

**STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2017

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Executive Inspector General Acting (3/14/18 to Current) (5/23/16 to 3/13/18) Acting (7/13/15 to 5/22/16) Interim (7/1/15 to 7/12/15)	Ms. Susan Haling Ms. Margaret Hickey Ms. Margaret Hickey Mr. Thomas Klein
First Assistant Inspector General** (3/14/18 to Current) (10/16/15 to 3/13/18)	Vacant Ms. Susan Haling
Chief Administrative Officer** (10/16/15 to Current)	Ms. Claudia P. Ortega
General Counsel (6/1/18 to Current) (7/1/15 to 5/31/18)	Mr. Neil Olson Mr. Daniel Hurtado
Director of Ethics Training and Compliance	Mr. David Morrison
Deputy Inspector General and Chief of Chicago Division	Ms. Fallon Opperman
Deputy Inspector General and Chief of Springfield Division	Mr. Thomas Klein
Chief Financial and Compliance Officer* (7/1/15 to 10/15/15)	Ms. Claudia P. Ortega

*Due to a reorganization, this position was eliminated.

**Due to a reorganization, these positions were created.

The Office's administrative offices are located at:
69 W. Washington, Suite 3400
Chicago, Illinois 60602

607 East Adams Street, 14th Floor
Springfield, Illinois 62701



OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR

69 WEST WASHINGTON STREET, SUITE 3400
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(312) 814-5600

MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

August 29, 2018

Auditor General Mautino:

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 State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor. 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 State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017, and June 30, 2016, the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor has materially complied with the assertions below.

- A. The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor 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, Office of Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor on behalf of the State or held in trust by the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor

SIGNED ORIGINAL ON FILE

Susan Haling, Executive Inspector General (Acting)

SIGNED ORIGINAL ON FILE

Claudia Ortega, Chief Administrative Officer

SIGNED ORIGINAL ON FILE

Neil Olson, General Counsel

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT’S REPORT

The Independent Accountant’s 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>Current Report</u>	<u>Prior Report</u>
Findings	2	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-001	10	Inadequate Documentation of Reconciliations	Significant Deficiency and Noncompliance
2017-002	12	Voucher Processing Weaknesses	Significant Deficiency and Noncompliance

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EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on August 27, 2018.

Attending were:

Office of the Executive Inspector General for the Agencies of the Illinois Governor

Susan Haling, Executive Inspector General (Acting)

Claudia Ortega, Chief Administrative Officer

Neil Olson, General Counsel

Office of the Auditor General

Stacie Sherman, Audit Manager

Dennis Gibbons, Audit Supervisor

The responses to the recommendations were provided by Neil Olson, the Office's General Counsel, in a letter dated August 29, 2018.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor'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, 2017. The management of the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's compliance based on our examination.

- A. The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor 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, Office of Executive Inspector General for the Agencies of the Illinois Governor 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 Executive Inspector General for the Agencies of the Illinois Governor on behalf of the State or held in trust by the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's compliance with specified requirements.

In our opinion, the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. 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 2017-001 through 2017-002.

The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor 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, Office of Executive Inspector General for the Agencies of the Illinois Governor's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2017-001 through 2017-002, that we consider to be significant deficiencies.

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

The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Office of Executive Inspector General for the Agencies of the Illinois Governor's responses were not subjected to the

procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 5 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, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
August 29, 2018

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Documentation of Reconciliations)

The Office of the Executive Inspector General for the Agencies of the Illinois Governor (Office) did not make and preserve documentation showing it timely performed its monthly expenditure reconciliations.

We noted the Office had a spreadsheet for preparing its monthly reconciliation of its internal expenditure records to the expenditure records of the Office of the State Comptroller (Comptroller). Pursuant to the Statewide Accounting Management System (SAMS) (Procedure 07.30.20), the Office must perform this reconciliation on a monthly basis within 60 days of the month's end. In addition, SAMS (Procedure 02.50.10) notes adequate qualified and continuous supervision, including the review and approval of the assigned work of staff, must be provided to achieve internal control objectives. As such, the Office should ensure its monthly reconciliations are reviewed and approved by a supervisor.

During testing, we noted 30 of 30 (100%) reconciliations lacked documentary evidence to support:

- 1) the date when the reconciliation was prepared;
- 2) the person who received and approved the reconciliation; and,
- 3) the date when the reconciliation was reviewed and approved.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources. Further, the State Records Act (5 ILCS 160/8) requires the Office to make and preserve records containing adequate and proper documentation of the functions, procedures, and essential transactions of the Office to furnish information to protect the legal and financial rights of the State.

Office management stated that this was caused by oversight.

Failure to ensure documentation is contemporaneously prepared showing the preparer and reviewer of the reconciliation, with the date when each function was performed, denotes an internal control weakness, represents noncompliance with State law and regulations, and may result in errors or other irregularities not being detected in a timely manner by employees in the normal course of performing their duties. (Finding Code No. 2017-001)

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SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2017

RECOMMENDATION

We recommend the Office make and preserve documentation showing the preparer and reviewer of its monthly reconciliations, with the date when each function was performed.

OFFICE RESPONSE

The office partially disagrees with the finding to the extent it suggests that monthly reconciliations were not performed as required. The accounting specialist and Chief Administrative Officer confirm that the reconciliations were performed. The accounting specialist submitted the reconciliations for approval within the 10 days after the close of the month, and the Chief Administrative Officer then approved the reconciliations within 30 days of the close of the month. The reconciliations did not reveal any discrepancies to be corrected.

The office agrees that it has not maintained documentation of the exact dates when the reconciliations were prepared and approved. The office has implemented procedures to track these dates and maintain documentation of these dates.

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For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Voucher Processing Weaknesses)

The Office of the Executive Inspector General for the Agencies of the Illinois Governor (Office) did not exercise adequate controls over voucher processing.

During testing of 60 expenditure vouchers, totaling \$81,996, we noted the following:

- Nine (15%) expenditure vouchers, totaling \$13,907, were approved for payment between 4 and 151 days late. This condition does not include any vouchers delayed as a result of the State's budget impasse.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70) requires the Office to review a bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physically receiving the bill.

- Two (3%) expenditure vouchers, totaling \$4,039, did not agree with the requisitions, purchase orders, or other obligation documents. The total value of the items that did not agree was \$946.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Office establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal controls include ensuring purchase/requisition orders and contractual obligations properly reflect the number of goods received by the Office from a vendor, which agrees with the vendor's invoice.

- Two (3%) expenditure vouchers, totaling \$3,286, accrued interest totaling \$338, which was not paid by the Office.

The State Prompt Payment Act (Act) (30 ILCS 540/3-2) requires the Office to determine whether more than \$5 of interest is due and automatically pay accrued interest penalties to the appropriate vendor when payment is not issued within 90 days. The Office is solely responsible for the calculation and payment of interest accrued to vendors under the Act.

Office management stated the Office could not process payments in accordance with its usual procedures due to the budget impasse. When appropriations were approved and entered in to the Accounting Information System (AIS), the Office

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began entering invoices into AIS by vendor, as invoices were cataloged irrespective of service date or fiscal year.

Failure to timely approve vouchers for payment represents noncompliance with the Code and could subject the State to unnecessary interest charges. Further, failure to ensure transactions are properly supported denotes an internal control weakness, lessens governmental oversight, and represents noncompliance with the Fiscal Control and Internal Auditing Act. Finally, failure to pay accrued interest charges represents noncompliance with the Act and may subject the State to additional legal risks. (Finding Code No. 2017-002)

RECOMMENDATION

We recommend the Office strengthen its controls over voucher processing to ensure vouchers are timely approved, vouchers have proper supporting documentation, and accrued interest is properly paid.

OFFICE RESPONSE

The office partially disagrees with this three-part finding.

The office agrees with the finding regarding the late approval of vouchers, but the delay in processing is attributable to the State's budget impasse. The budget impasse in Fiscal Year 2016 left the office with a backlog of 356 General Revenue Fund vouchers that could not be processed prior to July 1, 2016. Thereafter, the OEIG received a limited \$150,000 appropriation from the Budget Stabilization Fund for Fiscal Year 2017, and was forced to prioritize certain vouchers based on operational need. Because of the office's staffing limitations and the prioritization of invoices for certain vendors, some invoices were not processed within 30 days.

The office agrees with the finding regarding the agreement of expenditure vouchers with obligation documents. The office has implemented measures for staff to review and cross-check product orders to ensure they correspond with what was received.

The office disagrees with the finding regarding accrued interest. The office does not initiate the voucher process for interest payments because the office is not made aware of the date of payment for the underlying expense made by the Comptroller. Once the Comptroller makes a payment, the amount of interest

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payment, if any, gets generated by Central Management Services/Department of Innovation & Technology's accounting system and the office approves payment within 30 days. For reasons unknown to the office, the accounting system failed to notify the office of these interest payments; therefore, the office was not made aware of them and did not process these payments.

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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 – Fiscal Year 2017

- Schedule of Appropriations, Expenditures, and Lapse Balances – Fiscal Year 2016

- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

- Schedule of Changes in State Property

- Comparative Schedule of Cash Receipts and Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller

- Analysis of Operations (Not Examined):

- Agency Functions and Planning Program (Not Examined)

- Analysis of Significant Variations in Expenditures (Not Examined)

- Analysis of Significant Variations in Receipts (Not Examined)

- Analysis of Significant Lapse Period Spending (Not Examined)

- Budget Impasse Disclosure (Not Examined)

- Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)

- Interest Costs on Invoices (Not Examined)

- Average Number of Employees (Not Examined)

- Memoranda of Understanding (Not Examined)

- Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

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 FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524, Public Act 100-0021, and Court Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed
FISCAL YEAR 2017					
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services	\$ 4,220,905	\$ 65,383	\$ 4,286,288		
Subtotal - Fund 001	<u>\$ 4,220,905</u>	<u>\$ 65,383</u>	<u>\$ 4,286,288</u>		
<u>PUBLIC TRANSPORTATION FUND - 627</u>					
Operational Expenses	\$ 1,610,800	\$ 967,703	\$ 22,299	\$ 990,002	\$ 620,798
Subtotal - Fund 627	<u>\$ 1,610,800</u>	<u>\$ 967,703</u>	<u>\$ 22,299</u>	<u>\$ 990,002</u>	<u>\$ 620,798</u>
<u>BUDGET STABILIZATION FUND - 686</u>					
Ordinary and Contingent Expenses	\$ 150,000	\$ 148,459	\$ 1,147	\$ 149,606	\$ 394
Subtotal - Fund 686	<u>\$ 150,000</u>	<u>\$ 148,459</u>	<u>\$ 1,147</u>	<u>\$ 149,606</u>	<u>\$ 394</u>
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 1,760,800</u>	<u>\$ 5,337,067</u>	<u>\$ 88,829</u>	<u>\$ 5,425,896</u>	<u>\$ 621,192</u>
GRAND TOTAL - ALL FUNDS	<u>\$ 5,337,067</u>	<u>\$ 88,829</u>	<u>\$ 5,425,896</u>		

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SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524, Public Act 100-0021, and Court Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed
FISCAL YEAR 2017					

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Office records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Office was able to submit vouchers to pay its employees in full for Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017.
- Note 4: Public Act 99-0524 authorizes the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office to be submitted against its Fiscal Year 2017 appropriation.
- Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Office to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Office management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Office to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

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 FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court Ordered Expenditures	Expenditure Authority (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal Services		\$ 4,191,328	-	\$ 4,191,328	
Subtotal - Fund 001		<u>\$ 4,191,328</u>	<u>-</u>	<u>\$ 4,191,328</u>	
<u>PUBLIC TRANSPORTATION FUND - 627</u>					
Operational Expenses	\$ 1,610,800	\$ 807,349	\$ 132,800	\$ 940,149	\$ 670,651
Subtotal - Fund 627	<u>\$ 1,610,800</u>	<u>\$ 807,349</u>	<u>\$ 132,800</u>	<u>\$ 940,149</u>	<u>\$ 670,651</u>
TOTAL - ALL APPROPRIATED FUNDS	<u>\$ 1,610,800</u>	<u>\$ 4,998,677</u>	<u>\$ 132,800</u>	<u>\$ 5,131,477</u>	<u>\$ 670,651</u>
GRAND TOTAL - ALL FUNDS		<u>\$ 4,998,677</u>	<u>\$ 132,800</u>	<u>\$ 5,131,477</u>	

STATE OF ILLINOIS
 OFFICE OF EXECUTIVE INSPECTOR GENERAL
 FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court Ordered Expenditures	Expenditure Authority (Net of Transfers)	Lapse Period		Total Expenditures	Balances Lapsed
		Expenditures Through June 30	Expenditures July 1 to August 31		
FISCAL YEAR 2016					

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Office records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absences of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Office never received enacted personal services appropriations for Fund 001, the Office was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.
- Note 4: During Fiscal Year 2016, the Office operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Office's court-ordered payroll payments were merged into the enacted appropriation for Fund 627. Further, the Office incurred non-payroll obligations within Fund 627, which the Office was unable to pay until the passage of Public Act 99-0524.
- Note 5: Public Act 99-0524 authorizes the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524 P.A.100-0021 Court Ordered Expenditures	P.A. 99-0524 Court Ordered Expenditures	P.A. 99-0001 P.A. 98-0679
General Revenue Fund - 001			
Appropriations (Net of Transfers)			\$ 5,793,900
Expenditures			
Personal Services	\$ 4,286,288	\$ 4,191,328	\$ -
Operational Expenses	-	-	5,305,487
Total Expenditures	\$ 4,286,288	\$ 4,191,328	\$ 5,305,487
Lapsed Balances			\$ 488,413
Public Transportation Fund - 627			
Appropriations (Net of Transfers)	\$ 1,610,800	\$ 1,610,800	\$ 1,610,800
Expenditures			
Operational Expenses	\$ 990,002	\$ 940,149	\$ 964,731
Total Expenditures	\$ 990,002	\$ 940,149	\$ 964,731
Lapsed Balances	\$ 620,798	\$ 670,651	\$ 646,069
Budget Stabilization Fund - 686			
Appropriations (Net of Transfers)	\$ 150,000	\$ -	\$ -
Expenditures			
Ordinary and Contingent Expenses	\$ 149,606	\$ -	\$ -
Total Expenditures	\$ 149,606	\$ -	\$ -
Lapsed Balances	\$ 394	\$ -	\$ -
TOTAL - ALL APPROPRIATED FUNDS			
Total Appropriations	\$ 1,760,800	\$ 1,610,800	\$ 7,404,700
Total Expenditures	5,425,896	5,131,477	6,270,218
Lapsed Balances	\$ 621,192	\$ 670,651	\$ 1,134,482
GRAND TOTAL - ALL FUNDS			
Total Expenditures	\$ 5,425,896	\$ 5,131,477	\$ 6,270,218

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Years Ended June 30,

	Fiscal Year	
2017	2016	2015
P.A. 99-0524	P.A. 99-0524	P.A. 99-0001
P.A.100-0021	Court Ordered	P.A. 98-0679
Court Ordered	Expenditures	
Expenditures		

STATE OFFICERS' SALARIES

Expenditures

Executive Inspector General - Governor	\$ 150,168	\$ 157,985	\$ 120,031
Total Expenditures	\$ 150,168	\$ 157,985	\$ 120,031

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2016, and have been reconciled to Office records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Office and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absences of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Office never received enacted personal services appropriations for Fund 001, the Office was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.
- Note 4: During Fiscal Year 2016, the Office operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As such, the Office's court-ordered payroll payments were merged into the enacted appropriation for Fund 627. Further, the Office incurred non-payroll obligations within Fund 627, which the Office was unable to pay until the passage of Public Act 99-0524.
- Note 5: During Fiscal Year 2017, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Office was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2017.
- Note 6: Public Act 99-0524 authorizes the Office to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Office management about the number of invoices and the total dollar amount of invoices held by the Office to be submitted against its Fiscal Year 2017 appropriation.
- Note 7: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Office to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Office management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Office to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2017

	<u>Equipment</u>
Balance at July 1, 2015	\$ 678,434
Additions	28,695
Deletions	(188,417)
Net Transfers	<u>(68,934)</u>
Balance at June 30, 2016	<u>\$ 449,778</u>
Balance at July 1, 2016	\$ 449,778
Additions	4,218
Deletions	(1,975)
Net Transfers	<u>(723)</u>
Balance at June 30, 2017	<u>\$ 451,298</u>

Note: This schedule has been derived from the Office's records and reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
General Revenue Fund - 0001			
Reimbursements for Jury Duty and Recoveries	\$ 17	\$ 25	\$ 109
Miscellaneous	66	16	373
Total Cash Receipts per Office	83	41	482
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 83</u>	<u>\$ 41</u>	<u>\$ 482</u>
GRAND TOTAL - ALL FUNDS			
Total Cash Receipts per Office	\$ 83	\$ 41	\$ 482
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records - All Funds	<u>\$ 83</u>	<u>\$ 41</u>	<u>\$ 482</u>

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

FUNCTIONS

The Office was established as an independent State agency charged with investigating allegations of fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, malfeasance, and conduct proscribed by the State Officials and Employees Ethics Act (Act) (5 ILCS 430). During the two fiscal years ended June 30, 2017, the Office possessed jurisdiction over approximately 195,000 officers, employees and appointees of 40 State agencies, nine public universities, Regional Transit Boards (RTBs), and more than 300 boards and commissions, as well as vendors and others doing business with those State agencies, universities, RTBs, boards, and commissions.

The Office is responsible for administering four major programs: investigations, revolving door determinations, hiring monitoring, and ethics training.

Investigations Division

The Office receives and investigates allegations of violations of the Act. Allegations are determined to be either founded or unfounded based on the Office's investigation. If unfounded, the Office prepares a summary report that is provided to the Executive Ethics Commission (EEC). If the allegation is deemed to be founded, the Office will submit a summary report to the affected State agency, board, or university and to the Governor's office or other ultimate jurisdictional authority. The Office has the authority only to recommend that an agency take disciplinary and/or corrective action, as it cannot require that such action be taken. The Act contains provisions that govern the public release of summary reports by the EEC. All reports and investigative material gathered by the Office are subject to confidentiality requirements and are exempt from the Freedom of Information Act.

If a founded report involves a violation of the Act, then the Office may forward a copy of the report to the Attorney General's office requesting that the Attorney General file an administrative proceeding before the EEC. When an administrative proceeding is commenced, the Office is a party to the proceeding, and assists the Attorney General in prosecuting the matter.

Revolving Door Determinations

The revolving door prohibition (5 ILCS 430/5-45) forbids former State employees or their immediate family members from taking jobs or compensation from entities that were subject to licensing, regulatory, or contract decisions involving the State employee. Revolving door determinations are investigated by the Complaints and Compliance staff, and all determinations are authorized by the First Assistant Inspector General, General Counsel, and/or the Executive Inspector General.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Hiring Monitoring

The Office's Hiring and Employment Monitoring (HEM) unit was created in Fiscal Year 2016 to conduct compliance-based reviews of personnel processes and decisions within agencies under the Office's jurisdiction. The creation was prompted by a number of factors, including the Office's investigative findings regarding hiring and/or employment improprieties and the appointment of a federal court monitor, whose initial and ongoing charge to review hiring practices within the Department of Transportation was expanded in November 2016 to review all exempt positions under the jurisdiction of the Governor. HEM works collaboratively with the federal monitor in an effort to reduce costs. HEM also works independently of the federal monitor to ensure the integrity of hiring and employment decisions of State agencies within the Office's jurisdiction in order to ensure agency compliance with State and federal laws.

Ethics Training and Compliance

The Office sets standards for and determines the hours and frequency of ethics training for the employees, appointees, and officials under its jurisdiction. Those standards specify the format for and subject matter of ethics training for various categories of employees.

The Office and the EEC, in consultation with the Attorney General, are statutorily responsible for overseeing ethics training. The Office produces multiple forms of ethics training used by many of the agencies, boards, and commissions under its jurisdiction and oversees the production and implementation of ethics training by the State public universities and RTBs. The Office requests and receives reports from each agency, board, public university, and RTBs under the Office's jurisdiction regarding ethics training compliance. As appropriate, the Office makes recommendations for disciplinary or administrative action to ensure employee compliance.

PLANNING PROGRAM

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

The Office has regular management meetings, usually once per week, led by the Executive Inspector General. At management meetings, staff discusses fiscal, personnel, and other general issues. Pending investigations and special projects, such as the personnel manual, policy manuals, annual reports, and proposed content of the Office's monthly electronic newsletter are also discussed.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016

Budget Stabilization Fund – 686

Ordinary and Contingent Expenses

The increase was due to the Office receiving an appropriation in Fiscal Year 2017 from the Budget Stabilization Fund. The Office was able to process expenditures during Fiscal Year 2017, while no expenditures were processed during Fiscal Year 2016 due to the budget impasse.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

General Revenue Fund – 001

Operational Expenses

Due to the budget impasse, the Office did not receive any General Revenue Fund appropriations in Fiscal Year 2016. The only expenditures disbursed from the General Revenue Fund during Fiscal Year 2016 were for payroll pursuant to the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475).

Personal Services

Due to the budget impasse, the Office did not receive any General Revenue Fund appropriations in Fiscal Year 2016. The only expenditures disbursed from the General Revenue Fund during Fiscal Year 2016 were for payroll pursuant to the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475).

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 and 2016

There were no significant variations in receipts between Fiscal Year 2017 and Fiscal Year 2016.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 and 2015

General Revenue Fund - 001

Miscellaneous

In Fiscal Year 2015, the Office received one refund/reimbursement check, totaling \$373, for ethics training services. In Fiscal Year 2016, there was one receipt, totaling \$16, for batteries returned.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

FISCAL YEAR 2017

There were no instances of significant Lapse Period spending during Fiscal Year 2017.

FISCAL YEAR 2016

There were no instances of significant Lapse Period spending during Fiscal Year 2016.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
BUDGET IMPASSE DISCLOSURES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Office to pay Fiscal Year 2016 costs using the Office's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Office to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Office's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Office's plan to pay its prior costs using future appropriations:

FISCAL YEAR 2016 INVOICES

Fund #	Fund Name	Paid From Fiscal Year 2017 Appropriations		Expect Payment from Fiscal Year 2018 Appropriations	
		Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	0	\$ -	41	\$ 49,811
627	Public Transportation Fund	12	4,285	0	-
686	Budget Stabilization Fund	224	75,606	0	-
		236	\$ 79,891	41	\$ 49,811

FISCAL YEAR 2017 INVOICES

Fund #	Fund Name	Paid From Fiscal Year 2017 Appropriations		Expect Payment from Fiscal Year 2018 Appropriations	
		Number	Dollar Value	Number	Dollar Value
001	General Revenue Fund	0	\$ -	147	\$ 98,789
627	Public Transportation Fund	149	154,281	0	-
686	Budget Stabilization Fund	168	74,000	0	-
		317	\$ 228,281	147	\$ 98,789

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Office and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

During Fiscal Year 2016 and Fiscal Year 2017, none of the Office's vendors participated in the Vendor Payment Program (VPP).

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Office lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP,

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

although the Office was required to determine a participating vendor’s invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid the invoice after the Office received appropriations or other legal expenditure authority to pay the invoice, the participating vendor received the remaining 10% due (less any offsets).

During Fiscal Year 2016, the Office had 2 vendors participate in VSI for 18 invoices, totaling \$20,820. A summary of the amount of transactions by qualified purchaser follows:

**TRANSACTIONS BY
QUALIFIED PURCHASER**

Qualified Purchaser	Total
A	\$ 18,727
B	2,093
	<hr style="border-top: 1px solid black;"/>
	<u>\$ 20,820</u>

During Fiscal Year 2017, none of the Office’s vendors participated in the Vendor Support Initiative Program (VSI).

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
INTEREST COSTS ON INVOICES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Prompt Payment Interest Costs

The Office plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor’s proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Office. The following chart shows the Office’s prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016, and June 30, 2017, by fund:

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
686	Budget Stabilization Fund	48	24	\$ 2,847
		48	24	\$ 2,847

PROMPT PAYMENT INTEREST INCURRED

Year Ended June 30, 2017

Fund #	Fund Name	Invoices	Vendors*	Dollar Value
627	Public Transportation Fund	27	6	\$ 933
686	Budget Stabilization Fund	92	38	7,380
		119	40	\$ 8,313

*Total of vendors represents count of unique vendors regardless of fund.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
AVERAGE NUMBER OF EMPLOYEES
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

The following table, prepared from Office records, presents the average number of employees, by function, for the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
Administration	7	8	6
Fiscal	2	3	3
Human Resources	3	3	3
Investigations/Legal	53	52	56
Ethics Training	3	3	3
Total Average Full-time Employees	68	69	71

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
MEMORANDA OF UNDERSTANDING
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

MEMORANDA OF UNDERSTANDING

The Office had three Memoranda of Understanding (MOUs) during the examination period. These MOUs were between the Office and the Office of the Governor (Governor), the Office and the Department of Revenue (DOR), and the Office and Department of Corrections (DOC) and the Department of State Police (DSP).

The MOU between the Office and the Governor was entered into on October 10, 2012. The purpose of the MOU is to set forth an understanding for a procedure to permit the Office to fulfill its statutory duties and conduct timely, thorough, and independent investigations of allegations that may involve the collection of electronic data contained on digital devices, while at the same time allowing the Governor's Office and agencies, boards, and commissions under the jurisdiction of the Governor to maintain, assert, and not waive certain privileges and protections such as the attorney-client communication privilege and attorney work product, on electronic data contained on digital devices seized by the Office from the Governor or any agency during the course of an official investigation. Furthermore, the MOU discusses procedures which apply to the seizure of a digital device under agency control by the Office.

The MOU between the Office and the DOR was entered into on April 22, 2005. The MOU explains the Office is to protect the confidentiality of information it receives including information about its investigations, confidential informants, whistleblowers, documents, and other sensitive information. Also, the MOU explains that during the course of an investigation, the Office may require access to records or information held by the DOR which is classified as confidential by law or the internal policy of the DOR. Pursuant to the MOU, the DOR's Director authorizes the disclosure of such information to the Office as necessary and to the extent required to fulfill the Office's responsibilities under the State Employees and Officials Ethics Act. It is the responsibility of the Office to maintain the confidentiality of documents which are obtained from the DOR. An unauthorized disclosure of confidential taxpayer and tax return information is considered a criminal offense pursuant to State and federal statutes.

The MOU between the Office, DOC, and DSP was entered into on May 14, 2010. The purpose of the MOU is to clarify the types of cases which will be investigated by the DSP, DOC, and the Office, in addition to those listed in Section III of Administrative Order #6 (2003). Allegations of incidents that are not specifically enumerated in the agreement, the State Officials and Employees Ethics Act, and Administrative Order #6 (2003) must be promptly reported directly to the Office by DOC.

The three MOUs have not changed since the original agreement dates and the Office has not entered into any additional MOUs.

STATE OF ILLINOIS
OFFICE OF EXECUTIVE INSPECTOR GENERAL
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

The Office maintains a statewide, toll-free hotline open 24 hours a day, seven days a week, in order to facilitate reporting of misconduct. In addition, the Office has created an online complaint form and revolving door form for individuals to submit information via the Internet.

As required by the State Officials and Employees Ethics Act (5 ILCS 430/5-10), the Office sets standards for and provides oversight to initial and annual ethics training for individuals under its jurisdiction. In addition, the Office produces various ethics training course materials and manages a learning management system used by entities under the Governor and Lieutenant Governor to conduct ethics training for their employees and appointees. The Office provided oversight for 199,514 ethics training course sessions in Fiscal Year 2015, 191,752 ethics training course sessions in Fiscal Year 2016, and 197,636 ethics training course sessions in Fiscal Year 2017.

Listed below is a compilation of complaint and investigation information reported for Fiscal Years 2015, 2016, and 2017.

		<u>Fiscal Year</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Complaints received	2,721	2,160	2,273
Cases referred	2,275	1,623	1,617
Cases declined	242	148	165
Investigations concluded	94	186	182
Cases founded	29	40	22
Cases unfounded	41	47	39
Administrative closings	24	99	121
Investigation reports publicly disclosed	13	16	25

The Office has also engaged in several initiatives designed to increase transparency and enhance efficiency and effectiveness. Specifically, the Office publishes a monthly electronic newsletter, entitled *Illinois Ethics Matters*, participates in numerous outreach activities, and conducts meetings with agency heads, legislators, and community and public interest organizations.