

**STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL**

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

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STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

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AGENCY OFFICIALS

ILLINOIS ARTS COUNCIL

Executive Director (1/1/2013 to Present)	Ms. Tatiana Gant
Acting Executive Director (4/5/2012 to 12/31/2012)	Ms. Rhoda Pierce
Executive Director (5/15/11 to 4/4/2012)	Mr. Terry Scrogum
Chief Fiscal Officer	Ms. Yazoo Hall

Agency Offices are located at:

James R. Thompson Center
100 West Randolph
Suite 10-500
Chicago, IL 60601-3298

National City Bank Building
One North Old State Capitol Plaza
Suite 345
Springfield, IL 62701-1323

December 18, 2013

McGreal & Company, PC
Certified Public Accountants
5740 West 95th Street
Oak Lawn, Illinois 60453



ILLINOIS
ARTS
COUNCIL
AGENCY

Pat Quinn
Governor

Shirley R. Madigan
Chairman

Tatiana Gant
Executive Director

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 Illinois Arts Council (Council). 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 Council's compliance with the following assertions during the two-year period ended June 30, 2013. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2012, the Council has materially complied with the assertions below.

- A. The Council 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 Council 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 Council 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 Council 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 Council on behalf of the State or held in trust by the Council have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Arts Council

Tatiana Gant, Executive Director

Yazoo Hall, Chief Fiscal Officer

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	2
Repeat findings	2	1
Prior recommendations implemented or not repeated	0	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2013-001	9	Failure to Adopt Formal Rules for Agency and Grant Procedures	Noncompliance Significant Deficiency
2013-002	10	Lack of Reconciliation of State Cash Receipts	Noncompliance Significant Deficiency
2013-003	11	Failure to Comply with the Identity Protection Act	Noncompliance Significant Deficiency

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

PRIOR FINDINGS NOT REPEATED

The findings noted during the compliance examination for the two years ended June 30, 2011, were repeated during the current examination.

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Illinois Arts Council in an exit conference on December 12, 2013. Attending were Mr. Jose Roa, Office of the Auditor General; Ms. Tatiana Gant, Executive Director, Illinois Arts Council; Ms. Yazoo Hall, Chief Fiscal Officer, Illinois Arts Council; Mr. Thomas McGreal, Special Assistant Audit Partner; and Mr. Michael Morrissey, Special Assistant Audit Manager. Responses to the recommendations were provided by Tatiana Gant, Executive Director, on December 18, 2013.

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, Illinois Arts Council's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2013. The management of the State of Illinois, Illinois Arts Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Arts Council's compliance based on our examination.

- A. The State of Illinois, Illinois Arts Council's 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, Illinois Arts Council 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, Illinois Arts Council 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 State of Illinois, Illinois Arts Council 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, Illinois Arts Council on behalf of the State or held in trust by the State of Illinois, Illinois Arts Council 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, Illinois Arts Council'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 State of Illinois, Illinois Arts Council's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Arts Council complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2013. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 2013-001 through 2013-003.

Internal Control

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings as items 2013-001 through 2013-003 that we consider to be significant deficiencies.

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

The State of Illinois, Illinois Arts Council's responses to the finding identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Illinois Arts Council's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 1 through 10 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and the June 30, 2012 accompanying supplementary information in Schedules 1 through 10. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 3 through 7 and in the Analysis of Operations, and, accordingly, we do not express an opinion or provide any assurance on it.

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

A handwritten signature in blue ink that reads "McGreal & Company PC". The signature is written in a cursive, flowing style.

McGreal & Company, PC
Oak Lawn, Illinois

December 18, 2013

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

CURRENT FINDINGS – STATE COMPLIANCE

2013-001 **Finding:** Failure to Adopt Formal Rules for Agency and Grant Procedures

The Illinois Arts Council (Council) did not draft or adopt formal agency rules, including rules relating to grant procedures. Grant expenditures were \$7,432,415 and \$8,106,501 for fiscal years 2013 and 2012, respectively.

The Illinois Administrative Procedure Act (5 ILCS 100/5 et seq.) states that each agency shall maintain and file organizational rules, including a current description of the agency's organization, current procedures for information requests, and a current description of the agency's rulemaking procedures. Additionally, the Illinois Administrative Procedure Act (5 ILCS 100/5-10) and good internal controls require that policy affecting external parties be adopted and implemented through public rules to fully inform affected persons.

Council officials stated they consulted with the Illinois Office of the Governor concerning the process of drafting and adopting organization rules with the Joint Committee on Administrative Rules (JCAR) and the funding required to carry out the process, but formal agency rules have not yet been drafted or adopted.

The Council does not currently have the staff or legal support to engage in this process. Due to the State's on-going financial crisis, they do not anticipate the Council's budget increases to support such an initiative during the next few fiscal years. The Council will seek the guidance of the Office of the Governor on this funding.

Council rules prescribe policy and establish procedures to assist management in decision making. Formal administrative rules can also help protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests from external parties. Promulgating formal grant procedures ensures transparency and accountability of State government, can help protect agencies from legal challenges, and gives additional legitimacy to agency actions and agency requests from external parties. (Finding Code No. 2013-001, 11-1, 09-1, 07-1)

Recommendation:

We recommend the Council draft organizational rules and grant procedures, then contact JCAR for assistance with the formal adoption process.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

2013-001 **Finding:** Failure to Adopt Formal Rules for Agency and Grant Procedures
(continued)

Agency Response:

Agree. The Illinois Arts Council (IAC) Chairman has been in contact with the Office of the Governor on this funding and will continue to seek guidance. The Chairman reports that the Governor's Office Staff have stated that the IAC is moving forward in the proper manner. The IAC lacks the resources to engage consultants with the expertise necessary to draft rules and procedures beyond those currently in place. The IAC meets all state and federal requirements.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

2013-002 **Finding:** Lack of Reconciliation of State Cash Receipts

The Illinois Arts Council (Council) did not reconcile its cash receipts to cash receipts reported by the Comptroller as required by the Statewide Accounting Management System (SAMS).

The Council receives cash receipts from the National Endowment of the Arts, Illinois State Board of Education, unexpended grant funds, and miscellaneous receipts. Cash receipts were \$1,043,297 and \$1,148,834 for Fiscal Year 2013 and 2012, respectively.

The Council did not prepare formal monthly cash receipt reconciliations to the Comptroller's records. The Council performed quarterly reconciliations for fiscal year 2013 and 2012, however, the amounts per the Comptroller's records did not agree to the Council's records.

- In Fiscal Year 2013, a \$10,000 receipt reported on the Comptroller's records in the Illinois Arts Council Federal Grant Fund was not recorded on the Council's records.
- In Fiscal Year 2012, a \$41 receipt reported on the Comptroller's records in the Illinois Arts Council State Trust Fund was recorded on the Council's records as a receipt in the General Revenue Fund.

SAMS Procedures 25.40.20 requires State Agencies to reconcile receipt account balances maintained by the Agency with the Statewide receipt account records maintained by the Comptroller's Office. The reconciliation is required to be performed monthly and the Comptroller's Office notified of any irreconcilable differences so that corrective actions may be taken.

Council management stated formal monthly reconciliations are not performed. Council management believed quarterly reconciliations were sufficient controls.

Failure to reconcile the Monthly Revenue Status Reports results in non-compliance with SAMS procedures. In addition, reconciliations ensure the early detection and correction of errors. (Finding Code No. 2013-002, 11-2)

Recommendation:

We recommend the Council perform monthly cash receipts reconciliation and investigate any irreconcilable differences as required by SAMS Procedures.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

2013-002 **Finding:** Lack of Reconciliation of State Cash Receipts (continued)

Agency Response:

Agree. The IAC will perform monthly cash receipts reconciliations as required by SAMS procedures.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

2013-003 **Finding:** Failure to Comply with the Identity Protection Act

The Illinois Arts Council (Council) failed to implement the provisions of the Identity Protection Act (Act).

The Identity Protection Act (5 ILCS 179) required the Council to draft and approve an identity-protection policy by June 1, 2011. Per the Act, the Policy must:

- Identify the Act.
- Require all employees identified as having access to social security numbers in the course of performing their duties to be trained to protect the confidentiality of social security numbers.
- Direct that only employees who are required to use or handle information or documents that contain social security numbers have access to such information or documents.
- Require that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request.
- Require that, when collecting a social security number or upon request by the individual, a statement of the purpose or purposes for which the agency is collecting and using the social security number be provided.

During our testing we noted that the Council had not issued an identity-protection policy.

Council management stated they were unaware of the identity-protection policy requirement.

Failure to implement provisions of the Act results in noncompliance with the Act, does not promote the security and control of social security numbers, and increases the likelihood of identity theft. (Finding Code No. 2013-003)

Recommendation:

We recommend the Council develop and approve an identity protection policy as required in the Identity Protection Act.

Agency Response:

Agree. The IAC was unaware of the Identity Protection Act. Upon learning of the requirement, the Council developed an Identity Protection Policy and the IAC officials have approved it. Staff have been trained on the policy; it will be reviewed annually and with new hires.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

PRIOR FINDINGS NOT REPEATED – STATE

The findings noted during the compliance examination for the two years ended June 30, 2011, were repeated during the current examination.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2013
- Schedule of Appropriations, Expenditures and Lapsed Balances – Fiscal Year 2012
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Receipts, Disbursements and Fund Balance (Modified Accrual Basis) – Locally Held Funds
- 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 (Not Examined)
- Average Number of Employees (Not Examined)
- Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 in Schedules 1 through 10. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on them.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2013
Fourteen Months Ended August 31, 2013

Public Act - 97-0727	Appropriations (Net after Transfers)	Expenditures Through 6/30/13	Lapse Period Expenditures 7/01 - 8/31/13	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal Service	\$ 1,250,000	\$ 1,199,372	\$ -	\$ 1,199,372	\$ 50,628
State Contributions to Social Security	96,000	87,388	-	87,388	8,612
Contractual Services	138,200	69,576	27,854	97,430	40,770
Travel	34,000	4,693	3,038	7,731	26,269
Commodities	7,000	3,354	1,224	4,578	2,422
Printing	7,800	125	-	125	7,675
Equipment	5,900	207	66	273	5,627
Electronic Data Processing	62,900	37,588	3,180	40,768	22,132
Telecommunication Services	42,800	17,329	2,749	20,078	22,722
Creative Sectors Grants & Financial Assistance	3,878,300	3,857,310	17,540	3,874,850	3,450
Underserved Constituencies Grants	250,000	249,950	-	249,950	50
Arts Education Grants & Financial Assistance	250,000	250,000	-	250,000	-
Humanities Programs and Activities Grants	317,000	317,000	-	317,000	-
Public Radio and TV Administration Grants	1,812,000	1,812,000	-	1,812,000	-
Subtotal - Fund 001	<u>\$ 8,151,900</u>	<u>\$ 7,905,892</u>	<u>\$ 55,651</u>	<u>\$ 7,961,543</u>	<u>\$ 190,357</u>
<u>ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657</u>					
Cultural Environment Grants & Programs - Awards & Costs	\$ 1,500,000	\$ 757,615	\$ 19,710	\$ 777,325	\$ 722,675
Education Leadership Institute Costs	175,000	93,685	-	93,685	81,315
Cultural Environment Grants & Programs - Costs	75,000	56,649	956	57,605	17,395
Subtotal - Fund 657	<u>\$ 1,750,000</u>	<u>\$ 907,949</u>	<u>\$ 20,666</u>	<u>\$ 928,615</u>	<u>\$ 821,385</u>
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 9,901,900</u>	<u>\$ 8,813,841</u>	<u>\$ 76,317</u>	<u>\$ 8,890,158</u>	<u>\$ 1,011,742</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>ILLINOIS ARTS COUNCIL STATE TRUST FUND - 402</u>					
Encourage Development of Art in Illinois		<u>\$ 51,167</u>	<u>\$ 112</u>	<u>\$ 51,279</u>	
TOTAL NON-APPROPRIATED FUNDS		<u>\$ 51,167</u>	<u>\$ 112</u>	<u>\$ 51,279</u>	
GRAND TOTAL EXPENDITURES - ALL FUNDS		<u>\$ 8,865,008</u>	<u>\$ 76,429</u>	<u>\$ 8,941,437</u>	

The above data is taken directly from the records of the State Comptroller. Expenditures amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2012
Fourteen Months Ended August 31, 2012

Public Act - 97-0057	Appropriations (Net after Transfers)	Expenditures Through 6/30/12	Lapse Period Expenditures 7/01 - 12/31/12	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 1,253,100	\$ 1,232,788	\$ 4,737	\$ 1,237,525	\$ 15,575
State Contributions to Social Security	96,000	90,381	387	90,768	5,232
Contractual Services	261,300	123,171	43,857	167,028	94,272
Travel	33,300	4,787	-	4,787	28,513
Commodities	15,700	4,888	281	5,169	10,531
Printing	57,000	479	-	479	56,521
Equipment	20,900	6,667	963	7,630	13,270
Electronic Data Processing	62,900	59,026	2,042	61,068	1,832
Telecommunication Services	42,800	16,915	4,762	21,677	21,123
Creative Sectors Grants & Financial Assistance	4,214,400	4,175,205	37,571	4,212,776	1,624
Underserved Constituencies Grants	285,000	285,000	-	285,000	-
Arts Education Grants & Financial Assistance	152,000	151,000	-	151,000	1,000
Humanities Programs and Activities Grants & Costs	356,300	356,300	-	356,300	-
Public Radio and TV Administration Grants	2,147,000	2,147,000	-	2,147,000	-
Subtotal - Fund 001	<u>\$ 8,997,700</u>	<u>\$ 8,653,607</u>	<u>\$ 94,600</u>	<u>\$ 8,748,207</u>	<u>\$ 249,493</u>
<u>ILLINOIS ARTS COUNCIL FEDERAL GRANT FUND - 657</u>					
Cultural Environment Grants & Programs - Awards & Costs	\$ 1,500,000	\$ 836,780	\$ 70,917	\$ 907,697	\$ 592,303
Education Leadership Institute Costs	350,000	-	-	-	350,000
Cultural Environment Grants & Programs - Costs	100,000	40,660	6,068	46,728	53,272
Subtotal - Fund 657	<u>\$ 1,950,000</u>	<u>\$ 877,440</u>	<u>\$ 76,985</u>	<u>\$ 954,425</u>	<u>\$ 995,575</u>
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 10,947,700</u>	<u>\$ 9,531,047</u>	<u>\$ 171,585</u>	<u>\$ 9,702,632</u>	<u>\$ 1,245,068</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>ILLINOIS ARTS COUNCIL STATE TRUST FUND - 402</u>					
Encourage Development of Art in Illinois		\$ 165,951	\$ 16,616	\$ 182,567	
TOTAL NON-APPROPRIATED FUNDS		<u>\$ 165,951</u>	<u>\$ 16,616</u>	<u>\$ 182,567</u>	
GRAND TOTAL EXPENDITURES - ALL FUNDS		<u>\$ 9,696,998</u>	<u>\$ 188,201</u>	<u>\$ 9,885,199</u>	

The above data is taken directly from the records of the State Comptroller. Expenditures amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	FISCAL YEAR		
	2013	2012	2011
	P.A. 97-0727	P.A. 97-0057	P.A. 96-0956, 96-0957
<u>APPROPRIATED FUNDS</u>			
<u>GENERAL REVENUE FUND - 001</u>			
Appropriations (Net After Transfers)	\$ 8,151,900	\$ 8,997,700	\$ 9,471,900
<u>Expenditures</u>			
Personal Services	1,199,372	1,237,525	-
State Contributions to Social Security	87,388	90,768	-
Contractual Services	97,430	167,028	-
Travel	7,731	4,787	-
Commodities	4,578	5,169	-
Printing	125	479	-
Equipment	273	7,630	-
Electronic Data Processing	40,768	61,068	-
Telecommunications Services	20,078	21,677	-
Lump Sums - Operational Expenses	-	-	1,418,958
Lump Sums - Operational, Awards & Grants	-	-	6,609,300
Creative Sectors Grants & Financial Assistance	3,874,850	4,212,776	-
Undeserved Constituencies Grants	249,950	285,000	-
Arts Education Grants & Financial Assistance	250,000	151,000	-
Humanities Programs and Activities Grants	317,000	356,300	-
Public Radio and TV Administration Grants	1,812,000	2,147,000	-
Governors Discretionary - Lump Sum	-	-	910,150
Total Expenditures	<u>7,961,543</u>	<u>8,748,207</u>	<u>8,938,408</u>
Lapsed Balances	<u>\$ 190,357</u>	<u>\$ 249,493</u>	<u>\$ 533,492</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	FISCAL YEAR		
	2013 P.A. 97-0727	2012 P.A. 97-0057	2011 P.A. 96-0956, 96-0957
<u>APPROPRIATED FUNDS</u>			
<u>FEDERAL GRANT FUND - 657</u>			
Appropriations (Net After Transfers)	\$ 1,750,000	\$ 1,950,000	\$ 2,500,000
<u>Expenditures</u>			
Cultural Environment Grants & Programs - Awards & Costs	\$ 777,325	\$ 907,697	\$ 990,600
Education Leadership Institute Costs	93,685	-	186,024
Cultural Environment Grants & Programs - Costs	57,605	46,728	54,604
Total Expenditures	928,615	954,425	1,231,228
Lapsed Balances	821,385	995,575	1,268,772
<u>TOTAL - ALL APPROPRIATED FUNDS</u>			
Appropriations (Net After Transfers)	\$ 9,901,900	\$ 10,947,700	\$ 11,971,900
Total Expenditures	\$ 8,890,158	\$ 9,702,632	\$ 10,169,636
Lapsed Balances	\$ 1,011,742	\$ 1,245,068	\$ 1,802,264
<u>NON-APPROPRIATED FUNDS</u>			
<u>STATE TRUST FUND - 402</u>			
Expenditures:			
Encourage Development of Art in Illinois	\$ 51,279	\$ 182,567	\$ 149,062
Total Expenditures	\$ 51,279	\$ 182,567	\$ 149,062
<u>GRAND TOTAL, ALL FUNDS</u>			
Total Expenditures	\$ 8,941,437	\$ 9,885,199	\$ 10,318,698

Fiscal Year 2011, expenditures and related lapsed balances do not reflect interest payments approved after August.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND FUND BALANCE (MODIFIED ACCRUAL BASIS) - LOCALLY HELD FUNDS
For the Fiscal Years Ended June 30,

	<u>2013</u>	<u>2012</u>
	<u>#1160</u>	<u>#1160</u>
	Illinois Arts Council Foundation	Illinois Arts Council Foundation
Beginning Fund Balance	\$ 83,682	\$ 82,956
Receipts:		
Contributions	185	-
Investment Income	369	602
Artist Registry	-	435
Total Receipts	<u>554</u>	<u>1,037</u>
Disbursements:		
Commodities	320	163
Contractual Services	25	28
Miscellaneous Expenses	120	120
Total Disbursements	<u>465</u>	<u>311</u>
Ending Fund Balance	<u>\$ 83,771</u>	<u>\$ 83,682</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2013

	<u>State Property</u>
Balance at July 1, 2011	\$ 185,287
Additions	45,424
Deletions	-
Net Transfers	(650)
Adjustments	<u>(51)</u>
Balance at June 30, 2012	<u>\$ 230,010</u>
Balance at July 1, 2012	\$ 230,010
Additions	20,299
Deletions	(734)
Net Transfers	(17,074)
Adjustments	<u>-</u>
Balance at June 30, 2013	<u>\$ 232,501</u>

This schedule has been reconciled to the property reports (C-15 Agency Report of State Property) submitted to the Comptroller

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>General Revenue Fund #001</u>			
Prior Year Refund	\$ -	\$ 3,368	\$ 2,407
Miscellaneous Receipts	-	7,524	38
	<u>-</u>	<u>10,892</u>	<u>2,445</u>
<u>State Trust Fund #402</u>			
State Board of Education	90,976	181,000	145,000
Prior Year Refund	-	42	-
	<u>90,976</u>	<u>181,042</u>	<u>145,000</u>
<u>Federal Grant Fund #657</u>			
National Endowment for the Arts	952,300	914,400	1,173,600
Illinois Humanities Council	-	42,500	-
Prior Year Refund	21	-	-
	<u>\$ 952,321</u>	<u>\$ 956,900</u>	<u>\$ 1,173,600</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

RECONCILIATION OF CASH RECEIPTS TO DEPOSITS
REMITTED TO STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Cash Receipts per Agency Records	\$ 1,043,297	\$ 1,148,834	\$ 1,321,045
Add: deposits in transit at beginning of year	-	157,600	24
Less: deposits in transit at end of year	<u>-</u>	<u>-</u>	<u>(157,600)</u>
Total deposits remitted to Comptroller	<u>\$ 1,043,297</u>	<u>\$ 1,306,434</u>	<u>\$ 1,163,469</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCILANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2013

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

Variations in expenditures from year to year which exceeded 20% and \$2,000 were as follows:

FISCAL YEAR 2013**General Revenue Fund – 001**

Contractual - Contractual expenditures decreased \$69,598 (42%) due to a decrease of 47% in appropriated funds by the General Assembly in fiscal year 2013.

Travel – Additional travel for operational and grant monitoring in fiscal year 2013 lead to increased travel expenditures of 2,944 (62%).

Equipment - Equipment expenditures decreased \$7,357 (96%) due to the Council requiring fewer equipment items in fiscal year 2013.

Electronic Data Processing – The Council purchased a server for \$21,400 in fiscal year 2012 eliminating the need for such purchase in fiscal year 2013. This accounts for the majority of the decrease of \$20,300 (33%) in expenditures in 2013.

Arts Education Grants & Financial Assistance – Grants for Arts Education increased \$99,000 (65%) due to a \$99,000 increase in appropriations from the General Assembly.

Federal Grant Fund – 657

Education Leadership Institute Costs – Education Leadership Institute costs increased \$93,685 in fiscal year 2013. The appropriation that the Council received was funded in fiscal year 2013 but was not funded in fiscal year 2012.

Cultural Environment Grants & Programs – Costs – Costs for Cultural Environment Grants and Programs increased \$10,877 (23%) due to the Council's using more federal funds to pay for operational items that needed immediate attention in fiscal year 2013 than in fiscal year 2012; such as the Council's website maintenance fee.

State Trust Fund – 402

Expenditures decreased \$131,288 (72%) because program funds were received late from the Illinois State Board of Education.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCILANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (Continued)
For the Two Years Ended June 30, 2013**FISCAL YEAR 2012****General Revenue Fund – 001**

Operational Expenses - In 2012, the Council received a separate appropriation for each operational line item. The Council received a lump sum appropriation for operational expenses in 2011.

Awards & Grants - The Council received a lump sum appropriation for grant expenditures in 2011 and appropriations were broken out as individual line items in 2012.

Governor's Discretionary – Lump Sum - The Council expended \$910,150 under the Governor's Discretionary lump sum appropriation in 2011. The Council was not awarded such funds in 2012.

Federal Grant Fund – 657

Education Leadership Institute Costs - The Council anticipated a decrease in National Endowment for the Arts funding in 2012 and requested less funds from the General Assembly in 2012. As a result, the Council received \$650,000 less in appropriations by the General Assembly in 2012. However, during fiscal year 2012 the appropriation that the Council received was not funded and as a result, no expenditures were made during fiscal year 2012.

State Trust Fund – 402

The Council received increased funding for the Arts and Foreign Language program from the Illinois Board of Education in 2012 accounting for the \$33,505 (22%) increased expenditures.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCILANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2013**FISCAL YEAR 2013****General Revenue Fund – 001**

Receipts decreased \$10,892 (100%). There were no refunds or miscellaneous receipts received in 2013.

State Trust Fund – 402

The Council received \$90,024 (50%) less in funding from the Illinois State Board of Education in 2013 than in 2012 for the Encourage Development of Art in Illinois grant.

Federal Grant Fund - 657

The Council did not receive a \$42,500 refund from the Illinois Humanities Council in 2013.

FISCAL YEAR 2012**General Revenue Fund – 001**

The Council received a \$7,500 refund from the Illinois Humanities Council and \$3,146 in refunds from unexpended grants in 2012. There were no such refunds received in 2011.

State Trust Fund - 402

The Council received \$36,042 (25%) increase in funding from the Illinois State Board of Education in 2012 compared to 2011 for the Encourage Development of Art in Illinois grant.

Federal Grant Fund – 657

Funding from the National Endowment for the Arts decreased \$68,200 (7%) in 2012. In addition, the Council did not receive \$183,000 (100%) grant for the Education Leadership Institute program and \$8,000 (100%) for the Poetry Out Loud program. A refund from the Illinois Humanities Council in the amount of \$42,500 was received in 2012. There was no such refund received in 2011. Overall, federal receipts decreased (19%) in 2012.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2013

All lapse period expenditures were obligated prior to June 30. Lapse period expenditures, which exceeded 20% and \$10,000 of the total expenditures, were as follows:

FISCAL YEAR 2013

	<u>Lapse Period Expenditures</u>	<u>Total Expenditures</u>	<u>% of Lapse Period Expenditures</u>
<u>General Revenue Fund - 001</u>			
Contractual	\$27,854	\$ 97,430	29 %

The Council paid \$25,000 during the lapse period to provide additional upgrades to the Council's website. The remaining funds expended resulted from closing out fiscal year expenditures created prior to July 1, 2013.

FISCAL YEAR 2012

General Revenue Fund – 001

Contractual	\$43,857	\$167,028	26%
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The Council paid \$33,500 for consulting work for Strategic Planning during the lapse period. In addition, temporary staffing totaling \$7,133 was also paid during the lapse period.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2013

AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined)

The Illinois Arts Council was created by the Illinois General Assembly in 1965 through the Arts Council Act (20 ILCS 3915). The Council is governed by 21 private citizens from throughout Illinois. These Council members are chosen for their commitment to the arts and are appointed by the Governor. The members serve in a voluntary, non-paid capacity and are responsible for developing the state's public arts policy, fostering quality culturally diverse programs, and approving grant expenditures. The Council members are appointed for four-year terms. The Governor designates the Chairman. Many of the Council members are reappointed by the Governor for an additional four-year term. Council members do not receive compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

Advisory panels are composed of volunteer experts from Illinois and are appointed by the Council Chair to assist the Council in the review of grant applications and to provide expertise on policy and program development. Panelists are selected through open nominations and serve for one-year terms.

FUNCTIONS

The functions of the Council are directed by the Council's mission statement: "to build a strong, creative, and connected Illinois through the arts."

The Council received funds through the State of Illinois General Revenue Fund appropriations and federal grants from the National Endowment for the Arts. The Council also received money through the State Trust Fund for an ongoing project with the Illinois State Board of Education.

The State of Illinois' support of the arts includes production of theater, music, dance, ethnic and folk art, literature, exhibitions, media and visual art, as well as public benefits to the community. These benefits include; attracting and retaining businesses and residents, revitalizing downtowns, drawing tourists, providing a basis for quality elementary and secondary education, vitalizing neighborhoods, connecting people, and improving the quality of life. People of all regions, ages, cultures, abilities and economic conditions make arts happen throughout Illinois, through numerous grant programs from the Illinois Arts Council.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2013

AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined) (Continued)

Funding from the Council benefits artists and arts organization, support art organization's education programs that provide art experiences for schools and communities, provides operating support to art institutions and support for seminars and workshops.

PLANNING PROGRAM

The Council developed a Strategic Plan for 2013-2018. Basing their core value off of the Greek phrase E pluribus unum (out of many, one); the Illinois Arts Council declares with One Voice that we shall be Better Together with the Arts.

The Council identified guiding principles to help fulfill their goals and purpose. The arts are not practiced in isolation. The creativity of many can be united in one common purpose which can build a more creative society in Illinois, help keep vibrant and strengthen the economy, all leading to the expression of excellence.

The Council has set forth the following driving forces in its Strategic Plan:

- Investment in arts education is an investment in our future. Education in the arts helps develop skills and motivate a creative workforce within the competitive global economy. This lifelong learning must be available to all Illinoisans.
- The Illinois Arts Council will build and sustain collaborations and partnerships with governmental bodies and private entities. Connected together, all will work towards a shared vision and one voice.
- Through grants and programs, the Council will promote artists and organizations which are vital to the advancement of the Illinois economy, quality of life, and mind.

Despite the State's historic budget crisis and the decreased funding levels, the Illinois Arts Council has implemented many of their strategic objectives and strategies. Some of the accomplishments include; help funding new art projects such as art centers at Western Illinois University and Rock Valley College, and for Chicago's Black Ensemble Theater which have brought education, new jobs and additional local spending to Illinois; in partnership with Local Arts Network (LAN), LAN developed an on-line directory and an on-line toolkit, digital archives of information; and in partnership with broadcast stations to present regional arts programming.

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2013

AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined) (Continued)

The Illinois Arts Council shares board member with the Illinois Arts Council Foundation. These board members meet periodically, and actively plan aspects of the Council. The current members are:

Shirley R. Madigan – Chairman	Lisa M. Dent-Bielefeldt
Andy Van Meter – Secretary	Jennifer Levine
Rhonda A. Pierce – Vice Chairman	Peggy A. Montes
Virginia G. Bobins	Jill Arena
Patrice Bugelas-Brandt	Richard Daniels
William E. Brattain, Ph.D.	Honorable Sheila M. O'Brien
Christina Kemper Gidwitz	Howard A. Tullman
Jodie Shagrin Kavensky	Valerie King
Beth Boosalis Davis	Henry Godinez
Desiree Grode	Donald T. Wiener
Gary Matts	

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2013

AVERAGE NUMBER OF EMPLOYEES (Not Examined)

A comparative statement of the average number of persons employed by the Illinois Arts Council at full-time equivalents is presented below:

	Fiscal Year		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Administration			
Executive Director	1	1	1
Deputy Director	1	1	1
Fiscal Office	3	3	3
Grants Office	2	2	2
Support Staff	2	2	3
Public Information	1	1	1
	10	10	11
Programs			
Program Coordinators	1	1	1
Program Assistants	4	5	5
	5	6	6
Partnership			
Illinois State Board of Education	1	1	1
Total Employees	<u>16</u>	<u>17</u>	<u>18</u>

STATE OF ILLINOIS
ILLINOIS ARTS COUNCIL

ANALYSIS OF OPERATIONS
FOR THE TWO YEARS ENDED JUNE 30, 2013

SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)

The Illinois Arts Council (Council) improves economic vitality and quality of life in Illinois by investing grant funds in the nonprofit arts sector, advancing arts education, providing technical assistance, and promoting an encouraging atmosphere for creative artists to live and work.

The Council recognizes that the best work happens outside of isolation. We are Better Together. Our goal is to “Connect” through communication, cooperation, and celebration. The Council continues to exercise its mandate by building and sustaining collaborations and partnerships across Illinois.

In 2013 the Council partnered with Arts Alliance Illinois to produce the eight biennial “One State Together in the Arts” conference, held in Moline. Our theme, *Inside Out*, was carried throughout ten keynote presentations, breakout sessions, and performances by local artists, community arts tours, networking opportunities, and more. Nearly 300 leaders from across the state attended and many others from Illinois and throughout the country joined us via live streaming video and social media.

During the 2012-2013 academic year, nearly 6,000 students and their teachers from 54 high schools participated in the national “Poetry Out Loud” recitation contest. The Council partnered with seven regional Illinois arts organizations to assist in making Poetry Out Loud available to all Illinois high school students. A senior from Plainfield East High School, Plainfield, IL was crowned the Illinois State Poetry Out Loud champion and represented Illinois at the national contest held in April 2013 in Washington, D.C.

	<u>FY 13</u>	<u>FY 12</u>	<u>FY 11</u>
Grant applications received	1,149	1,048	1,062
Grant applications funded	953	883	865
Grants (in thousands)	\$7,432	\$8,107	\$8,697