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Office of the Auditor General
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REPORT COMPONENTS

As noted in § 3.85 in the 2018 revision to *Government Auditing Standards*, nonaudit services, by their very nature, directly support an entity’s operations and create threats to an auditor’s ability to maintain their independence in both mind and appearance. Independence rules have evolved in recent years to the point that even providing clerical assistance by formatting a financial statement and printing and binding the financial audit report has been deemed a threat to independence, even if it is not significant and can be safeguarded against by applying specific safeguards¹.

It is important for all auditees to review this document in its entirety and prepare the various report components in accordance with this guidance. Failure to materially prepare report components in a timely manner in accordance with this guidance may result in findings. If you have questions, please contact your assigned audit manager from the Office of the Auditor General (OAG).

For all report components, auditees must ensure the components fit on standard letter paper (8.5” by 11”). When practicable, the OAG prefers one-inch margins. Regardless of margin size, the margin must always provide sufficient space on the edge of the sheet of paper to allow for report binding during the printing process. Auditees are also responsible for using a font size and type that is easily read and reproduced.

This guidance is effective immediately for all OAG engagements with audit/examination periods ending on or after June 30, 2020.

Financial Audits

For financial audits, the OAG will continue with its past practice of requiring auditee management to prepare (1) the financial statements and related disclosures, required supplementary information, supplementary information, and other information and (2) underlying accounting entries, records, and reconciliations (both financial and non-financial)² without assistance from the OAG’s staff or

¹ Specifically, the auditee must agree to:

- 1) assume all management responsibilities, including determining the accuracy and completeness of the report components;
- 2) assign a suitable employee with appropriate skills, knowledge, and experience to oversee the preparation of the information, oversee our work in the assistance of management preparing the information, and evaluate the adequacy and results of the preparation assistance services; and,
- 3) accept responsibility for the results of the preparation assistance.

² § 3.88 of *Government Auditing Standards* bans auditors from preparing financial statements from the underlying records and § 3.89 of *Government Auditing Standards* notes auditors should identify as threats to independence any services related to preparing financial records and account reconciliations.

the OAG's firms serving as Special Assistant Auditors (SAAs). Also, auditees will be responsible for preparing, and updating as necessary through the report date of the engagement, disclosures of the key officials at the auditee (Exhibit 1). Notwithstanding the preceding, OAG staff and SAAs will continue to perform routine activities under *Government Auditing Standards* and provide reproduction assistance at the conclusion of the examination.

For the State's universities, the Table of Operating Expenses (Exhibit 2) for the current year must be prepared and included as supplementary information in the university's financial audit report.

For all other auditees, combining schedules of accounts (such as the General Fund's Balance Sheet and the Schedule of Revenues, Expenditures, and Changes in Fund Balance) must be prepared, where applicable.

Single Audits

For Single Audits, the OAG will continue with its past practice and the requirements of the Code of Federal Regulations (2 C.F.R. § 200.510) that the auditee must prepare its financial statements and the Schedule of Expenditures of Federal Awards (SEFA) and related disclosures. Auditees should refer to Chapter 7 of the Audit Guide: *Government Auditing Standards* and *Single Audits* published by the American Institute of Certified Public Accountants (AICPA) for guidance and an illustrative example SEFA. Further, except for the Statewide Single Audit, auditees must prepare the Schedule of Federal and Nonfederal Activity (Exhibit 3). Finally, auditees will be responsible for preparing, and updating as necessary through the report date of the engagement, disclosures of the key officials at the auditee (Exhibit 1) for standalone reports. Notwithstanding the preceding, the OAG's staff and SAAs will continue to perform routine activities under *Government Auditing Standards* and provide reproduction assistance at the conclusion of the examination.

The OAG will continue its past practice of auditing the SEFA and the Schedule of Federal and Nonfederal Activity in relation to the financial statements. When the SEFA and its related notes are included within the entity's Supplementary Information for State Compliance Purposes, this schedule and the notes must be identified as Schedule 1 and placed first in the presentation of the entity's fiscal schedules, while the Schedule of Federal and Nonfederal Activity is typically the last schedule.

Compliance Examinations

For compliance examinations, the OAG will require all auditees to prepare report components and schedules in a timely manner in accordance with this guidance without assistance from the OAG's staff or SAAs. Further, auditees will now be responsible for preparing, and updating as necessary through the report date of the engagement, disclosures of the key officials at the auditee (Exhibit 1). Notwithstanding the preceding, OAG staff and SAAs will continue to perform routine activities under *Government Auditing Standards* and provide reproduction assistance at the conclusion of the examination.

For those auditees undergoing a financial audit of all of the entity's funds, the OAG will continue its past practice of auditing any fiscal schedules in relation to the financial statements. For all other report components, including the Analysis of Operations report components, the OAG's staff and SAAs will not provide an opinion, a conclusion, nor provide any assurance on the components.

The following schedules³, insofar as applicable, must be prepared for all engagements – except the state fair engagements – following the guidance and formatting found in the exhibits:

Fiscal Schedules

1) **Schedule of Appropriations, Expenditures, and Lapsed Balances**

This schedule must be prepared for each fiscal year under examination, including the Lapse Period. Normally, these schedules provide information on expenditure activity by line item and reconcile the auditee’s records to the State Comptroller’s records as of June 30 and the close of the State’s Lapse Period each year (Exhibit 4). When the number of line items would cause this schedule to routinely exceed six pages across several fiscal years, this schedule should be reported by fund as opposed to line item and reconcile the auditee’s records to the State Comptroller’s records (namely, the *Monthly Appropriation Status* report) as of June 30 and the close of the Lapse Period each year (Exhibit 4)).

In the event the State’s Lapse Period is extended beyond August 31 and the auditee is still processing and recording invoices, auditees must consult with the OAG’s audit manager assigned to your engagement to set an appropriate end date reflecting a balance between engagement timeliness and disclosure of as many transactions as reasonably possible. The schedule will need to be modified to reflect approximate Lapse Period expenditures and approximate total expenditures for the fiscal year.

This schedule does not need to be prepared for auditees with a fiscal year ending on a date other than June 30.

2) **Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances**

This schedule must be prepared for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. This schedule provides information on expenditures by line item and reconciles the auditee’s records to the Office of the State Comptroller’s records (namely, the *Monthly Appropriation Status* report) as of June 30 and the close of the Lapse Period each year (Exhibit 5)).

In the event the State’s Lapse Period is extended beyond August 31 and the auditee is still processing and recording invoices, auditees must consult with the OAG’s audit manager assigned to your engagement to set an appropriate end date reflecting a balance between engagement timeliness and disclosure of as many transactions as reasonably possible. The schedule will need to be modified to reflect approximate Lapse Period expenditures and approximate total expenditures for the fiscal year.

This schedule does not need to be prepared for auditees with a fiscal year ending on a date other than June 30.

³ The OAG, at its sole discretion, reserves the right to add, modify, change, or eliminate any report component at any time.

3) **Comparative Schedule of Net Expenditures by Major Activity**

This schedule must be prepared for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. This schedule provides information on expenditures by major activity, which should reconcile with the Office of the State Comptroller's records (namely, the *Object Expense/Expenditures by Quarter* report) as of the close of the Lapse Period each year (Exhibit 6)).

In the event the State's Lapse Period is extended beyond August 31 and the auditee is still processing and recording invoices, auditees must consult with the OAG's audit manager assigned to your engagement to set an appropriate end date reflecting a balance between engagement timeliness and disclosure of as many transactions as reasonably possible. The schedule will need to be modified to reflect approximate Lapse Period expenditures and approximate total expenditures for the fiscal year.

This schedule does not need to be prepared for auditees with a fiscal year ending on a date other than June 30.

4) **Comparative Schedule of Cash Receipts and Deposits into the State Treasury**

This schedule must be prepared for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. This schedule provides information on receipts by receipt source and should reconcile the auditee's records to the Office of the State Comptroller's records (namely, the *Monthly Revenue Status* report) at the end of the fiscal year (Exhibit 7)).

5) **Schedule of Locally-Held Funds**

For auditees other than the State's component units, this cash-basis schedule must present the beginning balance, receipts, disbursements, and ending balance for each locally-held fund controlled by the auditee, which should reconcile with the auditee's *Report of Receipts and Disbursements for Locally Held Funds* (Form C-17) for each locally held fund at the end of the fiscal year submitted to the Office of the State Comptroller (Exhibit 8).

6) **Schedule of Changes in Property**

This schedule (Exhibit 9) must present the beginning balance, additions, deletions, net transfers, and ending balance by asset class for all of the agency's property (regardless of location or what fund it is accounted for within) summarized from the auditee's records, reconciled to the auditee's quarterly *Agency Report of State Property* (Form C-15) submitted to the Office of the State Comptroller. This schedule must report the dollar value of balances for all items with an initial individual acquisition value (1) of \$1,000 or more without considering depreciation or (2) of less than \$1,000 without considering depreciation deemed highly susceptible to theft.

The auditee can, at the auditee's discretion, include additional schedules broken down by key location for additional clarity.

7) **Schedule of Indirect Cost Reimbursements**

For primary government auditees and non-university component units of the State, this schedule (Exhibit 10) must disclose the current balances, sources, and applications of indirect cost reimbursements. Further, this schedule must include a disclosure indicating if the auditee pursued the collection of all possible indirect cost reimbursements for each year under examination. If all indirect cost reimbursements were not pursued, management must include an explanation for **why** these amounts were not pursued along with a reasonable estimate for the **potential amount** of unpursued indirect cost reimbursements.

For the State's universities, each university must continue to report its indirect cost activity in a similar manner as prior periods in accordance with the Legislative Audit Commission's *University Guidelines*.

Analysis of Operations

8) **Analysis of Operations (Functions and Planning)**

This document (Exhibit 11) must (1) concisely describe the auditee's purpose, primary functions, and major programs, (2) state whether there is a formal planning program for its operations and administration, and (3) disclose any significant operational challenges that existed at the end of the examination period, including backlogs, and management's plan to address the problem. Additionally, this document must include key financial, program, and statistical elements, including comparative elements from the fiscal year immediately preceding the examination period, along with management's analysis about the meaning of this data. For agencies subject to the Civil Administrative Code of Illinois (State Budget Law) (15 ILCS 20/50-25), these factors must include the prioritized goals and priorities reviewed and analyzed during the fiscal year and reported to the Office of the Comptroller for preparation of the Public Accountability Report (for more information, please see the Statewide Accounting Management System (SAMS) (Procedure 33.20.20)). For agencies with caseloads, caseload statistics, with classifications appropriate for the auditee's operations, for each fiscal year under examination along with comparative amounts from the fiscal year immediately preceding the examination period must be presented.

9) **Analysis of Significant Variations in Account Balances**

For component units and Judicial Branch agencies preparing financial statements, this schedule (Exhibit 12) must (1) reference where readers could obtain the auditee's accrual basis balance sheet and income statement and where comparative balances from the prior period could be obtained and (2) comment on the underlying cause for **why** significant variations, measured by either dollar amount or percentage change, occurred from the immediately preceding year for each year under examination. **Further analysis is not necessary for cash flows.** All auditees must consult with the OAG's audit manager assigned to your engagement to determine agreed-upon criteria for significant changes for disclosure.

10) **Analysis of Significant Variations in Expenditures**

This schedule (Exhibit 13) must comment on the underlying cause for **why** significant expenditure line items, measured by either dollar amount or percentage change, occurred

from the immediately preceding year for each year under examination. All auditees must consult with the OAG's audit manager assigned to your engagement to determine agreed-upon criteria for significant changes for disclosure. If auditors obtain other evidence indicating a different cause or additional causes, auditee management must modify this disclosure to ensure it is fair.

11) **Analysis of Significant Variations in Receipts**

This schedule (Exhibit 14) must comment on the underlying cause for **why** significant receipt sources, measured by either dollar amount or percentage change, occurred from the immediately preceding year for each year under examination. All auditees must consult with the OAG's audit manager assigned to your engagement to determine agreed-upon criteria for significant changes for disclosure. If auditors obtain other evidence indicating a different cause or additional causes, auditee management must modify this disclosure to ensure it is fair.

12) **Analysis of Significant Lapse Period Spending**

This schedule (Exhibit 15) must comment on the underlying cause for **why** significant Lapse Period expenditures occurred within line items, measured by percentage expended in the Lapse Period compared to the regular fiscal year. All auditees must consult with the OAG's audit manager assigned to your engagement to determine agreed-upon criteria for significant changes for disclosure. If auditors obtain other evidence indicating a different cause or additional causes, auditee management must modify this disclosure to ensure it is fair.

13) **Number of Employees**

This document (Exhibit 16) discloses the average number of employees, including contractual employees, by function or activity, for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. The document must disclose how the number of employees were calculated ("average", "full-time equivalent", or other) and the usage of gross totals at a specific point-in-time is not allowed. This document should not include individuals paid on the State officers' appropriation by the State Comptroller or individuals not paid, such as board members, by the auditee.

14) **Cost Statistics**

This document (Exhibit 17) must present average cost statistics provided by the auditee's management information system for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period, when the information is available. The computation method should be disclosed and costs must be calculated on a "per year" basis as opposed to "per day" basis. When possible, the "average" number or "full-time equivalent students" should be used as opposed to gross totals at a specific point-in-time. All auditees must consult with the OAG's audit manager assigned to your engagement to discuss the annual cost methodology and auditee management must modify, if deemed necessary by the OAG, this disclosure to ensure it is fair.

While the exact manner of calculation for annual cost statistics is generally not prescribed by the OAG, the exact manner for presenting annual cost statistics for developmental and mental health centers, schools, correctional centers and youth facilities, and universities must conform to the guidance provided in this exhibit.

15) **Disclosure of Emergency Purchase(s)**

This document (Exhibit 18) must list all emergency purchases which occurred during the examination period. The listing must include a brief description of each purchase, along with the final amount paid (estimates are acceptable when a final amount is not yet known). In the subsequent examination, estimated emergency purchases must be disclosed again with the final known cost. **This disclosure does not include emergency purchases under the Gubernatorial Disaster Proclamations related to the COVID-19 pandemic where the requirements of the Illinois Procurement Code were waived to the extent the requirement (1) would have, in any way, prevented, hindered, or delayed necessary action to cope with the COVID-19 pandemic and (2) was not required by federal law. All of these emergency purchases should be disclosed in Exhibit 23.**

16) **Housing Benefits**

This schedule (Exhibit 19) must disclose, in a narrative format, housing benefits provided to the auditee's management and staff, including (1) whether the housing benefits were excluded from the employee's income under 26 U.S. Code § 119 as lodging provided for the convenience of the employer auditee or qualified campus housing and (2) the auditee's policies for rent, utilities and maintenance, taxable benefits, and other costs.

17) **Analysis of Overtime**

This schedule (Exhibit 20) must disclose costs for personal services, split between work performed during regular hours and overtime hours, for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. If possible, this report should be prepared by operational unit or function.

18) **Assaults on Staff**

For the Department of Corrections and the Department of Juvenile Justice, this schedule (Exhibit 21) must disclose the number of assaults on staff and between offenders/youth for each fiscal year under examination along with comparative amounts from the fiscal year immediately preceding the examination period by facility. All remaining entities within the State's primary government or component units with at least one staff assault during either the examination period or the year immediately preceding the examination period must also prepare this schedule of assaults on its staff. If possible, this report should be prepared by facility or organizational unit.

19) **Major Construction Projects**

For the Capital Development Board, Department of Transportation, Department of Military Affairs, Department of Natural Resources, Illinois State Toll Highway Authority, the State universities, and any other auditee directly paying for a major construction project which is material to the auditee must prepare a schedule (Exhibit 22) providing a narrative description of the status of major construction projects undertaken during the examination

period. If possible, this report should be prepared by operational unit, campus, district, or function. Additionally, auditees must consult with the OAG's audit manager assigned to your engagement to determine an appropriate materiality threshold for reporting.

20) **Disclosure of Emergency Purchases under the Gubernatorial COVID-19 Disaster Proclamations**

This document (Exhibit 23) must list all emergency purchases under the Gubernatorial Disaster Proclamations related to the COVID-19 pandemic where the requirements of the Illinois Procurement Code were waived to the extent the requirement (1) would have, in any way, prevented, hindered, or delayed necessary action to cope with the COVID-19 pandemic and (2) was not required by federal law. **All emergency purchases procured after following the provisions of the Illinois Procurement Code must be disclosed in Exhibit 18.**

In addition to the above report components, the following disclosures must continue to be prepared in the same manner as shown in the auditee's preceding compliance report.

- 1) The Office of the Secretary of State must continue to report the dollar value and volume of transactions for vehicle and driver service fee collections consistent with prior periods. This report must present each fiscal year under examination along with comparative amounts from the fiscal year immediately preceding the examination period.
- 2) The Department of Healthcare and Family Services must continue to report adjudication patterns, payment patterns, and claims paid consistent with prior periods. This report must present each fiscal year under examination along with comparative amounts from the fiscal year immediately preceding the examination period.
- 3) The retirement systems and Illinois State Board of Investment must continue to report additional supplemental information consistent with prior periods, including, but not limited to, report components on investment manager fees, investment portfolio, analysis of contributions receivable, analysis of administrative expenses, and progress in funding the system.
- 4) The Department of Commerce and Economic Opportunity must continue to prepare a listing of grant projects consistent with prior periods. This listing must disclose each grant number, grantee, award amount, total expenditures prior to the current examination period, total expenditures during the current examination period (including the Lapse Period), the remaining balance on the grant at the end of the current examination period, and a brief description of the grant. This listing must present each fiscal year under examination only.

For the state fairs, the Department of Agriculture must prepare, consistent with prior period reports, the:

- 1) Comparative Schedule of Receipts and Expenditures;
- 2) Notes to the Comparative Schedule of Revenues and Expenditures;
- 3) Reconciliation of State Fair and Non-Fair Receipts to Deposits into the State Treasury;
- 4) Schedule of Receipts;
- 5) Schedule of Pari-Mutuel Wagering Receipts and Expenditures;

- 6) Schedule of Grandstand Shows Receipts and Expenditures;
- 7) Schedule of Competitive Events Receipts and Expenditures;
- 8) Functions and Planning Program (see Exhibit 11);
- 9) Number of Employees; and,
- 10) Schedule of Operating Statistics;

for each fiscal year under examination with comparative amounts from the fiscal year immediately preceding the examination period. In addition, the Department of Agriculture must prepare an analysis for significant fluctuations between fair years for the Comparative Schedule of Receipts and Expenditures similar to Exhibit 13 and Exhibit 14.

For the universities, additional disclosures must be presented taken from the *University Guidelines* published by the Legislative Audit Commission.

For all other report components currently within an auditee's Supplementary Information for State Compliance Purposes, auditees should discuss the necessity of the schedule and expected users with the OAG's audit manager assigned to your engagement to determine if the report component should be published in subsequent compliance examination reports. Usually, the remaining report components will not need to be prepared by auditees for forthcoming engagements.