>	<u>\$ 1,737,073</u>	<u>\$ 43,088</u>

Note: Information was obtained from Office records and reconciled to property records submitted to the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the fiscal year ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>General Revenue Fund - 001</u>			
Miscellaneous	\$ 1,542	\$ 1,984	\$ 4,765
<u>Mansion Trust Fund - 296</u>			
Proceeds from private event activities	94,277	107,547	94,795
<u>Governor's Grant Fund - 947</u>			
Donations	<u>932</u>	<u>15,500</u>	<u>6,500</u>
Total cash receipts - all funds	<u>\$ 96,751</u>	<u>\$ 125,031</u>	<u>\$ 106,060</u>

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

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

For the fiscal year ended June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts per Office records	\$ 96,751	\$ 125,031	\$ 106,060
Add: Deposits in transit, beginning of year	175	4,540	7,634
Less: Deposits in transit, end of year	<u>1,818</u>	<u>175</u>	<u>4,540</u>
Receipts per comptroller records	<u>\$ 95,108</u>	<u>\$ 129,396</u>	<u>\$ 109,154</u>

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the two years ended June 30, 2007

A comparative schedule of significant variations in expenditures (greater than \$10,000 and 15%) for the fiscal years ended June 30, 2007 and June 30, 2006 are shown below:

	Fiscal Year ended June 30		Increase/(Decrease)	
	2007	2006	Amount	%
General Revenue Fund				
Personal services	\$ 4,773,116	\$ 4,913,447	\$ (140,331)	-3%
State employee retirement (1)	551,521	384,664	166,857	43%
Social Security	344,156	351,987	(7,831)	-2%
Contractual services	580,987	609,486	(28,499)	-5%
Travel (2)	118,759	89,439	29,320	33%
Commodities (3)	72,545	49,515	23,030	47%
Printing	30,159	28,677	1,482	5%
Equipment (4)	16,095	2,560	13,535	529%
Electronic data processing	177,417	198,600	(21,183)	-11%
Telecommunications (5)	368,571	533,431	(164,860)	-31%
Repair & maintenance (6)	29,345	18,602	10,743	58%
Ethnic & other special events (7)	34,743	69,936	(35,193)	-50%
Governor's Grant Fund				
Governor's Grant Fund (8)	13	14,327	(14,314)	-100%
Mansion Trust Fund				
Mansion expenses (9)	51,622	62,529	(10,907)	-17%

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)

For the two years ended June 30, 2007

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

- (1) State retirement is a percentage, set by the State Retirement Systems, of gross salaries. From fiscal year 2006 to fiscal year 2007 the percentage increased approximately 4 percentage points, which increased retirement expenses.
- (2) The increase in travel expenditures is due to increased sessions held by the General Assembly during fiscal year 2007. These sessions increased due to budget negotiations lasting through June 30, 2007, and they ended early in May during fiscal year 2006. The majority of the Office's travel is related to Legislative sessions, hearings, committee meetings, policy planning, and budget negotiations.
- (3) The majority of the Office's commodities expenditures is directly related to Legislative session length. Projects, receptions, initiatives, dinners and meetings associated with the General Assembly require food and supplies for events hosted by the Governor. See explanation (2) above.
- (4) Several new desk chairs and conference room chairs were replaced because of age during fiscal year 2007.
- (5) The policy development team and agency program staff utilized other tools, whereas videoconferencing had been used in the prior year; therefore, videoconferencing expenses and telecommunications expenditures decreased during fiscal year 2007.
- (6) This appropriation line is for repairs and maintenance on the Executive Mansion. Expenditures are a result of normal upkeep. In fiscal year 2007, the boiler required several service calls and replacement parts.
- (7) This appropriation line is used to fund special events, such as meetings, conferences, and receptions honoring visiting officials, sponsored by the Governor in his official capacity as the Constitutional Head of State. Because of the extended 2008 budget negotiations, special events were hard to schedule; therefore, this line item decreased between fiscal years 2006 and 2007.
- (8) This fund was created to expend gifts or grants from any nongovernmental source for any purpose necessary or desirable in the performance of the duties of the Office. The decrease is due to no programs being introduced in 2007.
- (9) The decrease is a result of fewer events held at the Mansion during fiscal year 2007.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
(Continued)

For the two years ended June 30, 2007

A comparative schedule of significant variations in expenditures (greater than \$10,000 and 15%) for the fiscal years ended June 30, 2006 and June 30, 2005 are shown below:

	Fiscal Year ended June 30		Increase/(Decrease)	
	2006	2005	Amount	%
General Revenue Fund				
Personal services	\$ 4,913,447	\$ 4,788,758	\$ 124,689	3%
State employee retirement (1)	384,664	773,255	(388,591)	-50%
Social Security	351,987	340,776	11,211	3%
Contractual services	609,486	665,366	(55,880)	-8%
Travel (2)	89,439	112,483	(23,044)	-20%
Commodities (3)	49,515	64,550	(15,035)	-23%
Printing (4)	28,677	64,513	(35,836)	-56%
Equipment	2,560	4,571	(2,011)	-44%
Electronic data processing (5)	198,600	125,015	73,585	59%
Telecommunications (6)	533,431	413,726	119,705	29%
Repair & maintenance	18,602	25,548	(6,946)	-27%
Ethnic & other special events (7)	69,936	49,154	20,782	42%
Governor's Grant Fund				
Governor's Grant Fund	14,327	4,675	9,652	206%
Mansion Trust Fund				
Mansion expenses (8)	62,529	45,886	16,643	36%

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)

For the two years ended June 30, 2007

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

- (1) State retirement is a percentage, set by the State Retirement Systems, of gross salaries. From fiscal year 2005 to fiscal year 2006 the percentage decreased more than 8 percentage points, which decreased retirement expenses.
- (2) The decrease in travel expenditures is due to the General Assembly during fiscal year 2006 cancelling regularly scheduled sessions and ending in early May. The majority of the Office's travel is related to Legislative sessions, hearings, committee meetings, policy planning, and budget negotiations.
- (3) The majority of the Office's commodities expenditures is directly related to Legislative session length. Projects, receptions, initiatives, dinners and meetings associated with the General Assembly require food and supplies for events hosted by the Governor. The General Assembly during fiscal year 2006 cancelled regularly scheduled sessions and ended in early May.
- (4) The decrease in printing is due to a large mailing project by the Governor in fiscal year 2005 which required envelopes and letterhead to be printed. This project did not occur again in fiscal year 2006.
- (5) The Office replaced a large number of computers because of age during fiscal year 2006.
- (6) The increase in expenditures was a result of increased videoconferencing bills and press releases that are faxed to media outlets during fiscal year 2006.
- (7) This appropriation line is used to fund special events, such as meetings, conferences, and receptions honoring visiting officials, sponsored by the Governor in his official capacity as the Constitutional Head of State. The increase in expenditures was a result of press releases, graphics, and communication bills for added events.
- (8) The increase in expenditures is a direct result of an increase in the number of events hosted at the Executive Mansion.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the two years ended June 30, 2007

A comparative schedule of significant variations in receipts (\$10,000 and 10%) for the fiscal years ended June 30, 2007, June 30, 2006, and June 30, 2005 are shown below:

	<u>Fiscal Year ended June 30,</u>		<u>Increase/(Decrease)</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>%</u>
<u>General Revenue Fund - 001</u>				
Miscellaneous	\$ 1,542	\$ 1,984	\$ (442)	-22%
<u>Mansion Trust Fund - 296</u>				
Proceeds from private event activities (1)	94,277	107,547	(13,270)	-12%
<u>Governor's Grant Fund - 947</u>				
Donations (2)	932	15,500	(14,568)	-94%
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>%</u>
<u>General Revenue Fund - 001</u>				
Miscellaneous	\$ 1,984	\$ 4,765	\$ (2,781)	-58%
<u>Mansion Trust Fund - 296</u>				
Proceeds from private event activities (1)	107,547	94,795	12,752	13%
<u>Governor's Grant Fund - 947</u>				
Donations	15,500	6,500	9,000	138%

- (1) The increase between fiscal years 2005 and 2006 was due to more events being hosted at the Executive Mansion. During fiscal year 2007, the number of events at the Executive Mansion returned to more normal levels.
- (2) During fiscal years 2005 and 2006, donations were received for the new Hispanic Outreach program. This program was phased out at the beginning of fiscal year 2007; therefore, few donations were received.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the two years ended June 30, 2007

The Office's lapse period spending of \$188,509 for fiscal year 2007 and \$264,514 for fiscal year 2006 as shown in the Schedule of Appropriations, Expenditures and Lapsed Balances, represented 2.6% and 3.6% of the total expenditures, respectively. Following are the Office's explanations for lapse period spending which exceeded twenty percent (20%) of the total expenditure line item.

<u>Fiscal Year 2007</u>	<u>Lapse Period</u>	<u>Total Expenditures</u>
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Equipment	<u>\$ 11,368</u>	<u>\$ 16,095</u>
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Chairs for a conference room in the Chicago office were not delivered until early August. The chairs were then paid for.

Electronic Data Processing (EDP)	<u>\$ 36,732</u>	<u>\$ 177,417</u>
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The Office purchased computer equipment that was not received until early July; at which time the invoice was paid.

Telecommunications	<u>\$ 74,183</u>	<u>\$ 368,571</u>
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Charges for videoconferencing, telecom and press releases from CMS for most of 2007 did not arrive at the Office until the middle of July.

Fiscal Year 2006

Equipment	<u>\$ 995</u>	<u>\$ 2,560</u>
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The Office purchased three new heavy-duty, electric 3-hole punches.

Electronic Data Processing (EDP)	<u>\$ 94,548</u>	<u>\$ 198,600</u>
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The Office ordered new computer equipment in June; however, it was not received until the middle of July. Payment could not be made until the equipment was received and cataloged.

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

ANALYSIS OF ACCOUNTS RECEIVABLE

For the two years ended June 30, 2007

Accounts receivable of the Office are reported under the Illinois Executive Mansion Trust Fund (296). The receivable consists of amounts to be collected from private party organizers. The balances are \$16,191 and \$4,248 as of June 30, 2007 and 2006, respectively. These amounts are deemed collectible.

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

	June 30,		
	2007	2006	2005
Current	\$ 11,416	\$ 4,248	\$ 3,619
1-30 days past due	4,540	-	2,040
31-90 days past due	235	-	4,899
	<u>\$ 16,191</u>	<u>\$ 4,248</u>	<u>\$ 10,558</u>

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the two years ended June 30, 2007

Agency Functions

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

The Honorable Rod R. Blagojevich is the current governor and was elected to a four-year term of office in November 2002. Governor Blagojevich was sworn in as the 40th Governor of the State of Illinois on January 13, 2003. He was re-elected governor in November 2006 and was inaugurated on January 8, 2007.

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

Planning Program

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

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

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

STATE OF ILLINOIS
OFFICE OF THE GOVERNOR

AVERAGE NUMBER OF EMPLOYEES

For the two years ended June 30, 2007

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

<u>Function</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Executive Office	80	84	84
Executive Mansion	9	9	10
	<u>89</u>	<u>93</u>	<u>94</u>