

**STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

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AGENCY OFFICIALS

JOINT COMMITTEE ON ADMINISTRATIVE RULES

| | |
|-----------------|--------------------|
| Director | Ms. Vicki Thomas |
| Deputy Director | Ms. Claire Eberle |
| Office Manager | Ms. Rita Messinger |

Agency offices are located at:

700 Stratton Office Building
Springfield, IL 62706

JOINT COMMITTEE ON ADMINISTRATIVE RULES
ILLINOIS GENERAL ASSEMBLY

CO-CHAIR:
SEN. MAGGIE CROTTY

CO-CHAIR:
REP. BRENT HASSERT

EXECUTIVE DIRECTOR:
VICKI THOMAS



700 STRATTON BUILDING
SPRINGFIELD, ILLINOIS 62706
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SEN. J. BRADLEY BURZYNSKI
SEN. JAMES CLAYBORNE
SEN. STEVE RAUSCHENBERGER
SEN. DAN RUTHERFORD
SEN. IRA SILVERSTEIN
REP. TOM HOLBROOK
REP. DAVID R. LEITCH
REP. LARRY McKEON
REP. DAVID MILLER
REP. ROSEMARY MULLIGAN

October 13, 2006

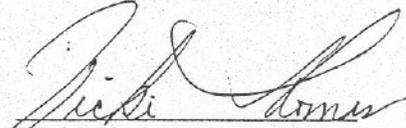
Honorable William G. Holland
Auditor General
State of Illinois
Hes Park Plaza
740 East Ash
Springfield, IL 62703-3154

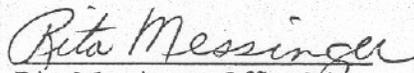
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Joint Committee on Administrative Rules. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the years ended June 30, 2006 and June 30, 2005, the Agency has materially complied with the assertions below.

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

Yours very truly,

Joint Committee on Administrative Rules


Vicki Thomas, Executive Director


Rita Messinger, Office Manager

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.

AUDITORS' REPORTS

The Independent Accountants' 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>This Report</u> | <u>Prior Report</u> |
|--|--------------------|---------------------|
| Findings | 3 | 2 |
| Repeated findings | 1 | 2 |
| Prior recommendations implemented or not repeated | 1 | 0 |

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

SUMMARY OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> |
|--|-------------|--|
| FINDINGS (STATE COMPLIANCE) | | |
| 06-1 | 8 | Noncompliance with Illinois Administrative Procedure Act |
| 06-2 | 10 | Property control and reporting weaknesses |
| 06-3 | 12 | Travel Headquarter reports not filed |
| PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE) | | |
| 06-4 | 13 | Failure to timely report to the General Assembly |

EXIT CONFERENCE

The Committee declined a formal exit conference.

Responses to the recommendations were provided by Ms. Vicki Thomas in a letter dated November 21, 2006.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' 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

We have examined the State of Illinois Joint Committee on Administrative Rules' 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, 2006. The management of the State of Illinois Joint Committee on Administrative Rules is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois Joint Committee on Administrative Rules' compliance based on our examination.

- A. The State of Illinois Joint Committee on Administrative Rules 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 Joint Committee on Administrative Rules 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 Joint Committee on Administrative Rules 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 State of Illinois Joint Committee on Administrative Rules are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois Joint Committee on Administrative Rules on behalf of the State or held in trust by the State of Illinois Joint Committee on Administrative Rules have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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; and, accordingly, included examining, on a test basis, evidence about the State of Illinois Joint Committee on Administrative Rules compliance with those requirements 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 State of Illinois Joint Committee on Administrative Rules compliance with specified requirements.

In our opinion, the State of Illinois Joint Committee on Administrative Rules complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. 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 State findings as findings 06-1, 06-2, and 06-3.

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

Internal Control

The management of the State of Illinois Joint Committee on Administrative Rules is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois Joint Committee on Administrative Rules internal control over compliance with the aforementioned requirements 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.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control 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 State findings as finding 06-2.

There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

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 2005 and the 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2004 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.



Bruce Bullard, CPA

Director of Financial and Compliance Audits

October 13, 2006

06-1. **FINDING** (Noncompliance with Illinois Administrative Procedure Act)

The Joint Committee on Administrative Rules (JCAR) did not comply with the Illinois Administrative Procedure Act (Act).

- JCAR did not evaluate the rules of each agency at least once every five years as required by the Act (5 ILCS 100/5-130). The Act requires JCAR to evaluate rules under this section to include an examination of the following: organizational, structural, and procedural reforms that affect rules or rulemaking; merger, modification, establishment, or abolition of regulations; elimination or phasing out outdated, overlapping, or conflicting regulatory jurisdictions or requirements of general applicability and economic and budgetary effects.
- JCAR did not perform a systematic and continuing study of existing rules or the existing rulemaking process of agencies as required by the Act (5 ILCS 100/5-105). The Act requires JCAR to perform this review in order to improve the rulemaking process, reduce the repetition and redundancy of rules, and correct grammatical errors.
- JCAR did not make periodic investigations of the rulemaking activities of all agencies as required by the Act (5 ILCS 100/5-100(c)). The Act requires JCAR to evaluate and report on these rules in terms of their propriety, legal adequacy, relation to statutory authorization, economic and budgetary effects, and public policy.

JCAR officials stated that the agency had previously tried to establish a program to comply with these statutes, but was and still is unable to due to lack of adequate staff resources. JCAR officials indicate to responsibly fulfill these mandates would require at least twice the staff resources that have been available to JCAR.

Failure to review the rules of State agencies is in noncompliance with a statutory mandate. Inability to review all agencies' rulemakings at least once every five years could cause outdated, overlapping, or conflicting regulatory jurisdictions or requirements to go undetected. (Finding Code No. 06-1, 04-1, 02-1, 00-1, 98-1, 96-1, 94-1, 92-1, 90-1 and 90-4, 88-1 and 88-2.)

RECOMMENDATION

We recommend that JCAR develop and implement a formal long-range plan, which addresses methods to bring operations into compliance with statutory requirements or seek appropriate legislative remedy.

AGENCY RESPONSE

JCAR acknowledges that it has not been able to carry out the statutory requirement that it conduct a 5-year review of all the rules of all State agencies. During 4 years early in JCAR's history (1980-83), an attempt was made to conduct these reviews, but that effort had to be abandoned for lack of adequate staff resources to conduct both on-going review of new regulations and the 5-year periodic review. To responsibly fulfill both these mandates would require at least twice the staff resources that have been available to JCAR.

In view of the present levels of staffing, JCAR, like every other State agency with limited resources, has had to set priorities. It has chosen to give more priority to ongoing review of new rules and amendments to existing rules than to a structured 5-year review for several reasons.

First, a review of all existing rules every 5 years would have the main advantage of removing from the Code any rules that are no longer necessary, streamlining rules that have been adopted piecemeal over the years, and updating language to the currently preferred plain language style. However, those rules have existed for several years without cataclysmic results. In recognition of this, JCAR believes it has acted responsibly in giving priority to reviewing new rules and new regulatory schemes, the reasonableness of which has not been tested by time.

Second, the goals of culling outdated rules, streamlining rules and improving their readability is served to a great degree within the on-going review program. Some agencies initiate this type of clean up with diligence, and JCAR promotes review of existing text as part of its review of every amendatory rulemaking.

Third, the initial responsibility for Code cleanup lies not with JCAR, but with the administrative agencies. They created the regulations and they work continually with the affected public in their implementation of those regulations. JCAR's conduct of a 5-year review would serve mainly to force an agency to periodically give priority to initiating a self-review and cleanup if it has not been able to do so in the course of its normal activities. The absence of a formal 5-year review does not mean that existing rule is not reviewed, because many agencies are commendably responsible in continually reviewing their own rules.

Fourth, JCAR gives strong priority to its complaint review program as well as its proposed rule review program. If, after an existing regulation has been time tested, any member of the public brings a complaint about the regulation to JCAR, staff will initiate a preliminary review and report the issue to the JCAR membership. JCAR can then vote to officially pursue the issue with the agency. In partnership with the affected public, JCAR has been able to concentrate its limited resources on existing rules that are problematic, rather than dedicating countless hours to review of adequate and responsible rules.

The auditors recommend that if JCAR cannot conduct a 5-year review, it seek an appropriate legislative remedy. In the past, JCAR has sought an amendment to the Administrative Procedure Act to change the current mandatory requirement for such review, but without passage. JCAR will again consider this issue when it devises its legislative recommendations for next year.

06-2. **FINDING** (Property control and reporting weaknesses)

The Joint Committee on Administrative Rules (JCAR) did not maintain sufficient controls over the recording and reporting of its property and equipment. We noted the following:

- Two of eight (25%) equipment vouchers tested totaling \$4,286 were not included on JCAR's inventory records within 30 days of acquisition. These items were added 175 and 326 days late.
- Two of 25 (8%) equipment items selected for testing totaling \$1,500 were not removed from the property listing within 30 days of removal. One item was deleted 178 days late. The other item was noted during the prior engagement as not having been deleted and has still not been deleted.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change or deletion of equipment items

- One of 25 (4%) equipment additions tested was not added correctly. JCAR purchased four oscillating fans at \$240 and only added three of them at \$60 apiece to the property listing.

The Statewide Accounting Management System (SAMS) (Procedure 29.10.10) states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets.

- Two of eight (25%) Quarterly Reports of State Property (C-15s) submitted to the State Comptroller's Office did not accurately reflect JCAR equipment transactions. An equipment transfer during the first quarter was due to a \$17,720 purchase of software that was incorrectly reported as both an addition and a transfer. Additions during the first quarter of FY05 were understated by \$1,359 due to not reporting the acquisition of a Voice Recorder. Deletions during the second quarter of FY05 were understated by \$1,500 due to not reporting scrapped equipment. The net effect of all C-15 errors noted is a \$141 understatement of equipment as of June 30, 2006.

SAMS procedure 29.20.10 requires an agency to report all additions, deletions and transfers to each asset class that occurred during the quarter being reported. In addition, good business practices require an agency to review all reported information for accuracy before submission.

- Two of 25 (8%) equipment items selected for testing had the same tag number. The same tag number was assigned to both a three-hole punch and an oscillating fan.

Good internal controls require a unique tag number be given to every equipment item added to the property listing.

JCAR officials stated the errors were due to oversight.

Inaccurate reporting on the C-15 reports reduces the reliability of Statewide property information. In addition, failure to maintain accurate property records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 06-2)

RECOMMENDATION

We recommend JCAR ensure all equipment is accurately and timely recorded in JCAR's property records and properly tagged. In addition, we recommend JCAR thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller.

AGENCY RESPONSE

The audit finding notes that JCAR made errors in the recording and reporting of its property and equipment (e.g. untimely inclusion of equipment vouchers on inventory records within 30 days after acquisition). Staff will endeavor to be more timely and accurate in the future.

06-3. **FINDING** (Travel Headquarter reports not filed)

The Joint Committee on Administrative Rules (JCAR) did not complete or file three of the four Travel Headquarters (TA-2) reports with the Legislative Audit Commission (LAC) as required.

We noted JCAR timely filed the TA-2 report due on 7/15/04. The forms due 1/15/05, 7/15/05, and 1/15/06 were not completed or filed with the LAC.

The State Finance Act (30 ILCS 105 / 12-3) requires State agencies to file Travel Headquarters Reports for all officers or employees for whom official headquarters has been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The reports are required to be filed with the Legislative Audit Commission no later than each July 15 for the period of January 1-June 30 of that year and January 15 for the period from July 1 – December 31 of the previous year. Agencies with no employees or officers in this status must file negative reports.

JCAR officials stated they did not think they were still required to file the Travel Headquarters Report because they only have one location.

Failure to file TA-2 reports reduces effective government oversight and is noncompliance with a statutory mandate. (Finding Code No. 06-3)

RECOMMENDATION

We recommend JCAR file the TA-2 reports with the Legislative Audit Commission as required by the State Finance Act.

AGENCY RESPONSE

JCAR staff failed to realize that Travel Headquarter Reports are required when the agency has only one headquarters. In the future, staff will file all such reports due in January and June.

PRIOR FINDINGS NOT REPEATED – STATE

06-4. **FINDING** (Failure to timely report to the General Assembly)

During the prior period, the Joint Committee on Administrative Rules (JCAR) did not file its required Annual Reports to the General Assembly in a timely manner.

During the current period, JCAR filed both annual reports in a timely manner. (Finding Code No. 04-2)

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
- 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 Operations:

- Agency Functions and Planning Program
- Interagency Agreement
- Average Number of Employees
- Service Efforts and Accomplishments (Not Examined)

The auditors' 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, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2006

| P.A. 94-0015 FISCAL YEAR 2006 | Appropriations (Net of Transfers) | Expenditures Through June 30 | Lapse Period | | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---------------------------|---|---------------------------------|
| | | | Expenditures July 1 to August 31 | Expenditures August 31 | | |
| General Revenue 001 | | | | | | |
| Personal Services | \$ 806,000 | \$ 727,332 | \$ 0 | \$ 727,332 | \$ 78,668 | |
| Employee Retirement | | | | | | |
| Contributions Paid by Employer | 30,000 | 28,510 | 0 | 28,510 | 1,490 | |
| State Contribution to State | | | | | | |
| Employees' Retirement System | 150,000 | 56,720 | 0 | 56,720 | 93,280 | |
| State Contributions to Social Security | 53,650 | 53,537 | 0 | 53,537 | 113 | |
| Contractual Services | 35,850 | 18,603 | 15,765 | 34,368 | 1,482 | |
| Travel | 20,500 | 19,995 | 311 | 20,306 | 194 | |
| Commodities | 11,000 | 10,621 | 0 | 10,621 | 379 | |
| Equipment | 16,500 | 12,752 | 1,828 | 14,580 | 1,920 | |
| Telecommunications | 7,000 | 5,791 | 530 | 6,321 | 679 | |
| Total Fiscal Year 2006 | \$ 1,130,500 | \$ 933,861 | \$ 18,434 | \$ 952,295 | \$ 178,205 | |

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For The Fiscal Year Ended June 30, 2005

| P.A. 93-0842 FISCAL YEAR 2005 | Appropriations (Net of Transfers) | Lapse Period | | Total Expenditures 14 Months Ended August 31 | Balances Lapsed August 31 |
|--|---|---------------------------------|--|---|---------------------------------|
| | | Expenditures Through June 30 | Expenditures July 1 to August 31 | | |
| General Revenue 001 | | | | | |
| Personal Services | \$ 776,000 | \$ 724,652 | \$ 0 | \$ 724,652 | \$ 51,348 |
| Employee Retirement | | | | | |
| Contributions Paid by Employer | 30,000 | 28,991 | 0 | 28,991 | 1,009 |
| State Contribution to State | | | | | |
| Employees' Retirement System | 125,000 | 116,766 | 0 | 116,766 | 8,234 |
| State Contributions to Social Security | 55,000 | 53,524 | 0 | 53,524 | 1,476 |
| Contractual Services | 47,700 | 38,199 | 6,782 | 44,981 | 2,719 |
| Travel | 11,500 | 11,112 | 323 | 11,435 | 65 |
| Commodities | 15,000 | 10,976 | 2,747 | 13,723 | 1,277 |
| Equipment | 9,800 | 6,763 | 2,180 | 8,943 | 857 |
| Telecommunications | 7,000 | 6,336 | 88 | 6,424 | 576 |
| Total Fiscal Year 2005 | \$ 1,077,000 | \$ 997,319 | \$ 12,120 | \$ 1,009,439 | \$ 67,561 |

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Years Ended June 30,

| | Fiscal Year | | |
|--|---------------------|---------------------|---------------------|
| | 2006 | 2005 | 2004 |
| General Revenue 001 | P.A. 94-0015 | P.A. 93-0842 | P.A. 93-0091 |
| Appropriations (Net of Transfers) | <u>\$ 1,130,500</u> | <u>\$ 1,077,000</u> | <u>\$ 1,042,000</u> |
| <u>Expenditures</u> | | | |
| Personal Services | \$ 727,332 | \$ 724,652 | \$ 728,474 |
| Employee Retirement | | | |
| Contributions Paid by Employer | 28,510 | 28,991 | 29,153 |
| State Contribution to State | | | |
| Employees' Retirement System | 56,720 | 116,766 | 67,651 |
| State Contributions to Social Security | 53,537 | 53,524 | 54,157 |
| Contractual Services | 34,368 | 44,981 | 29,874 |
| Travel | 20,306 | 11,435 | 12,598 |
| Commodities | 10,621 | 13,723 | 8,760 |
| Equipment | 14,580 | 8,943 | 7,643 |
| Telecommunications | 6,321 | 6,424 | 6,645 |
| Total Expenditures | <u>\$ 952,295</u> | <u>\$ 1,009,439</u> | <u>\$ 944,955</u> |
| Lapsed Balances | <u>\$ 178,205</u> | <u>\$ 67,561</u> | <u>\$ 97,045</u> |

Note: The Agency did not make any efficiency initiative payments during FY05 or FY06.

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2006

| | | Equipment |
|--------------------------|----|-----------|
| Balance at July 1, 2004 | \$ | 148,905 |
| Additions | | 0 |
| Deletions | | 0 |
| Net Transfers | | 0 |
| Balance at June 30, 2005 | \$ | 148,905 |
| | | |
| Balance at July 1, 2005 | \$ | 148,905 |
| Additions | | 3,361 |
| Deletions | | (3,969) |
| Net Transfers | | (31,337) |
| Balance at June 30, 2006 | \$ | 116,960 |

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
COMPARATIVE SCHEDULE OF CASH RECEIPTS
 For the Fiscal Year Ended June 30,

| <u>GENERAL REVENUE FUND - 001</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Jury Duty | \$ 15 | \$ 31 | \$ 0 |
| Copy Charges | 0 | 31 | 16 |
| Publication sales | <u>56</u> | <u>24</u> | <u>38</u> |
| Total - Fund 001 | <u>71</u> | <u>86</u> | <u>54</u> |
| | | | |
| <u>GENERAL ASSEMBLY COMPUTER EQUIPMENT - 155</u> | | | |
| Illinois Register and the Illinios Administrative Code | <u>38,800</u> | <u>29,400</u> | <u>42,300</u> |
| Total - Fund 155 | <u>38,800</u> | <u>29,400</u> | <u>42,300</u> |
| Total All Funds | <u><u>\$ 38,871</u></u> | <u><u>\$ 29,486</u></u> | <u><u>\$ 42,354</u></u> |

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
**RECONCILIATION SCHEDULE OF CASH RECEIPTS
 TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**
 For the Fiscal Year Ended June 30,

| <u>General Revenue Fund - 001</u> | <u>2006</u> | <u>2005</u> |
|--|-------------------------|-------------------------|
| Receipts per Agency Records | \$ 71 | \$ 86 |
| Add: Deposits in Transit, Beginning of Year | 0 | 0 |
| Less: Deposits in Transit, End of Year | <u>0</u> | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 71</u></u> | <u><u>\$ 86</u></u> |
| | | |
| <u>General Assembly Computer Equipment - 155</u> | | |
| Receipts per Agency Records | \$ 38,800 | \$ 29,400 |
| Add: Deposits in Transit, Beginning of Year | 0 | 0 |
| Less: Deposits in Transit, End of Year | <u>0</u> | <u>0</u> |
| Deposits Recorded by the Comptroller | <u><u>\$ 38,800</u></u> | <u><u>\$ 29,400</u></u> |

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2006

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005

State Contribution to State Employees' Retirement System

The increase in State Contribution to State Employees' Retirement System expenditures in FY05 was due to the State suspending payments into the State Employees' Retirement System in FY04 as a result of Public Act 93-0665, which became effective in March 2004. The Act suspended contribution payments from the effective date of the Act through the payment of the final payroll form FY04 appropriations. Contributions resumed in FY05. In addition the overall State employee retirement rate increased from 13.4% in FY04 to 16.1% in FY05.

Contractual Services

The increase in contractual services expenditures in FY05 was due to a purchase of software and conversion charges for the new Docuware system and associated support hardware.

Commodities

The increase in commodities expenditures in FY05 was due to several large purchases of copy paper.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2005 AND 2006

State Contribution to State Employees' Retirement System

The decrease in State Contribution to State Employees' Retirement System in FY06 was due to the overall State employee retirement rate decreasing from 16.1% in FY05 to 7.8% in FY06.

Contractual Services

The decrease in contractual services expenditures was due to a payment of \$17,720 for software for the new Docuware system and associated support hardware in FY05. There were no significant purchases in FY06.

Travel

The increase in travel expenditures in FY06 was due to an increased number of meetings by the Committee when compared to FY05.

Commodities

The decrease in commodities expenditures in FY06 was due to several large purchases of copy paper in the previous year.

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2006

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2005 AND 2006 (cont.)

Equipment

The increase in equipment expenditures in FY06 was due to a purchase of blinds for the executive directors office and various equipment purchases that did not occur in FY05. This expenditure line also fluctuates due to varying needs of research materials for the reference library.

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2006

General Revenue Fund – 001

The Committee receives minimal receipts. The Committee's receipts consist of copy charges, reimbursement for jury duty and the sale of annual reports. These receipts are expected to fluctuate between fiscal years.

General Assembly Computer Equipment Fund – 155

The Committee receives monies from the sale of megabytes of information for updates of the Administrative Code and the Illinois Register collected in the Legislative Information Systems database maintained by the Committee. These receipts are expected to fluctuate between fiscal years based on the number of organizations requesting updates and the amount these organizations prepay.

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2006

FISCAL YEAR 2005

Commodities

Ivory paper for the newsletter totaling \$2,413 was purchased late in the fiscal year and paid during the lapse period.

Equipment

A voice recorder and reference books were purchased late in the fiscal year and paid during the lapse period.

FISCAL YEAR 2006

Contractual Services

An IKON copier, totaling \$15,000, was purchased and received late in the fiscal year and paid during the lapse period.

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF OPERATIONS

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Joint Committee on Administrative Rules (JCAR) was established in 1977 as a permanent legislative service agency of the Illinois General Assembly. The basic function of JCAR, as described in the Illinois Administrative Procedure Act (Act) (5 ILCS 100/5-5 et seq.), is the promotion of adequate and proper rules. In addition, the Agency is responsible for monitoring and investigating agencies' compliance with the provisions of the Act; making periodic investigations of the rulemaking activities of all agencies; and evaluating and reporting on all rules in terms of their propriety, legal adequacy, relation to statutory authorization, economic and budgetary effects, and public policy.

Committee Members

The Committee is comprised of six senators and six representatives. The Committee convenes monthly in Chicago unless the General Assembly is in session. If the General Assembly is in session, the Committee convenes in Springfield.

The Committee members as of June 30, 2006, were as follows:

| | |
|------------------------------|----------------|
| Senator Maggie Crotty | Co-Chairperson |
| Representative Brent Hassert | Co-Chairperson |

Senator J. Bradley Burzynski
Senator James F. Clayborne Jr.
Senator Steve Rauschenberger
Senator Dan Rutherford
Senator Ira Silverstein
Representative Tom Holbrook
Representative David R. Leitch
Representative Larry McKeon
Representative David Miller
Representative Rosemary Mulligan

Planning Program

Operating programs of JCAR are specified by the Illinois Administrative Procedure Act (5 ILCS 100/5-5 et seq.).

JCAR does not have a formal planning function. However, all agency objectives are clearly defined in statutes under the Administrative Procedure Act. JCAR's main priority is to review new rules and proposed changes to the Administrative Code. This is completed on a monthly basis and reported to JCAR members at their monthly meeting. The Committee reports its activities and accomplishments throughout the year in its Annual Report to the General Assembly.

STATE OF ILLINOIS
JOINT COMMITTEE ON ADMINISTRATIVE RULES
ANALYSIS OF OPERATIONS

JCAR's short-term goals continue to be centered upon reviewing every rulemaking that goes to 2nd Notice in a thorough and timely manner so that JCAR members have accurate information on which to base their rulemaking decisions at JCAR's monthly meetings. In addition, the following goals must be met:

- Provide agencies with accurate Code and Register versions of their rulemakings that may be filed with the Secretary of State for adoption and publication following consideration at a JCAR meeting;
- Prepare the *Illinois Register* for publication each week;
- Maintain the *Illinois Administrative Code* on the Legislative Information System database and update it weekly to reflect newly adopted rulemakings;
- Write and publish the *Flinn Report*, JCAR's weekly newsletter, to educate and inform the public concerning proposed and adopted rulemakings and the rulemaking process; and,
- Investigate in a timely manner any complaints concerning agency rulemaking that are brought to JCAR's attention.

The Committee's long-term goals include:

- Increasing the number of State agencies that voluntarily use JCAR-generated Register and Code materials for filing adopted rulemaking text with the Secretary of State (SOS);
- Working with the Legislative Information System to refine the programs used to create and maintain the *Illinois Register* and *Illinois Administrative Code* on the internet; and,
- Working with the Secretary of State (SOS) Code Division within the Index Department to ensure the accuracy of the file books of adopted rules maintained by both JCAR and SOS.

Auditor's Assessment of Planning Program

Based on our review of the JCAR's planning program and interviews with the personnel, the planning program in place appears to be adequately formalized to measure the Agency's ability to meet its goals and fulfill its duties.

INTERAGENCY AGREEMENT

JCAR entered into an interagency agreement with the Legislative Information System (LIS) in March of 1994. The agreement outlined and defined the shared statutory responsibilities between LIS and JCAR for the maintenance of the electronically stored database of the Illinois Register and Illinois

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
 ANALYSIS OF OPERATIONS

Administrative Code as defined in the Illinois Administrative Procedure Act (5 ILCS 100/5-80 and 135) and the Legislative Information System Act (25 ILCS 145/5.08). Effective January 26, 1994, PA 88-535 expanded access of the database to the public in general, and particularly print and electronic publishers, for the purpose of a more thorough dissemination. The interagency agreement charged JCAR with the responsibility to enter into agreements for responding to requests from the public for electronically stored copies of the database materials and assessing related fees.

Our examination procedures included tests to determine whether: 1) JCAR complied with the provisions set forth in the interagency agreement; 2) JCAR complied with the provisions set forth in the Administrative Code as it relates to the database; 3) revenues collected were in accordance with applicable laws and regulations; and 4) receipts were for the correct amount. JCAR complied with the Interagency Agreement and Illinois Administrative Code.

AVERAGE NUMBER OF EMPLOYEES

The following information was prepared from the Agency's records and represents the average number of employees for the Fiscal Years ended June 30,

| | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|-----------------------------------|-------------|-------------|-------------|
| Division | | | |
| Executive Director | 1 | 1 | 1 |
| Rules Review Division | | | |
| Manager | 1 | 1 | 1 |
| Attorney | 2 | 2 | 2 |
| Analyst | 5 | 5 | 5 |
| Administrative Affairs Division | | | |
| Deputy Director | 1 | 1 | 1 |
| Administrative Staff | 1 | 1 | 1 |
| Support Division | | | |
| Staff Support | | | |
| Office Manager | 1 | 1 | 1 |
| Administrative Assistant | 1 | 1 | 1 |
| Word Processor/Receptionist | 2 | 2 | 2 |
| Administrative Code | | | |
| Manager | 1 | 1 | 1 |
| Input Operator | 2 | 3 | 3 |
| Total average full-time employees | <u>18</u> | <u>19</u> | <u>19</u> |

STATE OF ILLINOIS
 JOINT COMMITTEE ON ADMINISTRATIVE RULES
 ANALYSIS OF OPERATIONS

SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)

| <u>Rulemaking Processes</u> | 2006* (As of 7/01/06) | <u>2005*</u> | <u>2004*</u> |
|-----------------------------|--------------------------|--------------|--------------|
| Rules Received | 289 | 461 | 399 |
| Rules Reviewed | 131 | 420 | 371 |
| Recommendations Made | 2 | 24 | 28 |
| Objections | 8 | 11 | 13 |
| Withdrawn by Agency | 1 | 0 | 0 |
| Prohibitions | 1 | 6 | 2 |
| No Objections | 119 | 379 | 328 |

* All amounts are reported on a calendar year basis.