STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE GOVERNOR

Compliance Examination
For the Two Years Ended June 30, 2017

Release Date: March 27, 2018

FINDINGS THIS AUDIT: 7

	New	Repeat	Total
Category 1:	**0**	**1**	**1**
Category 2:	3	3	6
Category 3:	0	0	0
TOTAL	3	4	7

FINDINGS LAST AUDIT: 5

AGING SCHEDULE OF REPEATED FINDINGS

Repeated Since	Category 1	Category 2	Category 3
2011	**17-1**		
2007		**17-2, 17-3, 17-4**	

SYNOPSIS

- (**17-1**) The Office of the Governor did not maintain adequate controls over the recording and reporting of State property.
- (17-2) The Office of the Governor did not make all required appointments to various boards, commissions, councils, and committees to fill vacancies.
- (17-4) The Office of the Governor did not have adequate controls over interagency agreements.

Category 1:	Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3:	Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

OFFICE OF THE GOVERNOR
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

EXPENDITURE STATISTICS	**2017**	**2016**	**2015**
Total Expenditures..	**$ 3,969,447**	**$ 3,818,182**	**$ 5,131,969**
OPERATIONS TOTAL..	$ 3,969,447	$ 3,817,202	$ 5,094,032
% of Total Expenditures..	100.0%	100.0%	99.3%
Operational Expenses..	3,476,514	3,817,202	5,094,032
Lump Sum and Other Purposes.....................................	492,933	-	-
NON-APPROPRIATED FUNDS TOTAL..........................	$ -	$ 980	$ 37,937
% of Total Expenditures..	0.0%	0.0%	0.7%
Total Receipts..	**$ 73,021**	**$ 4,288**	**$ 19,744**
Average Number of Employees (Not Examined)...........	**82**	**46**	**53**

GOVERNOR	
During Examination Period:	Honorable Bruce Rauner
Currently:	Honorable Bruce Rauner

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER STATE PROPERTY

The Office did not maintain adequate controls over the recording and reporting of State property.

Some of the matters noted during our testing follow:

Inaccurate beginning balances on State property reports

Errors reported resulted in a net overstatement of $7,423,839

- The beginning balances of building and building improvements and equipment categories were not reported correctly on the September 30, 2015 Agency Report of State Property (C-15 Form). The September 30, 2015 C-15 Form reported total beginning balances for these asset categories of $8,087,427, while the same asset categories had ending balances, totaling $13,063,578, on the June 30, 2015 audited C-15 Form. In addition, the September 30, 2015 C-15 Form erroneously reported equipment additions of $12,399,990, which should have been the cumulative balance of the building and building improvements at the end of the quarter. The errors reported this quarter resulted in a net overstatement of $7,423,839 in the C-15 report.

Executive Mansion capital improvements reported incorrectly

- The Office reported additions, totaling $937,154, to the building and building improvements on the December 31, 2015, March 31, 2016, and June 30, 2017 C-15 Forms for capital improvements of the Executive Mansion. Auditors noted capital improvements that should have been capitalized as building and building improvements during Fiscal Years 2016 and 2017 were $2,375,842. In addition, neither the $937,154 amount nor the $2,375,842 amount was recorded in the fixed asset system.

Deletions and surplused items not included on State property reports

- Property deletions, totaling $167,872, and surplused items, totaling $925, were not reported on the Office C-15 Forms.

Lack of documented approvals for deleted property items

- Twenty-seven of 40 (68%) deleted equipment items tested, totaling $83,510, do not have adequate documentation to verify whether CMS approved the transaction prior to the deletion of the asset from the system.

Property items could not be located

- Five of 60 (8%) equipment items tested, totaling $5,429, which included a computer from the Office's property listing, could not be physically located. The computer in question was not reported as missing during the Fiscal Year 2016 and 2017 annual inventory certifications, but was unable to be located during equipment testing. In addition, the Office could not determine whether the computer contained confidential information. (Finding 1, pages 10-15) **This finding was first reported in 2011.**

We recommended the Office properly review and monitor the submission of the C-15 Forms to the Office of the Comptroller to ensure compliance with the requirements of the Statewide Accounting Management System. We also recommended the Office file revised C-15 Forms with the Comptroller's Office to reflect corrected balances and evaluate the procedures and strengthen the controls over property and equipment to ensure proper safekeeping and accurate recordkeeping of all State assets. Lastly, we recommended the Office keep adequate records and proper documentation of the Office activities.

Office agrees with auditors

Office personnel agreed with our recommendation and stated the Office will continue to work to ensure that proper processes are in place to correctly and timely file future C-15 Forms. Additionally, Office personnel stated the Office is evaluating its procedures, strengthening its control over property and equipment and working to complete and keep adequate records and proper documentation of its activities. (*For the previous Department response, see Digest Footnote #1.*)

APPOINTMENTS OF MEMBERS TO BOARDS, COMMISSIONS, COUNCILS, AND COMMITTEES

The Office did not make the required appointments to various boards, commissions, councils, and committees to fill vacancies.

Numerous vacancies on boards and commissions

Twenty-seven of 48 (56%) boards, commissions, councils, and committees tested did not have the required number of members. (Finding 2, pages 16-22) **This finding has been repeated since 2007.**

We recommended the Office appoint qualified members to these boards, commissions, councils, and committees as required by the Acts cited and reappoint applicable board members in a timely manner or seek a legislative remedy.

Office agrees with auditors

Office personnel agreed with our recommendation and stated the Office has worked diligently to fill vacancies to boards, commissions, councils, and committees since Governor Rauner took office. Office personnel also stated the Office will continue to review potential appointments to boards, commissions, councils, and committees and work to appoint qualified Illinois citizens to serve on such boards, commissions, councils, and committees. (*For the previous Department response, see Digest Footnote #2.*)

INTERAGENCY AGREEMENTS

The Office did not have adequate controls over interagency agreements.

During our testing of 25 interagency agreements, we noted the following deficiencies:

Costs of employees' services paid by other State agencies

- Twenty-four (96%) interagency agreements tested pertained to employees hired by the Office to work on Office activities; however, in each of the 24 agreements, the employee's full salary, including benefits, was paid solely by another State agency.

Interagency agreements not signed timely

- Three (12%) interagency agreements tested were not signed by the Office on or prior to the effective date of the agreement. The agreements were signed 5 to 73 days late.

Interagency agreement not signed by both parties

- One (4%) amended interagency agreement tested was not signed by both parties. The interagency agreement was amended when an employee transferred out of an existing interagency agreement and was replaced by another employee during Fiscal Year 2017. (Finding 4, pages 28-29) **This finding has been repeated since 2007.**

We recommended the Office reevaluate interagency agreements to determine an appropriate allocation of the cost related to employees whose services are shared with other agencies or who are assigned to the Office by other agencies, or document the reason why the costs are only being paid by the other agencies. We also recommended the Office ensure each interagency agreement is signed by the parties prior to the effective date and monitor timely receipt of signed amendments from other agencies to ensure both parties are bound to the changes in the interagency agreement.

Office agrees with auditors

Office personnel agreed with our recommendation and stated the Office will ensure that interagency agreement costs are properly allocated and documented. Office personnel also stated the Office will ensure that interagency agreements are signed prior to the respective effective dates, and that copies of such agreements are properly and appropriately kept to facilitate proper monitoring and compliance. (*For the previous Department response, see Digest Footnote #3.*)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Office. We will review the Office's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2017-001. Except for the noncompliance described in this finding, the accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by E.C. Ortiz & Co., LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:APA

DIGEST FOOTNOTES

#1 – Inadequate controls over State property – Previous Agency Response

2015 – The Office agrees with the recommendation to ensure proper review, monitoring, and documentation of reports, procedures, and record–keeping related to State property. As noted in the finding, the Office was unable to provide certain information on errors in the C-15 Forms, missing computer equipment, and surplus and purchased assets because such errors and activities occurred under the prior administration or during the transition between administrations. The Office continues to work to ensure that all required reports are filed properly and that the proper internal controls are in place to safeguard taxpayer property.

#2 – Appointments of members to boards, commissions, councils, and committees – Previous Agency Response

2015 – The Office agrees with the recommendation to appoint and reappoint qualified members to serve on statutory boards, commissions, councils, and committees. Many of the vacancies noted in the finding were left unfilled by the prior administration. The Office has worked diligently to fill vacancies to boards, commissions, councils, and committees since Governor Rauner took office. As noted in the finding, the Office filed a number of the tested vacancies on boards, commissions, councils, and committees subsequent to the audit period. Since January 12, 2015, the Governor has appointed over 700 individuals to boards, commissions, councils, and committees. The Office will continue to review potential appointments to boards, commissions, councils, and committees and work to appoint qualified Illinois citizens to serve on such boards, commissions, councils, and committees.

#3 – Interagency agreements – Previous Agency Response

2015 – The Office agrees with the recommendation to reevaluate interagency agreements to determine and document appropriate cost allocation, and to properly document and maintain all interagency agreements. The interagency agreements tested during the audit period include Fiscal Year 2014 and Fiscal Year 2015 interagency agreements entered into by the prior administration, as well as Fiscal Year interagency agreements entered into by the current administration. The Fiscal Year 2015 interagency agreements entered into by the current administration used the same form and procedures for interagency agreements as the prior administration. In addition, during that same time period, the current administration spent over $500,000 less than the prior administration on interagency agreements.

Going forward, the Office will ensure that interagency agreement costs are properly allocated and documented. In addition, the Office will ensure that interagency agreements are signed prior to the respective effective dates, and that copies of such agreements are kept to facilitate proper monitoring and compliance.