

**STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION**

**COMPLIANCE EXAMINATION**

For the Year Ended June 30, 2012

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPLIANCE EXAMINATION**  
For the Year Ended June 30, 2012

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STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPLIANCE EXAMINATION**  
For the Year Ended June 30, 2012

**AGENCY OFFICIALS**

Executive Director:	Chad Fornoff
Deputy Executive Director:	Whitney Wagner Rosen
Office Manager:	Jeris Gordley
General Counsel:	Dominic J. Saebeler (4/01/11 - 11/30/12)
Chief Financial Officer:	Tim R. Burch (8/15/12 - Present) Nicole Krneta-Rogers (2/1/12 - 8/14/12)
Chief Internal Auditor:	Craig P. Williams (8/1/12 - Present)

**Commission Members**

Commission Members as of June 30, 2012:

MaryNic U. Foster, Chair	Shawn W. Denney
Gayl S. Pyatt, Vice Chair	Maria Kuzas
James Faught, Secretary	Gil Soffer

Commission office is located at:

401 S. Spring Street  
513 Wm. Stratton Building  
Springfield, IL 62706



# EXECUTIVE ETHICS COMMISSION

STATE OF ILLINOIS

401 S. Spring Street  
513 William Stratton Building  
Springfield, Illinois 62706

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## STATE COMPLIANCE EXAMINATION

## MANAGEMENT ASSERTION LETTER

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

June 6, 2013

Dear Mr. Holland:

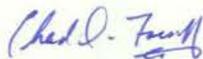
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Executive Ethics Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Executive Ethics Commission's compliance with the following assertions during the period ended June 30, 2012. Based on this evaluation, we assert that during the year ended June 30, 2012, the Executive Ethics Commission has materially complied with the assertions below.

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

Yours very truly,

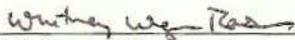
Executive Ethics Commission



(Chad Fornoff, Executive Director)



(Tim Burch, Chief Financial Officer)



(Whitney Wagner Rosen, Deputy Executive Director/  
General Counsel)

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPLIANCE EXAMINATION**  
For the Year Ended June 30, 2012

**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.

**ACCOUNTANTS' 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 Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	3
Repeated findings	2	0
Prior recommendations implemented or not repeated	1	0

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
12-1	9	Inadequate administration of emergency procurement	Significant Deficiency and Noncompliance
12-2	13	Contract bidder information not posted to awarding agency's website	Significant Deficiency and Noncompliance
12-3	15	Inadequate controls over the reporting of State property	Significant Deficiency and Noncompliance

**PRIOR FINDINGS NOT REPEATED**

- A. 17 Inadequate controls over voucher processing

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on May 23, 2013. Attending were:

Executive Ethics Commission

Chad Fornoff, Executive Director

Whitney Wagner Rosen, Deputy Executive Director

Tim Burch, Chief Fiscal Officer

Fred Hahn, Chief Procurement Officer - Capital Development Board

Ben Bagby, Chief Procurement Officer - Higher Education

Matt Brown, Chief Procurement Officer - General Services

Bill Grunloh, Chief Procurement Officer - Illinois Department of Transportation

Margaret van Dijk, Senior Policy Advisor - General Services

Craig Williams II, Chief Internal Auditor

Office of the Auditor General

Courtney Dzierwa, Audit Manager

Tad Huskey, Audit Supervisor

Ryan Goerres, State Auditor

Responses to the recommendations were provided by Craig Williams II in correspondence dated June 5, 2013.

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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 year ended June 30, 2012. 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. 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 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, 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 compliance requirements listed in the first paragraph of this report during the year ended June 30, 2012. 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 items 12-1, 12-2, and 12-3.

### **Internal Control**

Management of the State of Illinois, Executive Ethics Commission 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, Executive Ethics Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Executive Ethics Commission's internal control over compliance.

*A deficiency in an entity's 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 an entity's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material

weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings as items 12-1, 12-2, and 12-3. A *significant deficiency in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

There were no immaterial findings that have been excluded from this report.

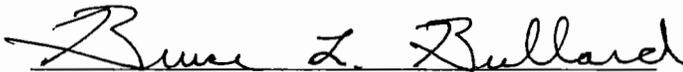
The State of Illinois, Executive Ethics Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Executive Ethics Commission's responses and, accordingly, we express no opinion on the responses.

#### **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 year ended June 30, 2012 in schedules 1 through 8 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, 2012 accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 2, 3, 4, 5, and 6 and in the analysis of operations section, 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, the Executive Ethics Commission, 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

June 6, 2013

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

12-1. **FINDING** (Inadequate administration of emergency procurement)

The Chief Procurement Officers (CPOs), under jurisdiction of the Executive Ethics Commission (Commission), failed to ensure emergency procurement procedures were properly administered as required by the Illinois Procurement Code.

The Commission has jurisdiction over four CPOs who oversee procurement activities for Higher Education, Department of Transportation, Capital Development Board, and General Services. During our examination, we noted the four CPOs did not have consistent policies and procedures for determining the dates on which emergency procurements were awarded. We noted differences in the determination of the award dates as summarized in the following table:

<u>CPO</u>	<u>Determination of Award Date</u>
Higher Education	States that the current rules in effect do not provide substantial guidance on the application of the award date. However, a new policy in draft form determines the award date as the earlier of the date of the final contract execution or the date the university authorized the vendor to proceed with work.
Department of Transportation	Determines the award date when the contractor receives notification to proceed, which may be oral, and vendor begins work.
Capital Development Board	Determines the award date when the “authorization letter” is completed.
General Services	Determines the award date as either the date of publication in the online electronic bulletin identifying the vendor of the required goods or services, or the vendor committing goods or services in response to the State’s procurement under the declared emergency.

We also noted the following during our review of emergency procurements handled by the CPOs during the examination period:

- Affidavits for 7 of 40 (18%) emergency procurements tested, totaling \$413,692,699, were not filed timely with the Procurement Policy Board. The affidavits in these instances were filed 2 to 94 days late when measured from the creation date, at which time a procurement need was initially identified.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

- Affidavits for 7 of 40 (18%) emergency procurements tested, totaling \$502,405, were not filed timely with the Office of the Auditor General. The affidavits in these instances were filed 3 to 56 days late when measured from the creation date, at which time a procurement need was initially identified.
- Affidavits for 5 of 40 (13%) emergency procurements tested, totaling \$4,281,045 were not filed with the Office of the Auditor General at all.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30(c)) requires the chief procurement officer making procurements under this section to file affidavits with the Procurement Policy Board and the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor involved, and the conditions and circumstances requiring the emergency procurement.

- The actual cost for 4 of 40 (10%) emergency procurements tested, totaling \$286,432, was not filed with the Office of the Auditor General.

The Code (30 ILCS 500/20-30 (c)) states when only an estimate of the cost is available within 10 days after the procurement, the actual cost is to be reported immediately after it is determined.

- Notices for 3 of 40 (8%) emergency procurements tested, totaling \$300,773, were not published to the online electronic bulletin timely. The notices in these instances were published 15 to 24 days late.

The Code (30 ILCS 500/20-30(b)) states notices of all emergency procurements are to be provided to the Procurement Policy Board and published in the online electronic procurement bulletin no later than 3 business days after the contract is awarded.

- The notice to extend an emergency contract for 1 of 40 (3%) emergency procurements tested, totaling \$33,000, did not include the name of the contractor.
- Notice of intent to extend an emergency contract for 1 of 40 (3%) emergency procurements tested, totaling \$30,000, was not published timely to the online electronic procurement bulletin before a public hearing. The notice in this instance was published 12 days late.

The Code (30 ILCS 500/20-30(b)) states notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

online electronic bulletin at least 14 days before the public hearing. The notice is to include a description of the need for the emergency purchase, the contractor, and if applicable, the date, time, and location of the public hearing.

- One of 40 (3%) emergency procurements tested, totaling \$95,255, was classified incorrectly as an emergency procurement. The emergency procurement should have been classified as a concession.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules, and regulations.

CPO personnel indicated that the errors noted and described above were due to oversight, mistakes, and/or misunderstandings of the requirements. CPO personnel also noted that the contract award date, from which several filing requirements are measured, is not clearly defined in State statute.

The award date in an emergency procurement serves as a measurement date for other significant steps in the procurement process. The absence of consistent policy in determining contract award dates alters the timing of when information becomes public. Failure to timely file emergency procurement affidavits, failure to publish notices in the online electronic bulletin, and failure to publish notices of intent to extend an emergency contract is noncompliance with the Illinois Procurement Code. In addition, failure to provide notice to all relevant parties in the online electronic procurement bulletin reduces the timely information available to vendors who wish to do business with the State of Illinois. (Finding Code No. 12-1, 11-2)

**RECOMMENDATION**

We recommend that the Chief Procurement Officers implement procedures to ensure the emergency procurement process is properly administered in accordance with the Illinois Procurement Code.

**RESPONSE**

This finding relates to a function and responsibility solely within the control of the Chief Procurement Officers (CPOs) and the Commission refers this finding to them for their responses.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

Each CPO agrees that the Procurement Code should be interpreted as consistently as possible among the four offices. Although the Code should be interpreted consistently by each office, internal processing steps may differ to reflect the specific organizational structure and capabilities of each office and constituent agency. The CPOs do have the same basic understanding for determining the award date for emergency procurements. We agree that the earlier of the date the vendor was told to perform or the date of the contract sets the date. These dates are easy to understand and easy to determine. Policies do or will be modified to better reflect use of these dates to start the counts for publication of notices and submission of affidavits.

Given the number of agencies and the potential for emergency situations we have not contemplated, awards may be made at times other than called for under the standard practice. In those cases the award date would need to be specially documented and that date used to start the clock for publication and other compliance actions.

*CPO of General Services Response:*

The CPO of General Services has implemented procedures to ensure the emergency procurement process is administered in accordance with the Illinois Procurement Code. Procedures include the adoption of administrative rules which provide guidance to State Purchasing Officers and state agencies and adoption of a State Purchasing Officer Determination Form to evidence the determination of the contract award.

*CPO of Higher Education Response:*

The CPO of Higher Education issued a procedure in April 2013 to address better issues that had been brought to our attention. We will make revisions as needed to address issues as they arise.

*CPO of the Capital Development Board Response:*

The role of the CPO of the Capital Development Board in emergency procurement had previously included both the DCPO and SPO. The CPO office has implemented new procedures to centralize the process under the SPO to prevent a recurrence of this circumstance.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

12-2. **FINDING** (Contract bidder information not posted to awarding agency's website)

The General Services Chief Procurement Officer (CPO), under jurisdiction of the Executive Ethics Commission (EEC), failed to ensure that all required bidder information and notices were posted to the awarding agency's website for contracts that were let, as required by the Illinois Procurement Code.

We noted for 10 of 20 (50%) contracts tested, totaling \$9,899,915, the low bidder's award and all other bids from bidders responding to solicitations were not posted on the agency's website.

The Illinois Procurement Code (Code) (30 ILCS 500/15-25(b)) requires the apparent low bidder's award and all other bids from bidders responding to solicitations to be posted on the agency's website the next business day. The Code (30 ILCS 500/15-25(b)) also requires this information to be disclosed to all successful and unsuccessful bidders electronically.

For the 10 instances referenced above, while we did not note evidence to substantiate the apparent lower bidder's award and all other bids from bidders responding to solicitations to be posted on the agency's website as required, we did note the appropriate disclosures were made to the successful and unsuccessful bidders as required. We also noted the information was made available electronically in these instances as required.

CPO personnel indicated they have communicated this responsibility and requirement to agency personnel on numerous occasions. However, agency personnel have not taken the necessary steps to ensure the information is being posted in all of the required places to comply with the Code.

Failure to provide notice to all relevant parties on the awarding agency's website and in the online electronic procurement bulletin is noncompliance with the Illinois Procurement Code. In addition, it reduces the timely information available to vendors who wish to do business with the State of Illinois. (Finding Code No. 12-2)

**RECOMMENDATION**

We recommend that the General Services CPO implement procedures to ensure that all required bidder information and notices are posted to the awarding agency's website for all contracts let.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

**RESPONSE**

The CPO of General Services agrees agencies should post the notice of award to their agency websites in compliance with the Code. The CPO has notified agencies of this requirement of the Code on two separate occasions. The CPO cannot force agencies to post the notice of award on agency websites, as the CPO does not control agency websites.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

12-3. **FINDING** (Inadequate controls over the reporting of State Property)

The Executive Ethics Commission (Commission) did not exercise adequate control over the reporting of State property.

During testing, we noted the Quarterly Reports of State Property (C-15s) prepared by the Commission and submitted to the Office of the State Comptroller (Comptroller) did not agree to property control records maintained by the Commission. We noted differences in the amount of additions reported on the C-15s prepared by the Commission for Fiscal Year 2012 as follows:

<u>Quarter Ended</u>	<u>Additions per Commission Records</u>	<u>Additions as reported to Comptroller</u>	<u>Difference Over (Under) Reported</u>
9/30/2011	\$987	\$0	\$(987)
12/31/2011	\$15,803	\$977	\$(14,826)
6/30/2012	\$6,287	\$6,927	\$640
Net amount under-reported on C-15			\$(15,173)

Good internal controls require State agencies to prepare and maintain sufficient and properly designed accounting records to provide reliable data for necessary management reports. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems of internal fiscal and administrative controls to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

CPO personnel stated established procedures to ensure the proper and accurate reporting of property were not fully implemented until after the end of Fiscal Year 2012.

Failure to exercise adequate control over State property reporting could result in inaccuracies in Statewide financial reporting. (Finding Code No. 12-3, 11-1)

**RECOMMENDATION**

We recommend the Commission ensure all Quarterly Reports of State Property submitted to the Office of the State Comptroller trace to Commission records.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2012

**COMMISSION RESPONSE**

The Commission agrees that the C-15s did not agree with the Commission's property control records. During FY12, the Commission developed procedures to ensure that all C-15s trace to the Commission's property control records accurately, which were fully implemented as of October 17, 2012. The Commission continues to review its processes and procedures to ensure accurate property reporting.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPLIANCE EXAMINATION**  
For the Year Ended June 30, 2012

Prior Findings Not Repeated

A. **FINDING** (Inadequate controls over voucher processing)

During the prior examination, the Commission did not exercise adequate control over its voucher processing.

During the current examination, the Commission exercised adequate control over voucher processing and materially complied with all requirements for the sample of vouchers tested. (Finding Code No. 11-3)

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**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

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

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending

- Analysis of Operations (Not Examined):

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

The accountants' 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 to the accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountants' 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 it.

Schedule 1

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES**  
Appropriations for Fiscal Year 2012

		Fourteen Months Ended August 31, 2012				
	Appropriations (Net After Transfers)	Expenditures Through June 30	Approximate Lapse Period Expenditures July 1 to August 31	Approximate Total Expenditures 14 Months Ended August 31	Approximate Balances Lapsed August 31	
P.A. 97-0057						
P.A. 97-0685						
Fiscal Year 2012						
General Revenue Fund - 001						
Lump Sum - Regular Operations	\$ 7,012,300	\$ 6,372,240	\$ 91,465	\$ 6,463,705	\$ 548,595	
Medicaid Eligibility Consultant	100,000	-	100,000	100,000	-	
Grand Total Fiscal Year 2012	<u>\$ 7,112,300</u>	<u>\$ 6,372,240</u>	<u>\$ 191,465</u>	<u>\$ 6,563,705</u>	<u>\$ 548,595</u>	

Note: Appropriations, expenditures, and lapsed balances were obtained from Commission records and have been reconciled to records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August 31.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES  
AND LAPSED BALANCES**

	Fiscal Year	
	2012	2011
General Revenue Fund - 001	P.A. 97-0685 & P.A. 97-0057	P.A. 96-0956 & P.A. 96-0957
Appropriations (Net of Transfers)	<u>\$ 7,112,300</u>	<u>\$ 8,271,000</u>
<u>Expenditures</u>		
Lump Sum - Regular Operations	\$ 6,463,705	\$ 4,400,446
Medicaid Eligibility Consultant	<u>100,000</u>	<u>-</u>
Total Expenditures	<u>\$ 6,563,705</u>	<u>\$ 4,400,446</u>
Lapsed Balances	<u>\$ 548,595</u>	<u>\$ 3,870,554</u>

Note 1: Fiscal Year 2011 amounts are final and include interest payments made after August.

Note 2: Fiscal Year 2012 expenditures and related lapsed balances do not reflect any interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August.

**Schedule 3**

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
For the Year Ended June 30, 2012

	<u>Equipment</u>
Balance at July 1, 2011	\$ 216,663
Additions	26,555
Deletions	-
Net Transfers	<u>551</u>
Balance at June 30, 2012	<u><u>\$ 243,769</u></u>

The above schedule has been derived from property reports prepared by the Commission and submitted to the Office of the Comptroller. However, we noted differences between the Commission's property records and the property reports. See finding 12-3 for further information.

**Schedule 4**

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
For the Fiscal Years Ended June 30,

General Revenue Fund - 001

	<u>2012</u>	<u>2011</u>
Freedom of Information Act copy fees	\$ 117	\$ 428
Jury duty reimbursement and recoveries	124	16
Total receipts per Commission records	<u>\$ 241</u>	<u>\$ 444</u>

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO  
DEPOSITS REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Years Ended June 30,

<u>General Revenue Fund - 001</u>	<u>2012</u>	<u>2011</u>
Receipts per Commission records	\$ 241	\$ 444
Add: Deposits in transit, beginning of year	297	-
Less: Deposits in transit, end of year	<u>-</u>	<u>297</u>
Deposits Recorded by the Comptroller	<u>\$ 538</u>	<u>\$ 147</u>

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30,

<u>GENERAL REVENUE FUND – 001</u>	<u>FISCAL YEAR</u>	
	<u>2012</u>	<u>2011</u>
Lump Sum - Regular Operations	\$ 6,463,705	<b>A</b> \$ 4,400,466
Medicaid Eligibility Consultant	100,000	<b>B</b> 0
Total - General Revenue Fund Expenditures	<u>\$ 6,563,705</u>	<u>\$4,400,446</u>

Explanations of significant variations in expenditures (greater than 30%) for the year ended June 30, 2012 are presented below.

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- A.** Personal services and state contributions to Social Security expenditures increased due to the Commission adding eight employees to its workforce in Fiscal Year 2012. In Fiscal Years 2011 and 2012, Public Acts 96-0795 and 96-1528 charged the Commission with additional duties regarding the review and monitoring of procurement practices in numerous State agencies, and jurisdictional authority over all board members and employees of Regional Transit Boards. The additional staff was needed to perform these duties.
- B.** Medicaid Eligibility Consultant expenditures were due to a supplemental appropriation received during Fiscal Year 2012 only. The supplemental appropriation was given to the Commission for the purposes of hiring a Medicaid eligibility consultant to assist in the procurement of a third-party Medicaid eligibility administrator. Expenditures incurred in hiring the consultant were charged to this supplemental appropriation.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2012

The Commission receives minimal receipts. During Fiscal Year 2012, the Commission received one receipt for a Freedom of Information Act request and six receipts for jury duty reimbursement.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2012

	<u>FISCAL YEAR</u>
General Revenue Fund - 001	2012
Lump Sum - Regular Operations	\$ 91,765
Medicaid Eligibility Consultant	100,000 <b>A</b>
	\$ 191,765

Explanations of significant lapse period spending (greater than 20% of total expenditures) for the year ended June 30, 2012 are presented below.

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- A.** Contractual Services - Medicaid Eligibility Consultant expenditures were incurred as the Commission implemented Public Act 97-0689, which placed time sensitive responsibilities on the Chief Procurement Officer of General Services to conduct procurements related to verifying Medicaid eligibility assistance. Pursuant to the public act and the supplemental appropriation received, the Commission hired a consultant to assist in the procurement of a third-party Medicaid eligibility administrator. The consultant rendered services prior to the end of Fiscal Year 2012, but billings were not received and processed until the lapse period.

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)**  
For the Year Ended June 30, 2012

**FUNCTIONS**

The Executive Ethics Commission (Commission) was originally created by the State Officials and Employees Ethics Act (Ethics Act) (5 ILCS 430/et seq.). The Commission consists of nine 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 Ethics Act charges the 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;

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)**  
For the Year Ended June 30, 2012

- 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;
- Receive reports of ex parte communications that each agency and constitutional officer is required to file with the Commission;
- Liaise with Ethics Officers of various Executive Branch offices and agencies;
- Appoint and establish the salaries of Chief Procurement Officers (CPOs) and Procurement Compliance Monitors (PCMs) to oversee and review procurements and the procurement process;
- Conduct administrative hearings on a complaint, or possible removal, of a Chief Internal Auditor, PCM, or State Purchasing Officer (SPO) brought before the Commission by a CPO or an Executive Officer of a State Agency; and
- Grant exemptions requested by the CPOs to remove named individuals from conflict of interest prohibitions.

The Commission experienced significant changes in its enabling legislation effective during Fiscal Year 2012. The most notable changes were invoked by Public Acts 96-1528, 97-0618 and 97-0677. Public Act 96-1528, effective July 1, 2011, expanded the Commission's jurisdiction to include board members and employees of the Regional Transit Boards. Public Acts 97-0618 and 97-0677, effective October 26, 2011 and February 6, 2012, respectively, charged the Commission with responsibility for oversight of the Illinois Power Agency, and authority for the appointment of and removal, if necessary, of its Director.

**PLANNING PROGRAM**

The Commission is an adjudicative and monitoring body with its powers and duties detailed in the State Officials and Employees Ethics Act, the Illinois Procurement Code, and the Fiscal Control and Internal Auditing 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 administrative rules help implement and communicate the responsibilities set forth in the State Officials and Employees Ethics Act

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**AVERAGE NUMBER OF EMPLOYEES (NOT EXAMINED)**  
For the Year Ended June 30, 2012

**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,

<b><u>Description</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Administration	11	5
Procurement Compliance Monitoring	18	17
Capital Development Board	4	3
Illinois Department of Transportation	3	3
General Services	31	23
Higher Education	9	4
 Total average full-time employees	 <u>76</u>	 <u>55</u>

STATE OF ILLINOIS  
EXECUTIVE ETHICS COMMISSION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)**  
For the Year Ended June 30, 2012

The Executive Ethics Commission (Commission) maintained 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, other ethics organizations, 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 website also contains redacted reports from the Office of the Inspector General regarding certain allegations and investigations. The website describes the role of the Commission and the Chief Procurement Officers' in the procurement process.

The Commission hosted their annual ethics officer conference on March 6, 2012 for Fiscal Year 2012, inviting ethics officers and general counsels from each agency under their jurisdiction to attend. Over 100 attendees participate in sessions on ethics-related topics, including ex parte communications, amendments within public acts, procurement issues, revolving door, 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.

Statistical information regarding activities of Chief Procurement Officers and Procurement Compliance Monitors appears below:

<b><u>Chief Procurement Officers</u></b>	<b><u>Fiscal Year 2012</u></b>
Number of transactions reviewed	8,000
Total dollar value of transactions reviewed	\$9,682,000,000
Number of protests filed	82
<b><u>Procurement Compliance Monitors</u></b>	
Number of procurements reviewed	2,244
Total dollar value of procurements reviewed	\$2,709,000,000
Number of issues reviewed	663