

**STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2006

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

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STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

AGENCY OFFICIALS

Inspector General

Mr. Thomas J. Homer

Agency office is located at:

420 Stratton Building
Springfield, Illinois 62706



OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL

THOMAS J. HOMER

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MANAGEMENT ASSERTION LETTER

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 E. Ash
Springfield, IL 62703-3154

September 22, 2006

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 Office of the Legislative Inspector General (Office). 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 Office's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2006, the Office has materially complied with the assertions below.

- A. The Office 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 Office 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 Office 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 Office 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.

September 22, 2006
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- E. The money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Office of the Legislative Inspector General



Thomas Homer, Inspector General

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report*</u>
Findings	0	N/A
Repeated findings	N/A	N/A
Prior recommendations implemented or not repeated	N/A	N/A

* This is the first examination of the Office of the Legislative Inspector General.

SCHEDULE OF FINDINGS

The Office of the Legislative Inspector General did not have any current year findings.

EXIT CONFERENCE

The Office waived a formal exit conference in a letter dated December 20, 2006.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Office of the Legislative Inspector General'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, 2006. The management of the State of Illinois, Office of the Legislative Inspector General is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Office of the Legislative Inspector General's compliance based on our examination.

- A. The State of Illinois, Office of the Legislative Inspector General 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, Office of the Legislative Inspector General 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, Office of the Legislative Inspector General 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, Office of the Legislative Inspector General 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, Office of the Legislative Inspector General on behalf of the State or held in trust by the State of Illinois, Office of the Legislative Inspector General 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, Legislative Inspector General'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, Legislative Inspector General's compliance with specified requirements.

In our opinion, the State of Illinois, Office of the Legislative Inspector General complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2006. The results of our procedures disclosed no instances of noncompliance with those requirements, which would be required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which would be described in the accompanying schedule of State findings. 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, Office of the Legislative Inspector General 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, Office of the Legislative Inspector General'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. The results of our procedures did not disclose matters involving internal control which would be required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and would be described in the accompanying schedule of State findings. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

Supplementary Information for State Compliance Purposes

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

September 22, 2006

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplemental Information for State Compliance Purposes presented in this section of the examination 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
- 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 to the 2005 and 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 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
P.A. 93-0842 Fiscal Year 2005					
General Revenue Fund - 001					
Ordinary and Contingent Expenses of the					
Office of the Legislative Inspector General	\$ 300,000	\$ 96,161	\$ 5,889	\$ 102,050	\$ 197,950
Total Fiscal Year 2005	<u>\$ 300,000</u>	<u>\$ 96,161</u>	<u>\$ 5,889</u>	<u>\$ 102,050</u>	<u>\$ 197,950</u>

Note 1: Appropriation, expenditures, and lapsed balances were obtained from Comptroller records and have been reconciled to the records of the Office.

Note 2: The Legislative Inspector General and the Legislative Ethics Commission share an appropriation and expenditure data. In fiscal year 2005, both entities were reported under the Legislative Inspector General's agency code and in fiscal year 2006 both entities were reported under the Legislative Ethics Commission's agency code. Therefore, the fiscal year 2006 appropriation, expenditures, and lapsed balances are reported in the Compliance Attestation Engagement report for the Legislative Ethics Commission.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
**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. 93-0842
Appropriations (Net After Transfers)	\$ 0	\$ 300,000
<u>Expenditures</u>		
Ordinary and Contingent Expenses of the Office of the Legislative Inspector General	\$ 0	\$ 102,050
Lapsed Balances	\$ 0	\$ 197,950

Note: The Office and the Legislative Ethics Commission share an appropriation and expenditure data. In fiscal year 2005 both entities were reported under the Office's agency code and in fiscal year 2006 both entities were reported under the Legislative Ethics Commission's agency code. See the Analysis of Significant Variations in Expenditures to see a comparison of expenditures in total and by detailed object code (pg. 13 of this report).

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2006

	Equipment*
Balance at July 1, 2004	\$ -
Additions	3,105
Deletions	-
Net Transfers	(3,105)
Balance at June 30, 2005	\$ -
Balance at July 1, 2005	\$ -
Additions	-
Deletions	-
Net Transfers	-
Balance at June 30, 2006	\$ -

*During FY05, equipment was purchased under the Office's appropriation, however immediately transferred to the control of the Legislative Ethics Commission. Per Interagency Agreement, the Office will use the Commission's equipment as needed.

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

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Two Years Ended June 30, 2006

There were no cash receipts during the engagement period

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2006

<u>GENERAL REVENUE FUND – 001</u>	<u>FISCAL YEAR</u>	
	<u>2006</u>	<u>2005</u>
Personal Services	\$ 57,595	\$ 68,953
State Contribution to State Employees' Retirement System	87	379
Contractual Payroll Employees	0	(A) 4,500
Employee Retirement Contributions Paid by Employer	3,503	(B) 11,106
State Contribution to Social Security	4,400	5,233
State Contribution to Social Security-Contractual Employees	0	344
Contractual Services	1,356	1,006
Travel	1,489	1,968
Printing	0	(C) 716
Commodities	30	(D) 1,001
Equipment	0	(E) 3,173
Telecommunications	<u>3,055</u>	<u>3,671</u>
Total General Revenue Fund Expenditures	<u>\$ 71,515</u>	<u>\$102,050</u>

Explanations of significant variations in expenditures (fluctuations of 20% and \$500) for the two years ended June 30, 2006 are represented below:

- (A), (B) The decreases in personal service expenditures in FY06 was due to the Office of the Legislative Inspector General hiring a contractual employee during FY05, yet the contractual employee was not needed in FY06. In addition, the Executive Director position of the Legislative Ethics Commission was vacant for a period of time during FY06.
- (C), (D), (E) The decrease in expenditures in FY06 was due to the additional expenses associated with the initial start-up costs to establish the Office of the Legislative Inspector General and the Legislative Ethics Commission that were incurred in FY05 while FY06 only included normal operating costs.

Note: The Office shared an appropriation with the Legislative Ethics Commission during FY05 and FY06. The above variations include both the Office's expenditures and the Legislative Ethics Commission's expenditures.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2005

<u>GENERAL REVENUE FUND – 001</u>	<u>2005</u>
Personal Services	\$ 2,960
State Contribution to State Employees’ Retirement System	0
Contractual Payroll Employees	0
Employee Retirement Contributions Paid by Employer	478
State Contribution to Social Security	226
State Contribution to Social Security – Contractual Employees	0
Contractual Services	288
Travel	0
Printing	0
Commodities	0
Equipment	1,693 (A)
EDP	0
Telecommunications	<u>244</u>
Total General Revenue Fund Expenditures in Lapse Period	<u>\$ 5,889</u>

Explanations for significant lapse period spending (spending greater than 20% and \$500) for the year ended June 30, 2005 are represented below:

- (A) Equipment expenditures incurred prior to June 30 totaling \$1,693 were paid during the lapse period due to purchasing an executive desk at the end of the fiscal year and not receiving the invoice until the lapse period.

Note: The Office shared an appropriation with the Legislative Ethics Commission during FY05 and FY06. To see the FY06 analysis of significant lapse period spending see the Compliance Attestation Report of the Legislative Ethics Commission.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2006

FUNCTIONS

The Office of the Legislative Inspector General (Office) was created in December 2003 by the State Officials and Employees Ethics Act (Act) (5 ILCS 430/et seq.). The Legislative Inspector General is appointed by a joint resolution of the Senate and the House of Representatives.

By statute, the jurisdiction of the Legislative Inspector General is to investigate allegations of fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, malfeasance, or violations of the Act or violations of other related laws and rules.

The jurisdiction of the Office extends to members of the General Assembly and all state employees whose ultimate jurisdictional authority is a legislative leader, the Senate Operations Commission or the Joint Committee on Legislative Support Services.

The State Officials and Employees Ethics Act states the Legislative Inspector General shall have the following duties:

- To receive and investigate allegations of violations of the Act. The Legislative Inspector General may receive information through the Office of the Legislative Inspector General or through an ethics commission. An investigation may be conducted only in response to information reported to the Legislative Inspector General as provided in this Section and not upon his or her own prerogative. Allegations may not be made anonymously. The Legislative Inspector General has the discretion to determine the appropriate means of investigation as permitted by law.
- To request information relating to an investigation from any person when the Legislative Inspector General deems that information necessary in conducting an investigation.
- To issue subpoenas, with the advance approval of the Commission, to compel the attendance of witnesses for the purposes of testimony and production of documents and other items for inspection and copying and to make service of those subpoenas and subpoenas issued by the Legislative Ethics Commission.
- To submit reports as required by the Act.
- To file pleadings in the name of the Legislative Inspector General with the Legislative Ethics Commission, through the Attorney General.
- To assist and coordinate the ethics officers for State agencies under the jurisdiction of the Legislative Inspector General and to work with those ethics officers.
- To participate in or conduct, when appropriate, multi-jurisdictional investigations.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2006

FUNCTIONS (Continued)

- To request, as the Legislative Inspector General deems appropriate, from ethics officers of State agencies under his or her jurisdiction, reports or information on
 1. the content of a State agency's ethics training program and
 2. the percentage of new officers and employees who have completed ethics training.

PLANNING PROGRAM

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

AUDITOR'S ASSESSMENT

The Illinois Office of Legislative Inspector General's planning program appears adequate for meeting its statutorily defined functions.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2006

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Agency records, presents the average number of employees for the Fiscal Years ended June 30,

<u>Division</u>	<u>2006</u>	<u>2005</u>
Inspector General	1	1
Total average employees *	<u>1</u>	<u>1</u>

* The Inspector General is a part-time employee.

STATE OF ILLINOIS
OFFICE OF THE LEGISLATIVE INSPECTOR GENERAL
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2006
(Not Examined)

The Office of the Legislative Inspector General (Office) established a website for State employees and the general public. This website outlines information about the Office, including its history, legislative authority, and purpose, as well as information about the types of complaints accepted, how complaints are processed, and how investigations are completed. In addition, the website provides contact information for the Office and a link to case initiation forms.

Pursuant to the State Officials and Employees Ethics Act (5 ILCS 430), the Office submits quarterly reports summarizing investigation activity to the Legislative Ethics Commission (Commission). Listed below is a compilation of allegation and investigation information reported to the Commission for fiscal years 2005 and 2006.

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2006</u>
Number of allegations received	12	10
Number of investigations initiated	12	10
Number of investigations concluded	12	10
Number of total open investigations	0	0