

**STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2006

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

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STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION

AGENCY OFFICIALS

Chairman (July 1, 2006 to present)	James M. Brennan
Chairman (July 1, 2004 to June 30, 2006)	Scott Turow
Executive Director	Chad Fornoff
Office Administrator	Jeris Gordley

Commission offices are located at:

401 S. Spring Street
403 Wm. Stratton Building
Springfield, Illinois 62706



EXECUTIVE ETHICS COMMISSION

401 S. Spring Street
403 Wm. Stratton Bldg.
Springfield, IL 62706

STATE OF ILLINOIS

Area Code: 217
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MANAGEMENT ASSERTION LETTER

October 11, 2006

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

Dear Mr. Holland:

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 Executive Ethics Commission (Commission). 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 Commission's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the two years ended June 30, 2006, the Commission has materially complied with the assertions below.

- A. The Commission 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 Commission 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 Commission 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 Commission are in accordance with applicable laws and regulations and the accounting and record keeping 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 Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Executive Ethics Commission

Handwritten signature of Chad Fornoff in cursive.

Chad Fornoff, Executive Director

Handwritten signature of Jeris A. Gordley in cursive.

Jeris Gordley, Office Administrator

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION

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>
Findings	1
Repeated findings	N/A
Prior recommendations implemented or not repeated	N/A

This is the first examination of the Executive Ethics Commission.

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-1	7	Contract not executed timely

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on November 13, 2006. Attending were:

Executive Ethics Commission
Chad Fornoff, Executive Director
Jeris Gordley, Office Administrator

Office of the Auditor General
Gayla Rudd, Manager
Courtney Dzierwa, Supervisor
Christina Jankousky, Staff Auditor

Responses to the recommendations were provided on November 16, 2006 by Jeris Gordley, Office Administrator.

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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, Executive Ethics Commission'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 years ended June 30, 2006. The management of the State of Illinois, Executive Ethics Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Executive Ethics Commission's compliance based on our examination.

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

In our opinion, the State of Illinois, Executive Ethics Commission complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2006. However, the results of our procedures disclosed other instances of noncompliance, 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 06-1. 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

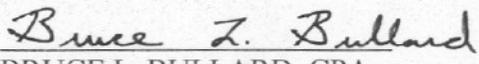
The management of the State of Illinois, Executive Ethics Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Executive Ethics Commission's 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 06-1. As required by the Audit Guide, an immaterial finding relating to internal control deficiencies excluded from this report has been reported in a separate letter.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2006 and 2005 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.

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 L. BULLARD, CPA
Director of Financial and Compliance Audits

October 11, 2006

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2006

06-1. **FINDING** (Contract not executed timely)

The Executive Ethics Commission (Commission) did not timely execute a written contract agreement. We noted 1 of 2 (50%) contractual agreements, totaling \$19,600, that was not reduced to writing and signed by all parties prior to the beginning of the contract term. The contract's final required signature was dated 33 days after the beginning of the contract term.

Good business practices require contracts to be reduced to writing and signed by all parties prior to the beginning of the contract term.

Commission personnel stated they were unaware of the requirement.

When written agreements are not finalized timely, the risk that vendors may not provide necessary services to the State increases, which could cause delays in the State providing mandated services. (Finding Code No. 06-1)

RECOMMENDATION

We recommend the Commission ensure written contractual agreements are executed in a timely manner.

COMMISSION RESPONSE

The Commission notes that the finding indicates no statutory, rule, or policy violation by the Commission. The Commission vouchered no money with respect to the contract in question until the contract was signed and filed with the Office of the Comptroller. The Commission accepts that executing written contractual agreements in a more timely manner is a good business practice and has adopted measures to comply with the audit team's recommendation.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

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
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Lapse Period Spending

- Analysis of Operations:
 - Agency Functions and Planning Program
 - 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 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
EXECUTIVE ETHICS COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 Fiscal Year 2006	Appropriations (Net after Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Operating Expenses of the Executive Ethics Commission	\$ 385,000	\$ 247,069	\$ 5,465	\$ 252,534	\$ 132,466
Total Fiscal Year 2006	<u>\$ 385,000</u>	<u>\$ 247,069</u>	<u>\$ 5,465</u>	<u>\$ 252,534</u>	<u>\$ 132,466</u>

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

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2005

P.A. 93-0842 Fiscal Year 2005	Appropriations (Net after Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Operating Expenses of the Executive Ethics Commission	\$ 650,000	\$ 494,472	\$ 20,956	\$ 515,428	\$ 134,572
Total Fiscal Year 2005	<u>\$ 650,000</u>	<u>\$ 494,472</u>	<u>\$ 20,956</u>	<u>\$ 515,428</u>	<u>\$ 134,572</u>

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

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES**
For the Fiscal Years Ended June 30,

	Fiscal Year	
	2006	2005
General Revenue Fund - 001	P.A. 94-0015	P.A. 93-0842
Appropriations (Net After Transfers)	\$ <u>385,000</u>	\$ <u>650,000</u>
<u>Expenditures</u>		
Operating Expenses of the Executive Ethics Commission	\$ <u>252,534</u>	\$ <u>515,428</u>
Lapsed Balances	\$ <u><u>132,466</u></u>	\$ <u><u>134,572</u></u>

Note: The Executive Ethics Commission did not make any payments for efficiency initiatives pursuant to 30 ILCS 105/6p-5.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2006

	Equipment
Balance at July 1, 2004	\$ -
Additions	20,766
Deletions	-
Net Transfers	-
Balance at June 30, 2005	\$ 20,766
Balance at July 1, 2005	\$ 20,766
Additions	1,100
Deletions	-
Net Transfers	-
Balance at June 30, 2006	\$ 21,866

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

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2006

<u>GENERAL REVENUE FUND - 001</u>	Fiscal Year	
	2006	2005
Personal Services	\$ 146,506 A	\$ 372,946
Employee Retirement Contributions		
Paid by Employer	5,860	5,670
State Contribution to State Employees'		
Retirement System	11,416 B	32,020
State Contributions to Social Security	10,950 C	28,340
Contractual Services	49,480 D	27,021
Travel	14,666 E	8,760
Commodities	2,648	2,182
Printing	6,972 F	2,833
Equipment	1,176 G	31,645
Telecommunications	2,860	4,011
Total General Revenue Fund Expenditures	\$ 252,534	\$ 515,428

Explanations of significant variations in expenditures (fluctuations of 40% or more) for the year ended June 30, 2006 are presented below.

- A, B, C** – The decrease in personal services and related expenditures was due to a procedural change. The Commissioners were paid on the Commission’s payroll during Fiscal Year 2005, but during Fiscal Year 2006, the Commissioners were paid on the executive payroll through the Office of the Comptroller.
- D** – The increase in expenditures for contractual services was due to the Commission entering into 2 contracts during Fiscal Year 2006 for a communications consultant and a Special Executive Inspector General.
- E** – The increase in expenditures for travel was due to the Commission meetings. The location of the Commission meetings vary causing fluctuations in the travel costs.
- F** – The increase in expenditures for printing was due to the increased number of brochures printed for state employees regarding various topics. The increase was also due to the printing of the Commission’s Annual Report and the Ethics Officer Handbook.
- G** – The decrease in expenditures for equipment was due to the Commission being new and the fact they purchased the majority of equipment needed to furnish their office during Fiscal Year 2005.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Fiscal Years Ended June 30, 2006

<u>GENERAL REVENUE FUND - 001</u>	Fiscal Year	
	2006	2005
Personal Services	0	0
Employee Retirement Contributions		
Paid by Employer	0	0
State Contribution to State Employees'		
Retirement System	0	0
State Contributions to Social Security	0	0
Contractual Services	524	18,304 A
Travel	1,130	0
Commodities	225	289
Printing	3,150 D	756 B
Equipment	0	0
Telecommunications	435	1,607 C
Total General Revenue Fund Expenditures in Lapse Period	\$5,464	\$ 20,956

Explanations of significant lapse period spending (spending greater than 20% of expenditures) are presented below for the two years ended June 30, 2006:

- A** – The lapse period expenditures for contractual services in Fiscal Year 2005 were due to the implementation of a professional and artistic contract and the appointment of a special Executive Inspector General. The related invoices were received in the lapse period.
- B** – The lapse period expenditures for printing in Fiscal Year 2005 were due to the printing of posters for state agencies and for the printing of brochures for state employees. The printing was ordered in the fiscal year, and the related invoices were received in the lapse period.
- C** – The lapse period expenditures for telecommunications in Fiscal Year 2005 were due to the purchase of telephone equipment and the relocating of equipment to the new permanent office space. The related invoices were received in the lapse period.
- D** – The lapse period expenditures for printing in Fiscal Year 2006, were due to the printing of brochures. The related invoices were received in the lapse period.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2006

AGENCY FUNCTIONS

The Executive Ethics Commission (Commission) was created by the State Officials and Employees Ethics Act (Act) (5 ILCS 430/et seq.). The Commission consists of 9 commissioners appointed by the five executive branch Constitutional officers. The Governor appoints five of the nine Commissioners, and the Attorney General, Secretary of State, Treasurer and Comptroller each appoint one.

The jurisdiction of the Commission extends to all officers and employees of State agencies other than the General Assembly, the Senate, the House of Representatives, the President and Minority Leader of the Senate, the Speaker and Minority Leader of the House of Representatives, the Senate operations Commission, the legislative support services agencies, and the Office of the Auditor General.

The State Officials and Employees Ethics Act charges the Executive Ethics Commission with the following duties:

- Promulgate rules governing the performance of Commission duties and governing the investigations of the Executive Inspectors General.
- Conduct administrative hearings on investigations brought before the Commission by an Executive Inspector General.
- Receive periodic reports from the Executive Inspectors General and the Attorney General regarding ongoing and completed investigations.
- Prepare and publish manuals and guides and oversee training of executive agency employees.
- Prepare public information materials to facilitate compliance, implementation, and enforcement of the Ethics Act.
- Make rulings, issue recommendations and impose administrative fines on ethics cases brought before it.
- Issue subpoenas with respect to matters pending before the Commission.
- Appoint Special Executive Inspectors General to investigate Executive Inspectors General or to pursue investigations of executive agency ethical misconduct allegations that have failed to be resolved within six months.
- Consider petitions to waive the revolving door prohibition on certain former state employees.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
ANALYSIS OF OPERATIONS
For the Two Years Ended June 30, 2006

- Receive reports of ex parte communications that each agency and constitutional officer is required to file with the Commission.

PLANNING PROGRAM

The Commission is an investigative body with its powers and duties detailed in the State Officials and Employees Ethics Act. As a result, the Commission does not have formal written goals and objectives, but instead operates to fulfill the statutory responsibilities in a timely and efficient manner.

The Commission's Adopted Rules help implement and communicate the responsibilities set forth in the State Officials and Employees Ethics Act.

AUDITOR'S ASSESSMENT

The Executive Ethics Commission's planning program appears adequate for meeting its statutorily defined functions.

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2006

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Commission records presents the average number of employees, by function, for the Fiscal Years ended June 30, 2006:

<u>Position</u>	<u>2006</u>	<u>2005</u>
Executive Director	1	1
Office Administrator	1	1
	<hr/>	<hr/>
Total average full-time employees	<u>2</u>	<u>2</u>

STATE OF ILLINOIS
EXECUTIVE ETHICS COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Years Ended June 30, 2006

The Executive Ethics Commission (Commission) established a website for State employees and the general public. This website outlines information about the Commission and staff, publications, decisions reached by the Commission, statutes and rules governing the Commission, frequently asked questions, and quarterly reports. In addition, the website provides contact information for the Commission as well as information on contacting the Office of Executive Inspector General.

The Commission also hosted their first annual Ethics Officer Conference on March 7, 2006, inviting ethics officers and general counsels from each agency under their jurisdiction to attend. Nearly 100 attendees participated in sessions on ethics-related topics, including ex parte communications, revolving door prohibitions and procedures, whistle blowing and employee rights, gift ban and political activities, personnel issues and conflicts of interest, advanced ethics training, techniques and employee surveys, and roundtable discussions, including ethics officer best practices.

In addition, the Commission presented the Abraham Lincoln Ethics Award to two employees of the Illinois Department of Corrections during the conference.

The Commission also received 4 and 7 revolving door petitions during fiscal years 2005 and 2006, respectively. In each case, the Commission reviewed the petition and supporting documents provided by the related ethics officers in making their decision. Below is a summary of the action taken on each of the petitions:

<u>Action</u>	<u>FY2005</u>	<u>FY2006</u>
Granted petition	2	1
Denied petition	1	0
Petition was withdrawn	0	1
Determined prohibition did not apply	1	4
Petition remains open	0	1
Total petitions received	<u>4</u>	<u>7</u>