



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE GOVERNOR

Compliance Examination
 For the Two Years Ended June 30, 2015

Release Date: June 30, 2016

FINDINGS THIS AUDIT: 5	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2011		15-1	
Category 2:	1	4	5	2007		15-2, 15-3	
Category 3:	0	0	0			15-4	
TOTAL	1	4	5				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (15-1) The Office of the Governor did not exercise adequate control over the recording and reporting of State property.
- (15-2) The Office of the Governor failed to make all required appointments to various boards, commissions, councils and committees.
- (15-4) Auditors identified exceptions at the Office of the Governor while testing interagency agreements.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**OFFICE OF THE GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015**

EXPENDITURE STATISTICS	2015	2014	2013
Total Expenditures.....	\$ 5,131,969	\$ 5,039,271	\$ 5,315,532
OPERATIONS TOTAL.....	\$ 5,094,032	\$ 5,008,959	\$ 5,286,374
% of Total Expenditures.....	99.3%	99.4%	99.5%
Personal Services.....	4,181,780	3,532,488	3,830,245
Other Payroll Costs (FICA, Retirement).....	305,702	255,000	278,368
All Other Operating Expenditures.....	606,550	1,221,471	1,177,761
NON-APPROPRIATED FUNDS TOTAL.....	\$ 37,937	\$ 30,312	\$ 29,158
% of Total Expenditures.....	0.7%	0.6%	0.5%
Total Receipts.....	\$ 19,744	\$ 90	\$ 1,816
Average Number of Employees (Not Examined).....	53	77	81

GOVERNOR	
During Examination Period:	Honorable Pat Quinn (through 1/11/2015) Honorable Bruce Rauner (effective 1/12/2015)
Currently:	Honorable Bruce Rauner

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER STATE PROPERTY

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

Some of the matters noted during our testing follow:

Inaccurate State property reports

- The C-15 Form for the quarter ended June 30, 2015 reflected unsupported deletions totaling \$731,418. This amount apparently represented State property at Office locations other than the Executive Mansion, with the intent to file a separate C-15 Form to include these items. The Office ultimately did not file a separate C-15 Form. Therefore, the State property at Office locations other than the Executive Mansion was not reported to the Office of the Comptroller as required.

Variances noted between property records

- The C-15 Form for the quarter ended June 30, 2015 reported total assets of \$8,098,327, while the Central Inventory System (CIS) reported total assets of \$13,115,578, which is a variance of \$5,017,251. The variance between the C-15 Form and CIS totals was mainly due to increases in the value of the Governor's Mansion that were not previously reported on the C-15 Forms. The Office was unable to provide documentation to support the increases.

Equipment items not located

- The Office's Inventory Certification Discrepancy Reports reported 18 missing computer items consisting of 3 laptops, 14 desktops and 1 hard drive, totaling \$13,960. The Office could not provide documentation whether the equipment items were wiped of any sensitive information that may have been stored on the assets. (Finding 1, pages 10-13) **This finding has been repeated since 2011.**

We recommended the Office properly review and monitor the submission of required reports to the State Comptroller's Office to ensure compliance with the requirements of the Statewide Accounting Management System. We also recommended the Office file revised C-15 Forms with the Comptroller's Office to reflect corrected balances. Additionally, we recommended the Office evaluate the procedures and strengthen the controls over property and perform an assessment whether missing computers contained confidential information and follow proper procedures for disposition of missing computers in compliance with the Personal Information Protection Act.

Office personnel agreed with our recommendation to ensure proper review, monitoring, and documentation of reports, procedures, and record-keeping related to State property. *(For the previous Office response, see Digest Footnote #1.)*

Office agrees with auditors

APPOINTMENTS OF MEMBERS TO BOARDS, COMMISSIONS, COUNCILS, AND COMMITTEES

The Office of the Governor did not make all required appointments to

the various boards, commissions, councils and committees.

Nineteen of 67 (28%) of the boards, commissions, councils, and committees tested did not have the required number of members. (Finding 2, pages 14-18) **This finding has been repeated since 2007.**

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

Numerous vacancies on boards and commissions

Office personnel agreed with our recommendation to appoint and reappoint qualified members to serve on statutory boards, commissions, councils, and committees. *(For the previous Office response, see Digest Footnote #2.)*

INTERAGENCY AGREEMENTS

Auditor identified exceptions at the Office while testing interagency agreements. We noted the following deficiencies:

Office agrees with auditors

- Sixteen of 27 (59%) interagency agreements tested were not signed by the Office on or prior to the effective date of the agreement. The agreements were signed 1 to 82 days late (7 for Fiscal Year 2014 and 9 for Fiscal Year 2015).
- Two of 27 (7%) interagency agreements tested were not dated by all parties and as such, we could not verify whether the agreements were entered on or prior to the effective date of the agreement. The two agreements were for Fiscal Year 2015.
- Twenty-five of 27 (93%) interagency agreements tested pertained to the assignment of certain employees to the Office by other State agencies or the sharing of certain employees' services with the Office by other State agencies. For 8 of the 25 agreements (1 for Fiscal Year 2014 and 7 for Fiscal Year 2015), the employees were assigned to the Office; for 17 of the 25 agreements (12 for Fiscal Year 2014 and 5 for Fiscal Year 2015), the employees spent time working on activities for both the Office and the State agency. In each of the 25 agreements, the employee's full salary, including benefits, was paid solely by the other State agency. In some instances, the employees worked on matters that were not related to the State agency responsible for paying their salary and benefits.

Interagency agreements not signed timely

Signatures not dated

Costs of employees' services paid by other State agencies

- Two of 27 (7%) interagency agreements for Fiscal Year 2014 could not be located. As such, the auditors could not determine whether the agreement was properly and timely executed. (Finding 4, pages 24-26) **This finding has been repeated since 2007.**

We recommended the Office reevaluate interagency agreements to determine an appropriate allocation of the cost related to employees whose services are shared with other agencies or who are assigned to the Office by other agencies, or document the reason why the costs are only being paid by the other agencies. We also recommended the

Agreements not located

Office ensure each interagency agreement is signed by the parties prior to the effective date and a copy is kept to facilitate proper monitoring and compliance.

Office personnel agreed with our recommendation to reevaluate interagency agreements to determine and document appropriate cost allocation, and to properly document and maintain all interagency agreements. *(For the previous Office response, see Digest Footnote #3.)*

OTHER FINDINGS

The remaining findings pertain to noncompliance with statutorily mandated responsibilities and noncompliance with the State Records Act and are reportedly being given attention by the Office. We will review the Office's progress towards the implementation of all our recommendations during the next engagement.

Office agrees with auditors

ACCOUNTANT'S OPINION

We conducted a compliance examination of the Office of the Governor for the two years ended June 30, 2015 as required by the Illinois State Auditing Act. The accountants stated the Office complied, in all material respects, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:cmd

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this examination were E.C. Ortiz & Co., LLP.

DIGEST FOOTNOTES

#1 – Inadequate controls over State property – Previous Agency Response

2013 – The Office agrees with this recommendation. The Office will continue to exercise sound fiscal management, implement new strategies and increase internal controls to correct the circumstances which created this issue.

#2 – Appointments of members to boards, commissions, councils, and committees – Previous Agency Response

2013 – The Office agrees with the recommendation. Governor Quinn’s Office of Executive Appointments (formerly “Boards and Commissions”) has taken dramatic steps to revamp the State’s 300+ boards and commissions’ appointment process by increasing transparency and reducing the number of vacancies and expired terms.

For example, the Office created a public website (www.appointments.illinois.gov) that has generated several million page hits and thousands of applications from citizens interested in serving on a board or commission. To date, the Office has appointed over a thousand of those qualified individuals to serve on various State boards and commissions.

In relation to the entities randomly tested and found to be non-compliant, the Office strives to maintain compliance. This was done by making appointments, reappointments, and advancing legislation to officially repeal the act creating the entity for those that have been identified as duplicative or to have fulfilled their mission. The Office issued an Executive Order in 2013 (EO 13-05), eliminating dozens of boards and commissions, which, unfortunately, the Illinois Senate rejected by approving Senate Resolution 357 (98th General Assembly) by a vote of 55 to 1 (with 2 members voting present). Although vacancies remain, we have made real progress towards complete compliance and will continue to work towards that goal.

#3 – Interagency agreements – Previous Agency Response

2013 – The Office agrees with this recommendation. The Office will work to improve internal interagency agreement (IGA) approval and execution processes and will strive to have all IGAs fully executed prior to their effective dates. The Office will also strive to maintain copies of all IGAs executed between the Office and other agencies by creating a central executed IGA repository within the Office.