DANIEL W. HYNES
COMPTROLLER

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

ILLINOIS

FISCAL YEAR ENDED JUNE 30, 2008

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STATE OF ILLINOIS

Comprehensive Annual Financial Report

~2008~

For Fiscal Year Ended June 30, 2008

Comptroller Daniel W. Hynes

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Introductory Section

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Comprehensive Annual Financial Report
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DANIEL W. HYNES
COMPTROLLER
www.ioc.state.il.us

July 10, 2009

To the Citizens of the State of Illinois,
Honorable Pat Quinn, Governor and
Honorable Members of the General Assembly:

I am pleased to present to you the ***State of Illinois Comprehensive Annual Financial Report (CAFR)*** for the year ended June 30, 2008. The CAFR is the State's official annual report which provides the readers with the financial position of the State as of June 30, 2008, and results of operations during the fiscal year. The report is intended to provide the State's taxpayers, managers, investors, creditors, lawmakers, and other users with information in accordance with generally accepted accounting principles (GAAP). Responsibility for the accuracy of the data as well as the completeness and fairness of presentation of this report rests with my Office and other State agency management.

The CAFR is presented in the following sections: introductory, financial, and statistical. The *introductory section* includes the table of contents, the Comptroller's letter of transmittal, and the State's organizational chart. The *financial section* includes the Independent Auditors' Report on the basic financial statements, the management's discussion and analysis, the basic financial statements, required supplementary information, and the individual fund financial statements and schedules. The *statistical section* includes selected demographic and business data, generally on a multi-year basis.

The Management's Discussion and Analysis (MD&A), which begins on page 3 of this report, provides a narrative introduction, overview, and analysis to the accompanying basic financial statements. This letter is intended to complement the MD&A and should be read in conjunction with the MD&A. The accompanying basic financial statements are prepared in conformity with GAAP applicable to State governments as prescribed by the Governmental Accounting Standards Board (GASB). This office supports the GASB, contributed to its formation, and participates in the development of pronouncements by providing testimony at public hearings and submitting comments and recommendations as proposed standards are distributed for exposure.

The CAFR includes information on all funds, elected offices, departments, and agencies of the State, as well as all boards, commissions, authorities, and universities for which the State's executive or legislative branches are financially accountable. The financial statements distinguish between primary government organizations and component units. The primary government is the nucleus of the financial reporting entity and is the focal point for the users of the financial statements. The primary government of the State consists of all the organizations that make up its legal entity. All funds, departments, agencies, offices, and other organizations that are not legally separate are, for financial reporting purposes, part of the primary government. Component units are legally separate organizations for which the State is financially accountable.

The financial activities of the State are organized on the basis of individual funds, each of which is a separate accounting entity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, and limitations. Major funds are the focus of the State's financial statements and include the General Fund (including the General Revenue Account, the Education Assistance Account, the Common School Account, and the Medicaid Provider Assessment Accounts), the Road Fund, the State Construction Account, the Unemployment Compensation Trust Fund, the Water Revolving Fund, the Prepaid Tuition Fund, and the Designated Account Purchase Program Fund. The reporting entity, major funds, and fund types are described in detail in Note 1 to the financial statements. To ensure readability of the financial statements, generally only funds with total assets, liabilities, fund balances/net assets, revenues, or expenditures/expenses greater than 2% of the total for that fund type are presented separately in the individual fund financial statements, except component units where all component units are presented, and special revenue funds where funds with greater than .5% of the total are presented. Combination of funds is necessary due to the existence of more than 750 funds in the State's reporting entity. Funds used by more than one agency are classified with what is determined to be the primary administering agency.

Internal Controls

Each State agency's management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the State are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The State's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

On October 31, 1989 the Fiscal Control and Internal Auditing Act (FCIAA) became law, requiring all State agency chief executive officers to annually certify the adequacy of internal controls in place within their agencies and that selected agencies employ a chief internal auditor with a specified minimum level of professional competency.

Independent Audit

The Illinois Auditor General has performed an audit of the accompanying basic financial statements in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. His unqualified opinion appears at the beginning of the financial section of this report. In addition, the Illinois Auditor General conducts an annual audit pursuant to the requirements set forth in the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* This report is issued separately.

PROFILE OF THE STATE

Illinois, located in the Midwest, became the twenty-first state in 1818. The State has 56,400 square miles and is the 24th largest state in size. However, per the 2000 census, Illinois is ranked 5th with a population of approximately 12.4 million.

Illinois' government is divided into three branches: executive, legislative and judicial. An organizational chart, showing the relationships between the Citizens of the State of Illinois, the three branches of Illinois State government, and those of the various agencies, boards, commissions, and universities which provide a full range of State government services, is presented on page XIV.

The State provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development. The State of Illinois is also financially accountable for 3 separate entities which have been included as a part of the State's financial statements. In addition, the State of Illinois is financially accountable for 25 legally separate entities which have been reported separately within the State's financial statements. Additional information on all of these legally separate entities can be found in the notes to the financial statements.

The Comptroller's Statewide Accounting Management System **(SAMS)** provides the basis for receipt, expenditure, and encumbrance reporting of all State treasury held funds with specific budgetary controls maintained on line-item expenditures for all appropriated funds. Appropriations (budget) and actual expenditure analysis for significant individual funds is provided in the Budgetary Schedules section of this report.

The State of Illinois has a two-month "lapse period." During this time, July 1 to August 31, State agencies can expend funds appropriated in the prior fiscal year if encumbered by June 30. For all fund types, goods or services received prior to June 30 are recorded as liabilities and expenditures or expenses, whichever is appropriate. For governmental fund types, lapse period expenditures for goods or services encumbered as of June 30 and received prior to August 31 are reported with other encumbrances as reservations of June 30 fund balances and not as liabilities or expenditures.

Many State programs are accounted for in the General Fund. As analyzed in the MD&A, the GAAP basis financial position of the General Fund at June 30, 2008 increased from June 30, 2007. The fund balance in the State's General Fund increased by $237 million on a GAAP basis (from a deficit of $4.171 billion, as restated, to a deficit of $3.934 billion). On the *budgetary basis*, there was a $834 million fund deficit at June 30, 2008 compared to a $135 million fund deficit at June 30, 2007, resulting in a $699 million increase in the budgetary deficit.

FACTORS AFFECTING FINANCIAL CONDITION

Economy

Illinois has a broadly diversified economy with an employment base that closely mirrors the national economy. The State continues to have a vigorous service sector with strength in professional and business services, education and healthcare services, and leisure and hospitality services. While retaining a sizeable manufacturing sector, its relative significance has decreased over the last decade, consistent with national trends. The largest private employers in Illinois include major retailers, large healthcare providers, equipment manufacturers, and nationwide financial service providers.

According to the U.S. Bureau of Labor Statistics, Illinois averaged 5.991 million nonfarm payroll jobs and an unemployment rate of 5.6% in fiscal year 2008. These numbers showed continued improvement as Illinois continues its recovery from the 2001 recession.

MAJOR INITIATIVES

The following initiatives were among those instituted in Illinois state government in recent years to address issues affecting the State's revenues, cash management and expenditures.

Revenue Initiatives

Beginning in August 2005, legislation imposed a hospital assessment of 2.5835% of each provider's adjusted gross hospital revenue for inpatient and outpatient services for fiscal years 2006, 2007, and 2008. While no assessment was implemented during fiscal year 2006, upon federal government approval in November, 2006, the State was allowed to claim costs back to fiscal year 2006. After disbursement of $1.198 billion in expenditures in February, 2007 related to fiscal year 2006, $1.199 billion in expenditures in September, 2007 related to fiscal year 2007, and $1.199 billion in expenditures in April 2008, the State received revenue amounts for fiscal years 2006, 2007, and 2008 of $733 million, $727 million, and $736 million in assessment revenues, respectively, and $600 million, $600 million, and $599 million in federal reimbursements, respectively.

The Illinois Student Assistance Commission, in January 2007, sold $662.5 million of its loan portfolio for $670.8 million with most of the proceeds used to retire existing debt. A portion of the proceeds, $26.5 million, was deposited into the Student Loan Operating Fund to fund the new MAP Plus program. Then, in fiscal year 2008, an additional $2.639 billion of its loan portfolio was sold for $2.645 billion retiring $2.608 billion in existing debt.

Short-term Borrowing

In fiscal year 2008, the State took several actions to help alleviate the ongoing financial problems. $276 million was transferred from the Budget Stabilization Fund to the General Revenue Fund which was repaid by the end of the fiscal year. Also, both in September 2007 and April 2008, the State borrowed $1.2 billion in short-term notes with the proceeds deposited into the General Revenue Fund in order to make access improvement payments to hospitals under the State's Medicaid Plan. Both notes were repaid two months later with proceeds from federal reimbursements and hospital assessments.

Spending Initiatives

In an effort to address perceived duplicate functions within state agencies, effective June 1, 2006, divisions of shared services were created to perform administrative functions, including human resources, personnel, payroll, timekeeping, procurement, and accounting for agencies providing similar governmental functions. A division of shared services was created within the Department of Revenue to provide administrative functions for executive and regulatory agencies including the Departments of Central Management Services and Financial and Professional Regulation. A division of shared services was created within the Department of Corrections to provide administrative functions for public safety agencies including the Departments of State Police, Juvenile Justice, Military Affairs, the Prisoner Review Board, the Law Enforcement Training and

Standards Board, the Criminal Justice Information Authority, the Emergency Management Agency, and the State Fire Marshal.

Pensions

Certain changes in the pension systems occurred in fiscal year 2006 with reduced benefits for certain new employees and a shift in the payment of the employers' share of the cost of certain late career benefits from the State to the employees' local government. Required State contributions to the pension systems were reduced to $938 million in fiscal year 2006 and to $1.375 billion in fiscal year 2007. However, this reduction in required contributions is required to be added to the contributions required for fiscal years 2008 through 2010. In addition, every new benefit increase is required to provide additional funding at least sufficient to cover the resulting annual increase in costs to the pension system and all benefit increases are to expire no more than 5 years after the effective date of the increase.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The fiscal year 2008 CAFR reveals continuing underlying financial weaknesses which significantly impact the State's overall fiscal health in regards to deferred liabilities, ongoing operational concerns related to cash management and long-term concerns related to pension and other postemployment obligations.

Deferred Liabilities

Section 25 of the State Finance Act permits the payment of selected prior year expenses, primarily Medicaid, in the current fiscal year. The section was originally created to address billing and adjudication issues connected with such expenditures. The State ended fiscal year 2008 with $2.4 billion in such costs. Over the past two decades, it has become a common practice to defer liabilities utilizing Section 25 effectively reducing the appropriation levels needed to fund certain programs within any given fiscal year and pushing expenditures into the next fiscal year.

Cash Management

Cash flow continues to be an issue as Illinois has had a running General Revenue Fund deficit defined as bills on hand exceeding available cash, with few exceptions, since November of 2000. Fiscal year 2008 marked the sixth consecutive year that Illinois has had to engage in short-term borrowing to address various cash flow needs. For 2008, the short-term borrowings were for expenditures associated with the Hospital Assessment Program.

Cash management practices are greatly affected by the aforementioned budgetary practices in relation to deferred liabilities which place additional pressure in the first and second quarters of the year to pay those expenses. Additionally, the majority of the State's tax collections are received in the second half of the fiscal year with large income tax collections arriving in the spring of each year which further contributes to the payment delays seen within the fiscal year.

In 2000, legislation was enacted to create the State's Budget Stabilization Fund in order to assist the State in meeting cash flow deficits as needed. The statutory goal for funding this reserve was set at five percent of General Funds revenues in any given year. As of June 30, 2008, the balance

in the Budget Stabilization Fund was $275.7 million, an amount insufficient in practical terms to address the State's annual cash management needs and timing variations between spending and revenues, both recent and historical, and significantly less than envisioned when the Act was created.

Pension Obligations

Legislation enacted in 1995 sets the long-term funded ratio (assets to actuarial accrued liabilities) target for the State's five retirement systems at 90% and set into statute a plan for the State to reach this target by fiscal year 2045. After fiscal year 2045, the State shall maintain annual contributions sufficient to keep the systems at a 90% funded ratio. At the time the legislation was passed, the funded ratio for the five systems stood at 52.5% with an unfunded liability of $19.4 billion.

As of June 30, 2008, the five State-funded retirement systems were at a 54.3% funded ratio with a $54.4 billion unfunded liability. In fiscal year 2004, the systems enjoyed an additional $7.3 billion in contributions from a $10.0 billion general obligation pension bond sale.

For fiscal year 2006 through fiscal year 2007, the relevant State statutes were amended to allow for significantly lower State contribution levels to the retirement systems with levels increasing in fiscal year 2008 and fiscal year 2009 before reaching the mandated levels of the 1995 law for fiscal year 2010.

Other Postemployment Obligations

For fiscal year 2007, the State performed an actuarial valuation of the health, dental, vision, and life insurance benefits promised to retirees. The valuation reported a $23.9 billion actuarial liability with no assets currently set aside to fund the liability as the State uses a "pay-as-you go" method to make payments to retirees.

Debt Management

Public Act 93-0839 known as the Debt Responsibility Act, effective July 30, 2004, placed new restrictions on the issuance of general obligation bonds. At least 25% of general obligation bonds issued within a year must be sold pursuant to notice of sale and public bid. General obligation bonds must be issued with equal principal or mandatory redemption amounts in each fiscal year following the year of issuance for a term not to exceed 25 years. General obligation bonds may not be issued if, in the next fiscal year after issuance, the amount of debt service on all then outstanding general obligation bonds exceeds 7% of the General and Road Fund appropriations for the fiscal year immediately preceding the issuance unless the Comptroller and Treasurer waive this requirement. No general obligation refunding bonds can be issued unless the refunding produces a net present value savings of at least 3% of the bonds being refunded and the maturities of the refunding bonds do not extend beyond the maturities of the bonds being refunded.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting ("Certificate") to the State of Illinois for its comprehensive annual financial report ("CAFR") for the fiscal year ended June 30, 2007 which was the twenty-fourth consecutive year that the State has received this

prestigious award in governmental financial reporting. In order to be awarded a Certificate, the State of Illinois published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. As this current comprehensive annual financial report is expected to meet the Certificate of Achievement Program's requirements, it is being submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of the State's Comprehensive Annual Financial Report was made possible by the due diligence of my staff, the Auditor General's Office and all State agencies who submitted timely information during this year's GAAP financial statement process. Their hard work and dedication has resulted in an excellent financial report of which we can be proud. I express my gratitude to all of those involved for this tremendous cooperative effort.

Sincerely,

Daniel W. Hynes
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Citizens of Illinois

Legislative Branch

- Senate
- House of Representatives
- Auditor General William Holland

Legislative Support Agencies

Commission on Government Forecasting and Accountability
Legislative Information System
Legislative Audit Commission
Legislative Printing Unit
Legislative Research Unit
Legislative Reference Bureau
Office of the Architect of the Capitol
Joint Committee on Administrative Rules

Legislative Ethics Commission
Legislative Inspector General

Executive Branch

- Secretary of State Jesse White
- Treasurer Alexi Giannoulias
- Governor Rod R. Blagojevich
- Lieutenant Governor Pat Quinn
- Comptroller Daniel W. Hynes
- Attorney General Lisa Madigan

Civil Administrative Code Departments

Aging
Agriculture
Central Management Services
Children and Family Services
Commerce and Economic Opportunity
Corrections
Employment Security
Financial and Professional Regulation
Healthcare and Family Services
Juvenile Justice
Human Rights
Human Services
Labor
Military Affairs
Natural Resources
Public Health
Revenue
State Police
Transportation
Veterans' Affairs

Governors' Office of Management and Budget
Other Agencies, Boards and Authorities
Regulatory Boards
Public Safety Agencies
Financing Authorities *
Environmental Agencies

Office of Executive Inspector General
Executive Ethics Commission

State Board of Elections

Education

State Board of Education
Student Assistance Commission
Board of Higher Education
Community College Board
Mathematics and Science Academy
Chicago State University *
Eastern Illinois University *
Governors State University *
Northeastern Illinois University *
Western Illinois University *
Illinois State University *
Northern Illinois University *
Southern Illinois University *
University of Illinois *

* Component Unit - not part of Primary Government

Judicial Branch

Supreme Court

Judicial Inquiry Board
Appellate Court
Circuit Court
Administrative Office of the Illinois Courts
Board of Admissions to the Bar
State Appellate Defender
Attorney Registration and Disciplinary Commission
State's Attorney Appellate Prosecutor

Pension Systems

General Assembly Retirement System
Judges' Retirement System
State Employees' Retirement System
State Universities Retirement System
Teachers' Retirement System

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Financial Section

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OFFICE OF THE AUDITOR GENERAL

WILLIAM G. HOLLAND

Independent Auditors' Report

Honorable Michael J. Madigan, Speaker of the House
Honorable John J. Cullerton, President of the Senate
Members of the General Assembly
Honorable Patrick Quinn, Governor
Honorable Daniel W. Hynes, Comptroller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of and for the year ended June 30, 2008, which collectively comprise the State of Illinois' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the financial statements have been restated as of July 1, 2007 for prior year reporting errors.

As discussed in Note 1r and Note 17, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2008.

The deficit for net assets of governmental activities in fiscal year 2008 continued to increase by $3,577,003,000 from $20,844,807,000 at June 30, 2007 to $24,421,810,000 at June 30, 2008. This deficit, which is presented on an accrual basis, is the excess of total liabilities over total assets and represents a deferral of current and prior year costs to future periods.

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the State of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and required supplementary information, listed in the accompanying table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

WILLIAM G. HOLLAND
Auditor General
State of Illinois

Bruce L. Bullard

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits
Office of the Auditor General

Springfield, Illinois
July 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the State of Illinois' (the State's) financial performance providing an overview of the activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter and with the State's financial statements which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition, this discussion and analysis also contains information on other supplementary information included in this report.

Government-wide Statements (Reporting the State as a Whole)

The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the State, as a whole, and about its activities. These statements include all non-fiduciary assets, liabilities, revenues, and expenses using the accrual basis of accounting.

The Statement of Net Assets (page 19) presents all of the State's non-fiduciary assets and liabilities with the difference between the two reported as "net assets". Over time, increases and decreases in net assets measure whether the State's financial position is improving or deteriorating.

The Statement of Activities (pages 20 and 21) presents all of the State's non-fiduciary revenues and expenses with the difference showing how the State's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and unused accrued absences).

Both statements report three activities:

- *Governmental Activities* – Most of the State's basic services are reported under this category. Taxes and intergovernmental revenues generally fund these services. The Legislature, the Judiciary, Elected Officials, and the general operations of the Executive departments fall within the governmental activities.
- *Business-type Activities* – The State charges fees to customers to help it cover all or most of the cost of certain services provided by the State. Lottery tickets and the State's unemployment compensation services are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The State has 9 authorities, 9 universities, and 7 other organizations that are reported as discretely presented component units of the State.

Included within the basic financial statements are two schedules (pages 23 and 25) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (accrual accounting). Modified accrual accounting focuses on the current financial resources, which are the resources available for spending in the near future (defined by the State as 60 days). Accrual

accounting reports the total economic resources similar to a private-sector business. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds statements.
- Prepaid expenses for governmental activities are current uses of financial resources of funds and therefore are not reported in the governmental funds statements.
- Deferred issuance costs are capitalized and amortized as governmental activities, but reported as expenditures in the governmental funds statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental funds statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, installment purchases agreements, compensated absences, certificates of participation, net pension obligations, net other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental funds statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental funds statements.

The Notes to the Basic Financial Statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 37 of this report.

Fund Financial Statements (Reporting the State's Major Funds)

The fund financial statements begin on page 22 and provide more detail than the government-wide financial statements, concentrating on information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, individual fund data for the nonmajor funds is presented beginning on page 151. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – with each using a different accounting method.

Governmental funds – Most of the State's basic services are reported in the governmental funds which focus on how monies flow into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. Governmental funds are reported using modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash and liabilities that are due in the current period. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services for the State's other programs and activities such as the State's Communications Revolving Fund. The State's internal service funds are reported as governmental activities on the government-wide statements.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. The State is also responsible for other assets that, because of a trust arrangement or other contractual arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 30. These funds, which include pension (and other employee benefit), private-purpose trust, investment trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles (GAAP) net change in fund balances at fiscal year-end and funding progress of the State's retirement systems and other postemployment benefit plans.

Other Supplementary Information

Other supplementary information includes two components: 1) combining financial schedules for nonmajor governmental, proprietary, and fiduciary funds and nonmajor discretely presented component units and 2) combining budgetary schedules using the terminology and classification of funds used by the State for budgetary purposes. The combining financial statements present by fund category, and then by fund type, the amounts presented in the nonmajor funds column in the fund financial statements.

FINANCIAL ANALYSIS OF THE STATE

The State's combined net assets decreased $3.564 billion or 21.8% during the current fiscal year. The net assets of the State's governmental activities decreased $3.577 billion or 17.2% and the net assets of the State's business-type activities increased $13 million or .3%. The following condensed financial information was derived from the government-wide Statement of Net Assets and reflects the State's financial position as of June 30, 2008 and 2007:

Net Assets as of June 30 (in millions of dollars)	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other non-current assets	$ 10,821	$ 12,380	$ 7,458	$ 9,694	$ 18,279	$ 22,074
Capital assets	18,453	18,389	3	3	18,456	18,392
Total assets	29,274	30,769	7,461	9,697	36,735	40,466
Liabilities:						
Other liabilities	9,806	10,387	923	488	10,729	10,875
Long-term liabilities	43,890	41,227	2,002	4,686	45,892	45,913
Total liabilities	53,696	51,614	2,925	5,174	56,621	56,788
Net assets:						
Invested in capital assets, net of related debt	13,689	13,370	3	3	13,692	13,373
Restricted	978	954	4,534	4,535	5,512	5,489
Unrestricted	(39,089)	(35,169)	(1)	(15)	(39,090)	(35,184)
Total net assets	$ (24,422)	$ (20,845)	$ 4,536	$ 4,523	$ (19,886)	$ (16,322)

Note: Prior year amounts have been restated for activities as described in Note 2 to the financial statements.

The State's largest asset is its capital assets ($18.456 billion) consisting of land, buildings, equipment, infrastructure, and other items with estimated useful lives of greater than one year. The largest portion of the State's long-term liabilities are its net pension obligation ($19.196 billion) and bonds payable obligation ($23.499 billion), including deferred amounts on refundings and unamortized premiums and discounts. The largest component of the State's net assets reflects the State's investment in capital assets, less any related debt that was recorded to acquire or construct the assets. The restricted net assets balance consists of resources subject to external restrictions or enabling legislation as to their use. The remaining portion, unrestricted net assets, are the net assets available to be used at the State's discretion or need to be replenished by revenues in future periods.

The State's assets decreased $3.731 billion from $40.466 billion at June 30, 2007, to $36.735 billion at June 30, 2008, due mainly to $2.269 billion less in loans and notes receivable from the Designated Account Purchase Program (Program). In fiscal year 2008, the Program sold $2.639 billion of its student loans receivable portfolio. In addition, taxes receivable decreased $926 million from June 30, 2007, due mostly to the timing of assessments in the prior year in relation to the State's hospital assessment program. The State's decrease in liabilities of $167 million from $56.788 billion at June 30, 2007, to $56.621 billion at June 30, 2008, resulted mainly from the increases in the State's net pension obligation of $2.105 billion and other postemployment benefit obligation of $1.238 billion being offset by the early extinguishment of bonds payable related to the Designated Account Purchase Program of $2.608 billion and a decrease in accrued Medicaid liabilities of $1.001 billion.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects the State's decrease in net assets during the current fiscal year:

Changes in Net Assets
for Fiscal Year Ending June 30
(in millions of dollars)

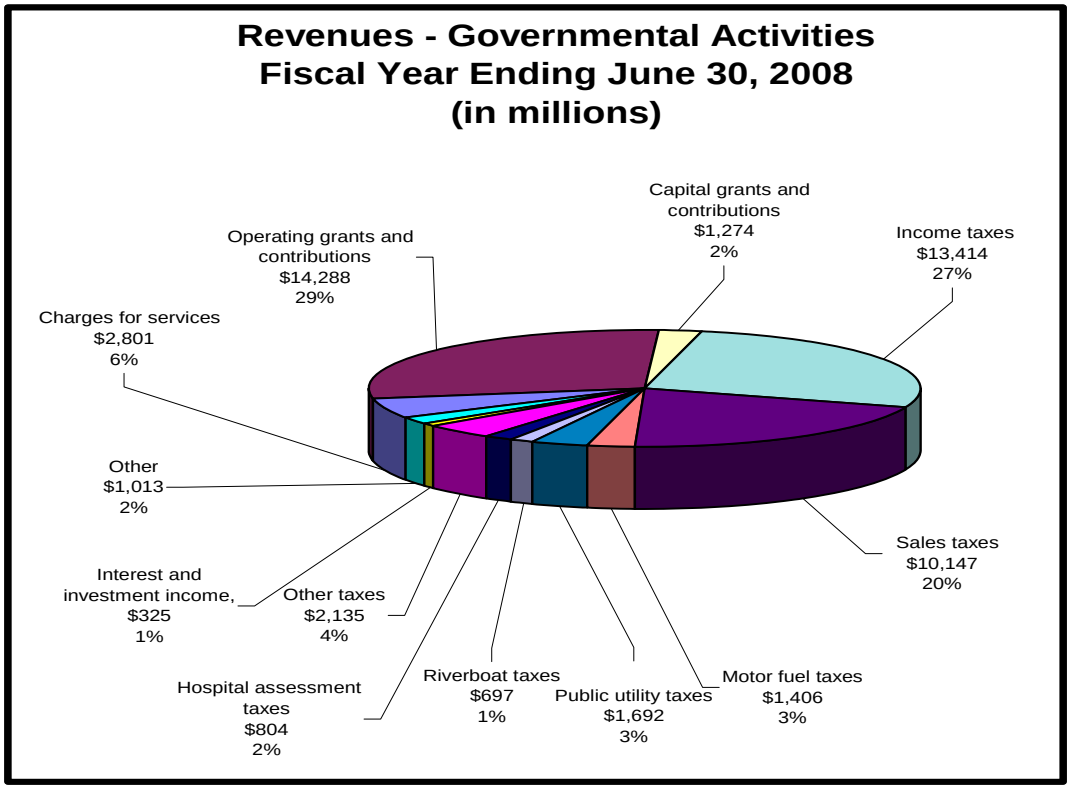
	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2007 to 2008
Revenues							
Program revenues							
Charges for services	$ 2,801	$ 2,716	$ 4,266	$ 5,116	$ 7,067	$ 7,832	(9.8%)
Operating grants and contributions	14,288	14,537	247	178	14,535	14,715	(1.2%)
Capital grants and contributions	1,274	1,026	-	-	1,274	1,026	24.2%
General revenues							
Income taxes	13,414	12,338	-	-	13,414	12,338	8.7%
Sales taxes	10,147	9,846	-	-	10,147	9,846	3.1%
Motor fuel taxes	1,406	1,443	-	-	1,406	1,443	(2.6%)
Public utility taxes	1,692	1,606	-	-	1,692	1,606	5.4%
Riverboat taxes	697	818	-	-	697	818	(14.8%)
Hospital assessment taxes	804	1,538	-	-	804	1,538	(47.7%)
Other taxes	2,135	1,974	-	-	2,135	1,974	8.2%
Interest and investment earnings	325	358	115	86	440	444	(0.9%)
Other revenue	1,013	1,172	-	2	1,013	1,174	(13.7%)
Total revenues	49,996	49,372	4,628	5,382	54,624	54,754	(0.2%)
Expenses							
Health and social services	21,661	21,417	-	-	21,661	21,417	1.1%
Education	15,217	14,433	-	-	15,217	14,433	5.4%
General government	1,920	1,668	-	-	1,920	1,668	15.1%
Employment and economic development	872	989	-	-	872	989	(11.8%)
Transportation	4,180	3,819	-	-	4,180	3,819	9.5%
Public protection and justice	3,194	2,730	-	-	3,194	2,730	17.0%
Environment and business regulation	920	835	-	-	920	835	10.2%
Unemployment compensation fund			1,991	1,795	1,991	1,795	10.9%
Water revolving fund			18	23	18	23	(21.7%)
Prepaid tuition programs			73	61	73	61	19.7%
Designated account purchase program fund			101	304	101	304	(66.8%)
Lottery			1,412	1,370	1,412	1,370	3.1%
Federal student loans			193	181	193	181	6.6%
Other business-type activities			148	212	148	212	(30.2%)
Intergovernmental	5,140	5,036	-	-	5,140	5,036	2.1%
Interest	1,137	1,201	-	-	1,137	1,201	(5.3%)
Total expenses	54,241	52,128	3,936	3,946	58,177	56,074	3.8%
Excess (deficiency) before special items and transfers	(4,245)	(2,756)	692	1,436	(3,553)	(1,320)	(169.2%)
Special items	-	-	(11)	-	(11)	-	N/A
Transfers	668	654	(668)	(654)	-	-	0.0%
Increase (decrease) in net assets	(3,577)	(2,102)	13	782	(3,564)	(1,320)	(170.0%)
Net assets - beginning, as restated	(20,845)	(18,743)	4,523	3,741	(16,322)	(15,002)	(8.8%)
Net assets - ending	$ (24,422)	$ (20,845)	$ 4,536	$ 4,523	$ (19,886)	$ (16,322)	(21.8%)

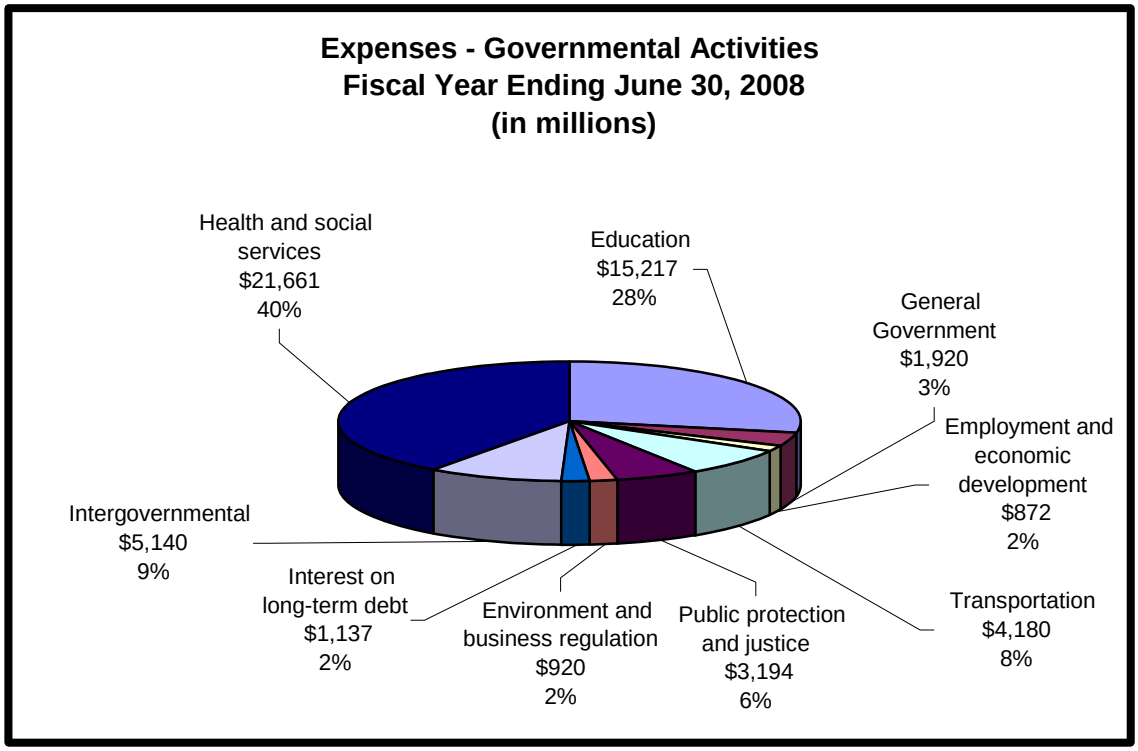
Governmental Activities:

Governmental activities of the State are financed primarily through taxes collected. The functions reported for governmental activities consist of the following:

- *Health and social services* – The health and social services function consists of programs such as Medicaid, Temporary Assistance for Needy Families (TANF), and Child Support Enforcement which are administered mostly by the Department of Healthcare and Family Services, the Department of Human Services, and the Department of Children and Family Services.
- *Education* – The education function consists of support for local public school districts and post-secondary institutions administered mostly by the State Board of Education, the State Board of Higher Education, and the Illinois Community College Board.
- *General government* – The general government consists of the day-to-day operations of the State performed mostly by the Elected Officials, Members of the General Assembly, the Department of Central Management Services, and the Department of Revenue.
- *Employment and economic development* – The employment and economic development function consists of job training for citizens and support for the growth of public sector commerce administered mostly by the Department of Commerce and Economic Opportunity.
- *Transportation* – The transportation function consists of support for building and maintaining infrastructure capital assets owned by the State and owned by local governments of the State which is administered mostly by the Department of Transportation.
- *Public protection and justice* – The public protection and justice function consists of law enforcement functions of the State and other public safety regulatory programs performed mostly by the Department of Corrections and the Department of State Police.
- *Environment and business regulation* – The environment and business regulation function consists of regulation of the environment of the State and regulation of various business types in the State performed mostly by the Environmental Protection Agency, the Department of Commerce and Economic Opportunity, the Department of Natural Resources, the Department of Financial and Professional Regulation, and the Department of Labor.

The following charts display revenues and expenses of the State for governmental activities during the fiscal year:





The State's governmental activities revenues increased $624 million (1.3%) during fiscal year 2008 with the largest revenue increases consisting of $1.076 billion in income tax revenue and $301 million in sales tax revenues. In addition, hospital assessment taxes decreased $734 million. The decrease in hospital assessment taxes was related to the State recognizing both the fiscal year 2006 and fiscal year 2007 years of taxes in fiscal year 2007 due to the timing of the approval by the federal government of the State's hospital assessment program.

The State's governmental activities expenses increased $2.113 billion (4.1%) during fiscal year 2008. The allocation of the State's other postemployment benefit obligation for the first time to the various expense functions of $1.238 billion caused the majority of the increase in governmental expenses reported.

Business-type Activities:

Net assets of business-type activities increased $13 million during the fiscal year 2008. A decrease in unemployment tax revenue of $395 million, an increase in unemployment benefit expenses of $196 million, a decrease in investment income related to the Prepaid Tuition Fund assets of $203 million, and a decrease in investment income related to the Designated Account Purchase Program assets of $117 million when compared to the prior fiscal year were offset by a decrease in expenses associated with the Designated Account Purchase Program of $203 million in comparison to the prior fiscal year which recognized a $782 million increase in net assets. The decrease in revenues and expenses associated with the Designated Account Purchase Program is due to the State selling a substantial portion of student loans towards the end of fiscal year 2007 and the beginning of fiscal year 2008.

FINANCIAL ANALYSIS OF THE STATE'S MAJOR GOVERNMENTAL FUNDS

General Fund

The General Fund accounts for resources obtained and used for those services traditionally provided by the State which are not required to be accounted for in another fund. Accordingly, the majority of the State's tax revenues and program support expenses are accounted for in the General Fund. For financial reporting purposes, the General Fund consists of several accounts of the State which are described on page 151. For budgetary purposes the General Funds consist of the General Revenue, Special Account, Education Assistance and Common School Accounts.

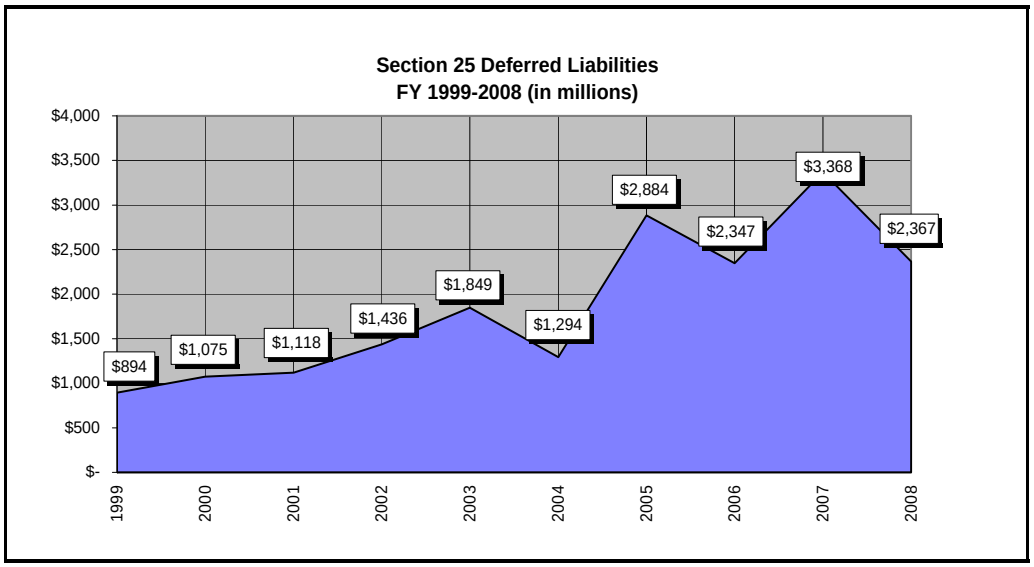
The State's General Funds' budgetary fund balance ended fiscal year 2008 with a deficit for the seventh consecutive year. At June 30, 2008, the General Funds' budgetary fund balance was a deficit of $834.491 million compared to a $134.848 million deficit recorded at June 30, 2007. The original budget projected a $4.036 billion deficit at the end of the fiscal year. The final budget projected a $1.644 billion deficit. The majority of the difference between the General Funds' original budget and the final budget is a result of $2.400 billion in short-term borrowings which were not originally budgeted.

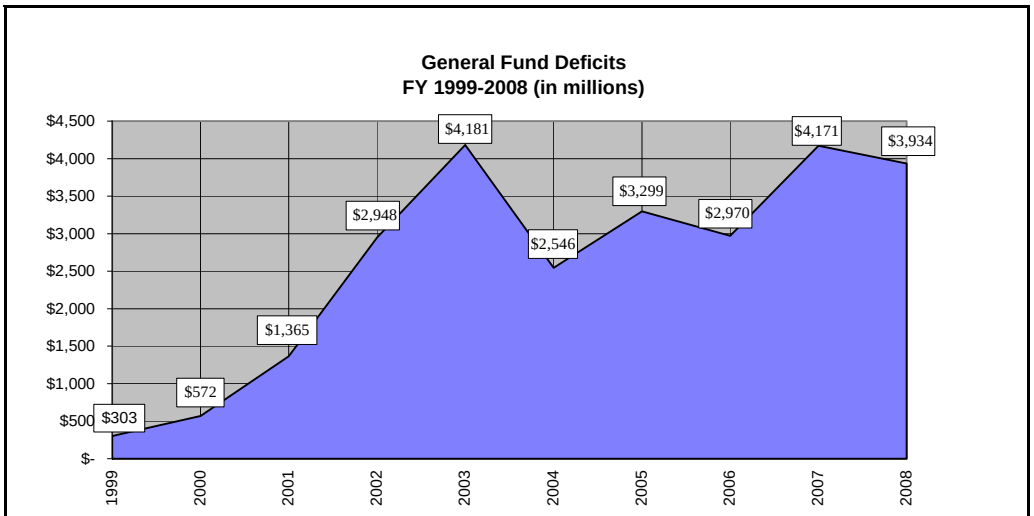
The majority of the $809 million increase in the General Funds' budgetary balance between the final budget and the actual results was due to $488 million more in actual revenues than budgeted revenues and $321 million less in actual expenditures than budget expenditures. Actual income tax revenue was $928 million more than budgeted with actual sales taxes and federal government revenues being $362 and 314 million, respectively, less than budgeted. Health and social services expenditures and education expenditures were $95 and 88 million, respectively, less than budgeted.

The General Fund's assets at June 30, 2008, were $3.881 billion, which is a decrease of $1.784 billion from the June 30, 2007, balance of $5.665 billion. Cash decreased $508 million, taxes receivable decreased $810 million, and intergovernmental receivables decreased $494 million from June 30, 2007. The decrease in cash was partially a result of anticipated expenditures and transfers-out being greater than revenues and transfers-in. The decrease in taxes receivable and intergovernmental receivable was related to the prior year having hospital assessments not yet received and federal government claims for access improvement payments against the State's Medicaid program not yet reimbursed at the end of the fiscal year related to the State's hospital assessment program for fiscal year 2007.

The General Fund's liabilities at June 30, 2008, were $7.815 billion, which is a decrease of $2.021 billion from the June 30, 2007, balance of $9.836 billion. The factors that determine a significant portion of the General Fund liabilities are the accrued liabilities payable from future year's appropriations. One of the largest components of those liabilities is Section 25 of the State Finance Act (Section 25) deferrals which consist mostly of Medicaid program liabilities. These statutory deferrals allow expenses incurred during one fiscal year to be paid for from the subsequent fiscal year's budget in limited situations. Section 25 deferrals decreased $1.001 billion from $3.368 billion at June 30, 2007 to $2.367 billion at June 30, 2008. This decrease in fiscal year 2008 is a result of increased appropriations in fiscal year 2008 for payment of prior year Medicaid program liabilities and the recognition of the access improvement payments to hospitals. After falling substantially from 1995 through 1997, Section 25 deferrals increased for six consecutive fiscal years $752 million at June 30, 1998, to $1.849 billion at June 30, 2003. If a short-term borrowing immediately preceding the end of fiscal year 2004 to pay potential Section 25 deferred liabilities had not occurred, fiscal year 2006 would have been the first year Section 25 deferred liabilities decreased since fiscal year 1997. In addition to the decrease in Section 25 liabilities, unavailable revenue not expected to be received during the State's sixty day revenue recognition period under modified accrual accounting from hospital assessments and federal government reimbursements decreased $1.333 billion from June 30, 2007.

During fiscal year 2008, the General Fund's fund balance increased from a deficit of $4.171 billion to a deficit of $3.934 billion, a $237 million increase. The current year increase in the fund balance was a result of a $2.599 billion increase in revenues, a $620 million increase in expenditures, a $536 million decrease in net other sources (uses) of financial resources, and a $4 million decrease in inventory balances in comparison to fiscal year 2007 which had a decrease in fund balance of $1.202 billion.





Notes:

* Fiscal year 2007 was restated for an overstatement of tax revenues. Comparable information is not available for years prior to fiscal year 2007.

* Fiscal year 2006 was restated for an understatement of education expenses.

* Fiscal years 2006 and 2005 were restated for a reclassification of the Workers' Compensation Revolving Fund from a subaccount of the General Fund to an internal service fund.

* Fiscal years 2003 through 2006 were restated for an overstatement of sales tax and public utility tax revenues.

* Fiscal year 2002 was restated for an overstatement of health insurance costs, an understatement of refund recoveries, an understatement of tax revenues, and an overstatement of federal grant revenues. Comparable information for the understatement of tax revenues is not available for years prior to fiscal year 2002.

* Fiscal year 2001 was restated for an overstatement of income tax revenue and a reduction of expenditures due to the implementation of GASB Interpretation No. 6. Comparative information for the effect of the implementation of GASB Interpretation No. 6 is not available for previous fiscal years. In addition, for years prior to fiscal year 2000, comparative information for revenues, which were restated due to the implementation of GASB Statement No. 33 in fiscal year 2001, and the corresponding effect on the General Fund deficit, is not available.

During fiscal year 2008, General Fund revenues increased $2.599 billion to $33.244 billion for fiscal year 2008. Increases in income tax and hospital assessment taxes of $1.226 billion and $733 million, respectively were the largest increases in revenues. General Fund expenditures increased $620 million to $31.247 billion in fiscal year 2008 due mainly to increased spending on education programs of $683 million.

Road Fund

The Road Fund incurred an $87 million decrease in the current year and has a $255 million fund balance. The State expended $157 million less and recognized $310 million more in revenue than the prior year activity which had a $504 million decrease.

State Construction Account

The State Construction Account's fund balance increased $141 million in fiscal year 2008 to an ending fund balance of $440 million. Appropriated expenditures for construction projects continue to be less than the resources of the fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At June 30, 2008, the State had $18.456 billion in capital assets, net of accumulated depreciation, in the following categories:

Capital Assets as of June 30
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land improvements	$ 2,664	$ 2,613			$ 2,664	$ 2,613
Site improvements	381	377			381	377
Buildings and building improvements	2,290	2,314	$ 1	$ 1	2,291	2,315
Equipment	232	224	2	2	234	226
Infrastructure	12,817	12,757			12,817	12,757
Other	38	38			38	38
Subtotal	18,422	18,323	3	3	18,425	18,326
Construction in progress	31	66			31	66
Total	$ 18,453	$ 18,389	$ 3	$ 3	$ 18,456	$ 18,392

Infrastructure assets consist of 69% of the State's net capital assets and comprise $1.037 billion of the $1.255 billion (83%) of the current year additions to capital assets. The State capitalizes and depreciates its roads and road improvements over a twenty year period and its bridges over a forty year period. More detailed information regarding the State's capital assets is presented in Note 7 of the financial statements on page 83.

Debt Administration:

Bonded Indebtedness

The State, certain State agencies and component units of the State are empowered by law to authorize, issue, and sell debt obligations. General obligation bonds, issued by the State, are backed by the full faith and credit of the State and are considered a direct debt of the State. Special obligation bonds are also considered direct debt of the State but are not backed by the full faith and credit of the State. Rather, special obligation bonds are supported and repaid only by a dedicated State revenue source. Revenue bonds are not backed by the full faith and credit of the State but are backed by a specific revenue stream. Some revenue bonds can be considered moral obligation debt which means that if resources from the specified revenue stream are insufficient to support the debt service, the State is then obligated. Also, some revenue bonds are classified as indirect debt which means that the asset is the property of a local government but part of the payment of the debt service comes from State resources. Lastly, some revenue bonds can be considered conduit debt which implies no obligation for the State. More detailed information regarding the State's long-term debt obligations is presented in Notes 9, 10 and 11 to the financial statements beginning on page 92.

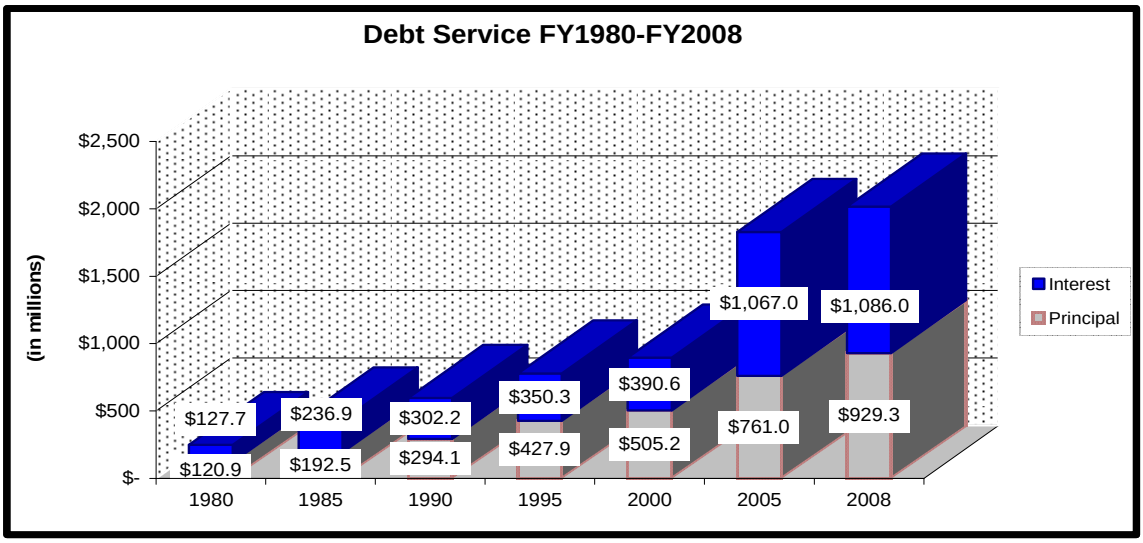
Outstanding Bonded Debt as of June 30
(in millions of dollars)

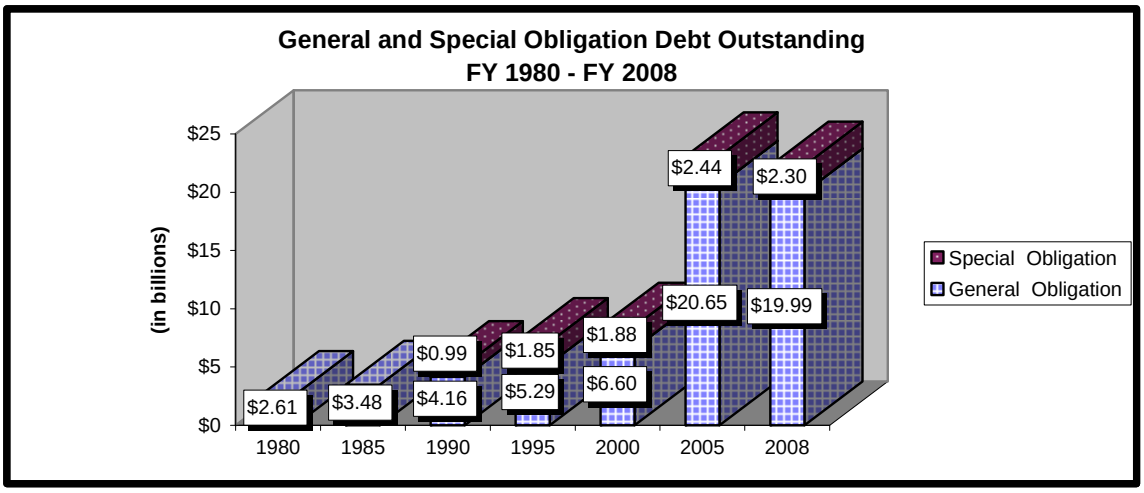
Primary Government	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds (backed by the State)	$ 19,991	$ 20,581			$ 19,991	$ 20,581
Special obligation bonds (backed by specific fee revenue)	2,301	2,399			2,301	2,399
Revenue bonds (backed by specific tax and fee revenue)			$ 884	$ 3,713	884	3,713
	$ 22,292	$ 22,980	$ 884	$ 3,713	$ 23,176	$ 26,693

As shown above, Illinois had outstanding general and special obligation bonds at June 30, 2008 totaling $22.3 billion. The decrease was the second straight fiscal year Illinois has paid more in debt principal than it has received in debt proceeds. Bonds have been issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction and conservation purposes, and for maintenance and construction of highway and waterway facilities. Bonds also have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal and alternative energy sources. In addition, bonds have been issued to make pension contributions to the State's retirement systems in prior fiscal years and to fund a portion of the State's unfunded portion of prior year's retirement liabilities. The outstanding amount of $9.95 billion for pension purposes, issued in 2003, is included in the outstanding general obligation bonds as of June 30, 2008.

General and special obligation bonds, excluding refunding bonds, aggregating $125 million and $50 million, respectively, were issued during fiscal year 2008 at interest rates ranging from 4.0% to 5.0%. Debt service principal of $929.3 million and interest costs of $1.086 billion were paid

and charged, respectively, in fiscal year 2008. The dramatic increase in debt service payments and outstanding debt since fiscal year 1980 is displayed in the following charts:





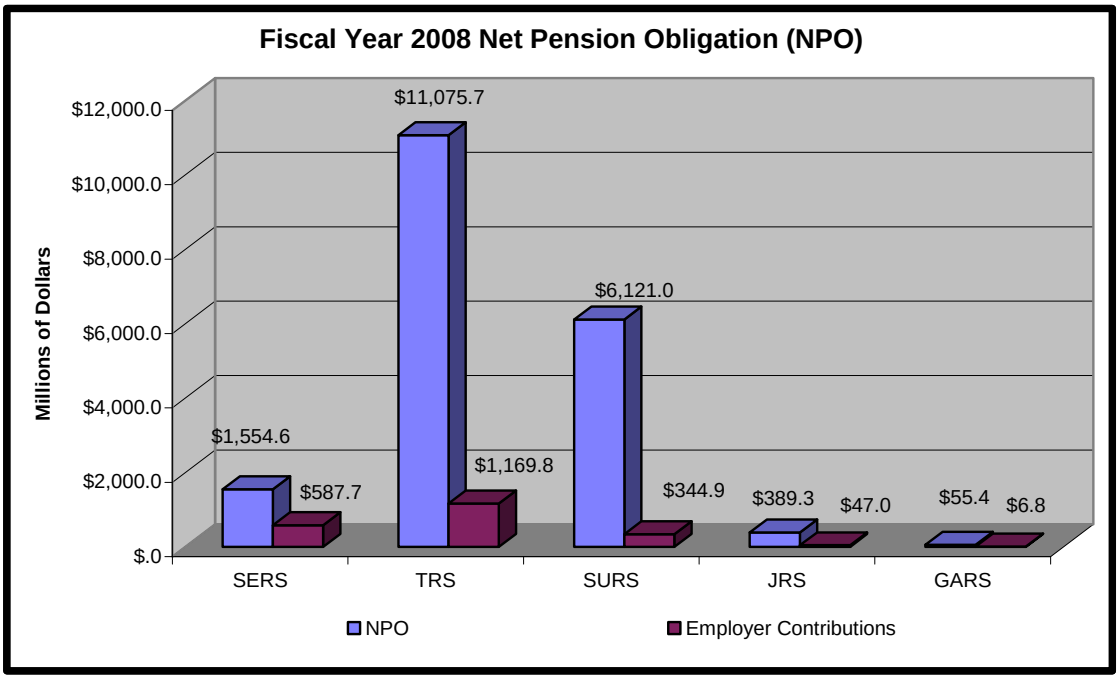
In addition to general and special obligation bonds, the primary government had $884 million of revenue bonds and $3.5 billion of non-pension long-term obligations outstanding as of June 30, 2008.

Moody's Investors Services, Standard and Poor's, and Fitch Ratings general obligation and special obligation-Build Illinois bond ratings did not change during fiscal year 2008. The State's bond rating from Moody's Investors Services remained at Aa3 on general obligation and special obligation-Build Illinois bonds. The State's bond rating from Moody's Investors Services for special obligation-Civic Center bonds of A1 has remained unchanged since the last issuance in fiscal year 2000. Standard and Poor's rating of AA for general obligation bonds and AAA for special obligation-Build Illinois bonds remained unchanged from fiscal year 2007. The State's bond rating of AA from Fitch Ratings remained unchanged from fiscal year 2007. However, since June 30, 2008, Moody's Investors Services lowered the State's general obligation bond rating to A1 and both Standard and Poor's and Fitch Ratings downgraded the State's general obligation bond rating to AA-.

Retirement Systems

Besides general and special obligation bond indebtedness, the State's largest liability is its net pension obligation. During fiscal year 2008, this obligation increased $2.105 billion from $17.091 billion at June 30, 2007, to $19.196 billion at June 30, 2008. Of the $2.105 billion increase, $1.105 billion occurred at Teachers' Retirement System where the annual pension cost ("APC") was calculated to be $2.274 billion and employer contributions were $1.170 billion. In addition, at State Universities Retirement System the APC was calculated to be $881.5 million and employer contributions were $344.9 million while at State Employees Retirement System the APC was calculated to be $1.007 billion and employer contributions were $587.7 million.

During fiscal year 2008, all of the State systems were funded in accordance with the *statutory funding* requirement. The new law enacted in fiscal year 1996 provides for a 50-year funding plan with a 15 year phase-in and a "continuing appropriation". For fiscal years 2006 and 2007, however, the law was amended allowing for decreased contributions of only $938.4 million and $1,374.7 million, respectively, and requiring equal annual increments from fiscal year 2008 to 2010 (the end of the 15 year phase-in) to ensure the decreases have no long-term effect on contributions. The continuing appropriation provides the Comptroller's Office with the authority to automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process. However, the State's 50-year funding plan does *not* meet the more stringent 30-year maximum amortization "parameters" required to be reported in the State's financial statements in accordance with Government Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. As the statutory funding requirement allows for the 15-year phase-in and is amortized over a maximum period which is greater than the maximum period allowed by GASB, the net pension obligation has annually increased, except for fiscal year 2004 due to a general obligation bond issuance, since the implementation of GASB Statement No. 27.



ECONOMIC CONDITION AND OUTLOOK

Fiscal Year 2008

Fiscal year 2008 was a transition year for the Illinois economy, concluding five years of sustained economic growth. Other than the unemployment rate, the measures of Illinois economic activity were largely positive for the fiscal year. Illinois' non-agricultural employment (derived from survey data from Illinois companies) averaged 5.991 million workers in fiscal year 2008 an increase of 30,000 jobs or 0.5% above 2007 employment, but 54,000 jobs or 0.9% below peak employment of 6.045 million jobs in fiscal 2001. A second Illinois employment estimate, obtained through household surveys, also showed an increase in Illinois employment. According to these surveys, an average of 6.390 million Illinoisans were employed in fiscal year 2008, up 55,000 or 0.9% from the prior year employment level.

The average Illinois unemployment rate increased from 4.6% in fiscal year 2007 to 5.6% for 2008, reversing a four year trend of declining unemployment rates. The increased average unemployment was caused by a 70,000 or 23.0% increase in average unemployment from 305,000 in fiscal year 2007 to 375,000 in fiscal year 2008.

The shift in Illinois employment from the manufacturing to the service sectors continued in fiscal year 2008. Average fiscal year 2008 manufacturing employment of 673,000 jobs was down 8,000 jobs or 1.1% from fiscal year 2007 and down 234,000 jobs or 25.7% from the cyclical peak manufacturing employment of 907,000 jobs during fiscal year 1998.

A more comprehensive measure of Illinois' economic performance is the change in state personal income adjusted for inflation. This value increased 2.2% in fiscal year 2008 as a 6.0% increase in nominal personal income was offset by a 3.7% increase in the consumer price index. State personal income adjusted for inflation had increased 1.5% in fiscal year 2005, 1.2% in fiscal year 2006, and 3.7% in fiscal year 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors a general overview of the State's financial position and changes in the State's net assets for the year ended June 30, 2008. If you have any questions about this report or need additional financial information, contact the Office of the Comptroller at (217) 782-6000.

The State's component units issue separate audited financial statements and reports. These statements and reports may be obtained by directly contacting the component unit. Contact information can be obtained from the Office of the Comptroller at (217) 782-6000.

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State of Illinois

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash equity with State Treasurer	$ 5,764,894	$ 589,950	$ 6,354,844	$ 416,980
Cash and cash equivalents	212,395	26,865	239,260	761,932
Deposits held by federal government		1,906,219	1,906,219	
Investments	55,998	1,016,867	1,072,865	1,215,401
Securities lending collateral		167,529	167,529	
Receivables, net:				
Taxes	1,305,881	432,901	1,738,782	
Intergovernmental	2,304,795	82,003	2,386,798	19,805
Other	501,032	164,216	665,248	533,393
Internal balances	(73,366)	73,366	-- --	
Due from fiduciary funds	11,237	695	11,932	72
Due from component units	383,046	526	383,572	80,332
Due from primary government				234,128
Inventories	91,788	262	92,050	45,001
Prepaid expenses	35,459	251	35,710	42,266
Unamortized bond issuance costs	58,587	1,644	60,231	48,741
Loans and notes receivable, net	80,029	1,304,341	1,384,370	2,097,441
Restricted assets:				
Cash equity with State Treasurer	43,891		43,891	142,404
Cash and cash equivalents	960	58,204	59,164	1,289,754
Investments	21,150		21,150	2,556,414
Intergovernmental receivables	660		660	
Other receivables	135	31,431	31,566	6,984
Loans and notes receivable, net		1,600,487	1,600,487	61,862
Other assets	23,091	3	23,094	64,991
Capital assets not being depreciated	2,732,697	190	2,732,887	1,776,909
Capital assets being depreciated, net	15,720,063	2,793	15,722,856	7,437,963
Total assets	29,274,422	7,460,743	36,735,165	18,832,773
LIABILITIES				
Accounts payable and accrued liabilities	5,113,324	236,412	5,349,736	1,024,081
Intergovernmental payables	3,849,169	13,151	3,862,320	3,376
Due to fiduciary funds	58,898	17	58,915	3,888
Due to component units	137,129	97,093	234,222	80,332
Due to primary government				379,363
Securities lending collateral		170,776	170,776	
Unearned revenue	647,197	15,348	662,545	419,694
Assets held for others				251,714
Short-term notes payable		390,770	390,770	12,344
Other liabilities				31,361
Long-term obligations:				
Due within one year	1,115,761	60,331	1,176,092	494,795
Due subsequent to one year	42,774,754	1,941,220	44,715,974	7,781,093
Total liabilities	53,696,232	2,925,118	56,621,350	10,482,041
NET ASSETS				
Invested in capital assets, net of related debt	13,688,917	2,983	13,691,900	4,601,897
Restricted for:				
Debt service	870,068	420,458	1,290,526	342,010
Municipal lending		1,634,485	1,634,485	
Unemployment compensation benefits		2,391,158	2,391,158	
Education	2,778	87,381	90,159	
Employment and economic development	37,164		37,164	
Health and social services	20,887		20,887	
Public protection and justice	18,821		18,821	
Environment and business regulation	6,913		6,913	
Transportation	6,963		6,963	
Other purposes	12,344		12,344	62,383
Funds held as permanent investments:				
Nonexpendable purposes	1,091		1,091	1,095,176
Expendable purposes	1,248		1,248	1,445,912
Unrestricted net assets	(39,089,004)	(840)	(39,089,844)	803,354
Total net assets	$ (24,421,810)	$ 4,535,625	$ (19,886,185)	$ 8,350,732

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
Health and social services	$ 21,660,966	$ 154,884	$ 11,368,999	
Education	15,216,505	4,529	1,945,885	
General government	1,920,205	2,100,042	15,942	$ 19,038
Employment and economic development	871,604	19,714	448,436	
Transportation	4,180,099	78,574	212,611	1,253,288
Public protection and justice	3,193,938	97,923	176,766	
Environment and business regulation	920,391	344,794	118,909	2,068
Intergovernmental-revenue sharing	5,139,754			
Interest	1,137,058			
Total governmental activities	54,240,520	2,800,460	14,287,548	1,274,394
Business-type activities				
Unemployment compensation trust	1,991,147	1,998,139		
Water revolving	17,689	44,163	41,022	
Prepaid tuition program	73,559	(75,740)		
Designated account purchase program	101,174	74,913	20,829	
Lottery	1,411,951	2,062,048		
Federal student loans	192,771	25,629	185,003	
Other	148,273	136,975		
Total business-type activities	3,936,564	4,266,127	246,854	
Total primary government	$ 58,177,084	$ 7,066,587	$ 14,534,402	$ 1,274,394
Component units				
Authorities				
Illinois Housing Development Authority	$ 280,231	$ 120,729	$ 186,728	
Toll Highway Authority	607,593	608,440		
Other Authorities	208,566	137,555	5,583	$ 64
Universities				
Illinois State University	384,651	196,091	28,498	225
Northern Illinois University	477,469	238,779	63,347	2,157
Southern Illinois University	929,148	409,054	93,856	2,992
University of Illinois	4,126,548	1,913,520	815,819	2,412
Other Universities	802,005	352,857	113,108	2,745
Total component units	$ 7,816,211	$ 3,977,025	$ 1,306,939	$ 10,595
General revenues				
Taxes:				
Income taxes				
Sales taxes				
Motor fuel taxes				
Public utility taxes				
Riverboat taxes				
Hospital assessment taxes				
Other taxes				
Interest and investment income				
Other revenues				
Payments from the State of Illinois				
Additions to permanent endowments				
Special items				
Transfers				
Total general revenues, payments from the State of Illinois, additions to permanent funds and transfers				
Change in net assets				
Net assets, July 1, 2007, as restated				
Net assets, June 30, 2008				

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (10,137,083)		$ (10,137,083)	
(13,266,091)		(13,266,091)	
214,817		214,817	
(403,454)		(403,454)	
(2,635,626)		(2,635,626)	
(2,919,249)		(2,919,249)	
(454,620)		(454,620)	
(5,139,754)		(5,139,754)	
(1,137,058)		(1,137,058)	
(35,878,118)			
	$ 6,992	6,992	
	67,496	67,496	
	(149,299)	(149,299)	
	(5,432)	(5,432)	
	650,097	650,097	
	17,861	17,861	
	(11,298)	(11,298)	
	576,417		
		(35,301,701)	
			$ 27,226
			847
			(65,364)
			(159,837)
			(173,186)
			(423,246)
			(1,394,797)
			(333,295)
			(2,521,652)
13,413,993		13,413,993	
10,147,458		10,147,458	
1,405,713		1,405,713	
1,691,688		1,691,688	
696,835		696,835	
804,168		804,168	
2,134,966		2,134,966	
325,057	115,694	440,751	50,245
1,013,148	145	1,013,293	297,229
			2,236,834
			53,009
	(10,855)	(10,855)	
668,089	(668,089)	-	
32,301,115	(563,105)	31,738,010	2,637,317
(3,577,003)	13,312	(3,563,691)	115,665
(20,844,807)	4,522,313	(16,322,494)	8,235,067
$ (24,421,810)	$ 4,535,625	$ (19,886,185)	$ 8,350,732

State of Illinois

Balance Sheet - Governmental Funds

June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash equity with State Treasurer	$ 1,241,765	$ 447,872	$ 485,441	$ 3,495,243	$ 5,670,321
Cash and cash equivalents	2,312	1,963	2,113	171,446	177,834
Investments				77,148	77,148
Receivables, net:					
Taxes	913,486			392,395	1,305,881
Intergovernmental	1,426,629	174,700		694,755	2,296,084
Other	159,272	22,217	4,130	298,364	483,983
Due from other funds	56,801	57,940	35,443	403,604	553,788
Due from component units	25,176	527		346,461	372,164
Inventories	27,599	35,811		15,702	79,112
Loans and notes receivable, net	12,761			67,268	80,029
Other assets	15,000			8,091	23,091
Total assets	$ 3,880,801	$ 741,030	$ 527,127	$ 5,970,477	$ 11,119,435
LIABILITIES					
Accounts payable and accrued liabilities	$ 3,856,025	$ 186,172	$ 79,087	$ 486,694	$ 4,607,978
Intergovernmental payables	2,111,501	123,190	2,706	1,596,897	3,834,294
Due to other funds	798,157	82,168		295,101	1,175,426
Due to component units	101,730	4,640		28,285	134,655
Unavailable revenue	576,472	79,543		373,878	1,029,893
Unearned revenue	370,709	9,897	5,737	259,097	645,440
Matured portion of long-term liabilities	528				528
Total liabilities	7,815,122	485,610	87,530	3,039,952	11,428,214
FUND BALANCES (DEFICITS)					
Reserved for:					
Encumbrances	26,939	5,262		13,484	45,685
Long-term portion of:					
Loans and notes receivable	12,597			60,433	73,030
Due from State of Illinois component units				345,734	345,734
Inventories	27,599	35,811		15,702	79,112
Other purposes				11,939	11,939
Unreserved:					
Designated for reappropriated accounts, reported in:					
Special revenue funds		214,347	439,597	35,118	689,062
Capital projects funds				47,116	47,116
Undesignated:					
General fund	(4,001,456)				(4,001,456)
Special revenue funds				1,550,004	1,550,004
Debt service funds				850,615	850,615
Capital projects funds				(868)	(868)
Permanent funds				1,248	1,248
Total fund balances (deficits)	(3,934,321)	255,420	439,597	2,930,525	(308,779)
Total liabilities and fund balances (deficits)	$ 3,880,801	$ 741,030	$ 527,127	$ 5,970,477	$ 11,119,435

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

Total fund balances-governmental funds		$ (308,779)
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities, not including amounts included as assets in internal service funds of $290,350, are not financial resources and therefore are not reported in the funds.		18,162,410
Prepaid expenses for governmental activities are current uses of financial resources for funds.		34,959
Bond issuance costs are reported as current expenditures in governmental funds. However, bond issuance costs are deferred and amortized over the life of the bonds and are included as governmental activities in the Statement of Net Assets.		58,587
Bond refunding costs are reported as current expenditures in governmental funds. However, bond refunding costs are deferred and amortized over the life of the defeased bonds and are included in governmental activities in the Statement of Net Assets.		51,888
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.		374,073
Some revenues will be collected after year-end but are "unavailable" to pay for the current period's expenditures due to not being collectible for several months and therefore are deferred in governmental funds.		1,029,893
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities, not including amounts included as liabilities in internal service funds of $284,312, consist of:		
Net pension obligation	$ (19,196,055)	
Net other postemployment benefit obligation	(1,238,131)	
General obligation bonds	(19,991,290)	
Special obligation bonds	(2,301,228)	
Unamortized premiums	(380,773)	
Unamortized discounts	2,204	
Other commitments	(39,895)	
Compensated absences	(428,367)	
Certificates of participation	(57,275)	
Auto liability	(11,678)	
Capital leases	(9,340)	
Installment purchases	(5,735)	
Accrued interest	(167,278)	
		(43,824,841)
Net assets of governmental activities		$ (24,421,810)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	State Construction Account	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Income taxes	$ 12,259,811			$ 1,286,214	$ 13,546,025
Sales taxes	7,422,997			2,719,101	10,142,098
Motor fuel taxes				1,410,656	1,410,656
Public utility taxes	1,197,551			498,084	1,695,635
Riverboat taxes				696,835	696,835
Hospital assessment taxes	1,538,237				1,538,237
Other taxes	1,717,689			383,224	2,100,913
Federal government	7,425,177	$ 1,277,921		6,420,266	15,123,364
Licenses and fees	275,658	848,599	$ 490,660	523,855	2,138,772
Interest and other investment income	209,311	18,057	13,119	78,300	318,787
Other	1,197,166	115,686		873,739	2,186,591
Total revenues	33,243,597	2,260,263	503,779	14,890,274	50,897,913
EXPENDITURES					
Current:					
Health and social services	16,957,590			4,227,861	21,185,451
Education	10,838,705			2,416,823	13,255,528
General government	812,919	155,996		320,390	1,289,305
Employment and economic development	167,940			643,701	811,641
Transportation	119,858	1,513,626	86,779	1,291,508	3,011,771
Public protection and justice	2,200,386	134,474		358,729	2,693,589
Environment and business regulation	138,237			653,801	792,038
Debt service:					
Principal	2,025	15		935,074	937,114
Interest	1,089	1		1,099,349	1,100,439
Capital outlays	8,174	594,828	515,670	119,725	1,238,397
Intergovernmental				5,139,754	5,139,754
Total expenditures	31,246,923	2,398,940	602,449	17,206,715	51,455,027
Excess (deficiency) of revenues over (under) expenditures	1,996,674	(138,677)	(98,670)	(2,316,441)	(557,114)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
General and special obligation bonds issued				175,000	175,000
Premiums on general obligation bonds issued				6,724	6,724
Transfers-in	3,983,439	328,595	240,052	7,331,899	11,883,985
Transfers-out	(5,740,781)	(273,021)		(5,200,882)	(11,214,684)
Capital lease financing	1,229	5		391	1,625
Net other sources (uses) of financial resources	(1,756,113)	55,579	240,052	2,313,132	852,650
Net change in fund balances	240,561	(83,098)	141,382	(3,309)	295,536
Fund balances (deficits), July 1, 2007, as restated	(4,171,126)	342,609	298,215	2,945,321	(584,981)
Increase (decrease) for changes in inventories	(3,756)	(4,091)		(11,487)	(19,334)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (3,934,321)	$ 255,420	$ 439,597	$ 2,930,525	$ (308,779)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Net change in fund balances		$ 295,536
Change in inventories		(19,334)
		276,202
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,238,397	
Depreciation expense	(1,143,766)	
Excess of capital outlay over depreciation expense		94,631
During the fiscal year, certain capital assets were transferred into internal service funds and included in the net revenue amount for internal service funds below.		(6,684)
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, losses from the sale of capital assets are also reported. This is the book value of capital assets which were sold or scrapped during the year.		(14,420)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, bond proceeds for the year were this amount, including a premium of $6,724.		(181,724)
Bond issuance costs are reported as current expenditures in governmental funds. However, deferred issuance costs are amortized over the life of the bonds and are included in the governmental activities in the Statement of Net Assets.		858
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond principal retirements	$ 929,260	
Capital lease and installment purchase principal payments	3,214	
Certificates of participation principal retirements	4,640	
Total long-term debt repayment		937,114
Some capital additions were financed through capital leases or installment purchases. In governmental funds, a capital lease or installment purchase arrangement is considered a source of financing, but in the Statement of Net Assets the obligation is reported as a liability.		(1,625)
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		10,206
Because some revenues will not be collected for several months, they are considered "unavailable" revenues and revenue recognition is deferred in the governmental funds. Unavailable revenues decreased by this amount during the year.		(1,313,549)
Prepaid expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Prepaid expenses increased by this amount during the year.		21,364
Governmental funds report the effect of premiums, discounts and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization of bond premiums	$ 45,691	
Amortization of bond discounts	(121)	
Amortization of bond issuance costs	(4,821)	
Amortization of deferred loss on refundings of debt	(11,814)	
Total reduction in expenditures for refundings of debt		28,935
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Also some expenditures reported in governmental funds decrease the amount of certain long-term liabilities reported on the Statement of Net Assets and are therefore not reported as expenses in the Statement of Activities.		
Increase in net pension obligation	$ (2,105,358)	
Increase in net other postemployment benefit obligation	(1,238,131)	
Increase in compensated absences obligation	(10,516)	
Interest accreted on capital appreciation debt	(66,960)	
Increase in auto liability obligation	(3,214)	
Increase in accrued interest on obligations	(1,168)	
Increase in other obligations	(2,964)	
Total additional expenses		(3,428,311)
Change in net assets of governmental activities		$ (3,577,003)

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Net Assets - Proprietary Funds

June 30, 2008 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds						
	Major						
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
ASSETS							
Cash equity with State Treasurer		$ 421,387	$ 3,987	$ 17	$ 164,559	$ 589,950	$ 138,464
Cash and cash equivalents	$ 449	9,446	2,011	6,031	8,928	26,865	35,521
Deposits held by federal government	1,906,219					1,906,219	
Investments				60	20,918	20,978	
Securities lending collateral			167,529			167,529	
Receivables, net:							
Taxes	432,901					432,901	
Intergovernmental	30,886	17,363			33,754	82,003	9,371
Other	123,446	14,599	31		26,140	164,216	17,184
Due from other funds	4,645			1,149	79,823	85,617	518,849
Due from component units	173	353				526	10,882
Loans and notes receivable, net		109,224				109,224	
Restricted assets:							
Cash and cash equivalents				58,204		58,204	
Other receivables, net		1,494		29,937		31,431	
Loans and notes receivable, net		31,122		254,269		285,391	
Unamortized bond issuance costs		129		23		152	
Inventories					262	262	12,676
Prepaid expenses					251	251	500
Other assets				3		3	
Total current assets	2,498,719	605,117	173,558	349,693	334,635	3,961,722	743,447
Investments			987,590		8,299	995,889	
Loans and notes receivable, net		1,195,117				1,195,117	
Restricted loans and notes receivable, net		340,535		974,561		1,315,096	
Unamortized bond issuance costs		651		841		1,492	
Capital assets not being depreciated					190	190	38,369
Capital assets being depreciated, net		183		17	2,593	2,793	251,981
Total noncurrent assets		1,536,486	987,590	975,419	11,082	3,510,577	290,350
Total assets	2,498,719	2,141,603	1,161,148	1,325,112	345,717	7,472,299	1,033,797
LIABILITIES							
Accounts payable and accrued liabilities	96,813	188	860	2,970	135,581	236,412	338,068
Intergovernmental payables	6,423				6,728	13,151	14,875
Due to other funds	4,325	248	4	1	6,995	11,573	18,238
Due to component units		97,056			37	97,093	2,474
Securities lending collateral			170,776			170,776	
Unearned revenue					15,348	15,348	1,757
Short-term note payable				390,770		390,770	
Current portion of long-term obligations		142	50,008	61	10,120	60,331	117,867
Total current liabilities	107,561	97,634	221,648	393,802	174,809	995,454	493,279
Noncurrent portion of long-term obligations		1,170	1,052,477	879,991	7,582	1,941,220	166,445
Total liabilities	107,561	98,804	1,274,125	1,273,793	182,391	2,936,674	659,724
NET ASSETS							
Invested in capital assets, net of related debt		183		17	2,783	2,983	250,371
Net assets restricted for:							
Debt service		373,151		47,307		420,458	3,594
Municipal lending		1,634,485				1,634,485	
Unemployment compensation benefits	2,391,158					2,391,158	
Education					87,381	87,381	
Unrestricted		34,980	(112,977)	3,995	73,162	(840)	120,108
Total net assets	$ 2,391,158	$ 2,042,799	$ (112,977)	$ 51,319	$ 163,326	$ 4,535,625	$ 374,073

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds						
	Major						
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES							
Charges for sales and services			$ 2,396		$ 2,219,820	$ 2,222,216	$ 2,503,414
Interest income pledged as revenue bond security				$ 74,913		74,913	
Interest and other investment income		$ 44,163	(78,136)		54	(33,919)	
Employer contributions	$ 1,971,147					1,971,147	
Other	26,992				4,778	31,770	2,265
Total operating revenues	1,998,139	44,163	(75,740)	74,913	2,224,652	4,266,127	2,505,679
OPERATING EXPENSES							
Cost of sales and services					377,884	377,884	511,515
Benefit payments and refunds	1,991,147				64,140	2,055,287	1,921,352
Prizes and claims					1,199,026	1,199,026	
Interest				70,675		70,675	2,493
General and administrative		13,626	4,714	30,472	100,023	148,835	56,497
Depreciation		2		27	546	575	31,954
Other			68,845		11,343	80,188	13,505
Total operating expenses	1,991,147	13,628	73,559	101,174	1,752,962	3,932,470	2,537,316
Operating income (loss)	6,992	30,535	(149,299)	(26,261)	471,690	333,657	(31,637)
NONOPERATING REVENUES (EXPENSES)							
Interest and investment income	88,650	19,013			8,031	115,694	6,210
Other revenues					145	145	
Interest expense		(3,972)				(3,972)	(2,247)
Federal government		41,022		20,829	185,003	246,854	32,461
Other expenses		(89)			(33)	(122)	(53)
Income (loss) before special items and transfers	95,642	86,509	(149,299)	(5,432)	664,836	692,256	4,734
Special items				(10,855)		(10,855)	
Contributions of capital assets							6,880
Transfers-in	1,549			681	41,204	43,434	
Transfers-out	(15,415)			(2,500)	(693,608)	(711,523)	(1,408)
Change in net assets	81,776	86,509	(149,299)	(18,106)	12,432	13,312	10,206
Net assets, July 1, 2007, as restated	2,309,382	1,956,290	36,322	69,425	150,894	4,522,313	363,867
NET ASSETS, JUNE 30, 2008	$ 2,391,158	$ 2,042,799	$ (112,977)	$ 51,319	$ 163,326	$ 4,535,625	$ 374,073

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds						
	Major						
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from sales and services			$ 2,395		$ 240,318	$ 242,713	$ 384,489
Cash received from lottery sales (net of $887,785 cash prizes paid by agents and $100,871 commissions retained by agents)					1,046,496	1,046,496	
Cash received from transactions with other funds							2,016,101
Cash payments to suppliers for goods and services		$ (2,387)	(4,049)	$ (19,385)	(67,679)	(93,500)	(2,190,662)
Cash payments to employees for services		(11,134)	(855)	(9,801)	(167,581)	(189,371)	(148,904)
Cash payments for lottery prizes					(301,255)	(301,255)	
Cash receipts from unemployment taxes	$ 2,072,922					2,072,922	
Cash payments for unemployment benefits	(2,009,206)					(2,009,206)	
Cash receipts from interest income on loans		76,378				76,378	
Cash receipts from prepaid tuition contract sales			125,671			125,671	
Cash payments for tuition			(38,423)			(38,423)	
Cash payments for tuition contract refunds			(6,915)			(6,915)	
Cash receipts from student loan principal				163,126		163,126	
Cash receipts from student loan interest				38,284		38,284	
Cash receipts from sale of student loans				2,644,815		2,644,815	
Cash payments for student loans issued				(232)		(232)	
Cash payments for expenses related to sale of student loans				(463,787)		(463,787)	
Cash payments for workers compensation							(111,867)
Cash receipts from other operating activities					5,848	5,848	36,841
Cash payments for other operating activities					(299,407)	(299,407)	
Net cash provided (used) by operating activities	63,716	62,857	77,824	2,353,020	456,740	3,014,157	(14,002)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds from borrowings, net of bond issuance costs				688,998		688,998	
Principal paid on revenue bonds and other borrowings		(10,735)		(20,150)		(30,885)	
Principal paid on early extinguishment of debt				(3,081,048)		(3,081,048)	
Interest paid on revenue bonds and other borrowings		(3,830)		(79,297)		(83,127)	
Grants received		24,079		39,475	180,044	243,598	33,182
Transfers-in from other funds	1,549			681	68,101	70,331	
Transfers-out to other funds	(15,270)			(29,500)	(706,754)	(751,524)	(1,212)
Fees paid with early extinguishment of debt				(7,189)		(7,189)	
Net cash provided (used) by noncapital financing activities	(13,721)	9,514		(2,488,030)	(458,609)	(2,950,846)	31,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets		(83)			(625)	(708)	(15,241)
Principal paid on capital debt		(1)				(1)	(6,480)
Interest paid on capital debt							(2,312)
Net cash used by capital and related financing activities		(84)			(625)	(709)	(24,033)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of investment securities			(476,451)		(22,423)	(498,874)	
Proceeds from sales and maturities of investment securities			374,051	38,287	20,774	433,112	
Cash received from securities lending collateral transactions			170,776			170,776	
Cash invested from securites lending collateral transactions			(170,776)			(170,776)	
Cash paid to investment managers			(2,972)			(2,972)	
Loan disbursements		(164,091)				(164,091)	
Loan repayments		66,799				66,799	
Interest and dividends on investments	88,756	19,904	26,278	4,559	7,931	147,428	6,411
Net cash provided (used) by investing activities	88,756	(77,388)	(79,094)	42,846	6,282	(18,598)	6,411
Net increase (decrease) in cash and cash equivalents	138,751	(5,101)	(1,270)	(92,164)	3,788	44,004	346
Cash and cash equivalents, July 1, 2007, as restated	1,767,917	435,934	7,268	156,416	169,699	2,537,234	173,639
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 1,906,668	$ 430,833	$ 5,998	$ 64,252	$ 173,487	$ 2,581,238	$ 173,985
Reconciliation of cash and cash equivalents to the Statement of Net Assets:							
Total cash and cash equivalents per Statement of Net Assets	$ 449	$ 9,446	$ 2,011	$ 6,031	$ 8,928	$ 26,865	$ 35,521
Add: cash equity with State Treasurer		421,387	3,987	17	164,559	589,950	138,464
Add: deposits held by federal government	1,906,219					1,906,219	
Add: restricted cash equivalents				58,204		58,204	
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 1,906,668	$ 430,833	$ 5,998	$ 64,252	$ 173,487	$ 2,581,238	$ 173,985

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds						
	Major						
	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Total	Governmental Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
OPERATING INCOME (LOSS)	$ 6,992	$ 30,535	$ (149,299)	$ (26,261)	$ 471,690	$ 333,657	$ (31,637)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation		2		27	546	575	31,954
Provision for uncollectible accounts	(23,058)				396	(22,662)	80
Amortization			65,873	3,403		69,276	
Interest and investment income			81,108	(4,143)		76,965	
Interest expense				70,675		70,675	
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	65,874	32,285		53,139	2,969	154,267	2,451
(Increase) decrease in intergovernmental receivables	(1,912)				745	(1,167)	(391)
(Increase) decrease in due from other funds	(735)			(361)	130	(966)	(102,407)
(Increase) decrease in due from component units	(18)	(70)			21	(67)	(1,635)
(Increase) decrease in loans and notes receivable				2,270,097		2,270,097	
(Increase) decrease in inventory					27	27	(356)
(Increase) decrease in prepaid expenses					258	258	127
(Increase) decrease in other assets				13		13	
Increase (decrease) in accounts payable and accrued liabilities	14,867	(204)	(123)	(13,440)	(4,927)	(3,827)	63,877
Increase (decrease) in intergovernmental payables	1,706				(2,089)	(383)	(10,893)
Increase (decrease) in due to other funds		199	(54)	(19)	(3,109)	(2,983)	3,416
Increase (decrease) in due to component units		27			(6,617)	(6,590)	(316)
Increase (decrease) in unearned revenue					(3,074)	(3,074)	1,574
Increase (decrease) in other liabilities		83	80,319	(110)	(226)	80,066	30,154
Total adjustments	56,724	32,322	227,123	2,379,281	(14,950)	2,680,500	17,635
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 63,716	$ 62,857	$ 77,824	$ 2,353,020	$ 456,740	$ 3,014,157	$ (14,002)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Cost of capital asset acquisitions financed by capital leases		$ 6				$ 6	$ 52
Cost of installment purchases							$ 675
Loss on disposal of capital assets					$ (33)	$ (33)	$ (53)
Transfer of assets from (to) other state funds		$ (89)				$ (89)	$ 6,684
Increase (decrease) in fair value of investments			$ (104,391)	$ 51		$ (104,340)	

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash equity with State Treasurer	$ 413,061	$ 1,684	$ 1,169	$ 463,254
Cash and cash equivalents	1,173,580	5,005,376	81,655	25,001
Investments:				
Equities	30,559,664		2,709,790	
Fixed income	15,113,881	1,225,735	111	
Private equity	2,399,224			
Real estate	5,148,058			
Other	4,120,406			887,950
Equity in Illinois State Board of Investments	11,315,054			
Securities lending collateral	6,492,090			
Receivables, net:				
Taxes				142,341
Members	120,740			
Employers	26,794			
Investment income	327,771	1,512	7,220	
Intergovernmental	5,587			431
Pending investment sales	3,116,818			
Other	20,244		5	201,418
Due from other funds	52			
Due from primary government funds	26,511			32,404
Due from component units	2,953			935
Prepaid expenses	4,680			
Loans and notes receivable, net			84	
Other assets				249
Capital assets not being depreciated	1,675			
Capital assets being depreciated, net	10,532			
Total assets	80,399,375	6,234,307	2,800,034	$ 1,753,983
LIABILITIES				
Accounts payable and accrued liabilities	216,985	185	682	$ 39,837
Intergovernmental payables	1			600,120
Due to other funds	52			
Due to primary government funds	11,237	695		
Due to component units				72
Security lending collateral	6,492,090			
Payable to brokers for unsettled trades	5,496,015			
Depository and other liabilities		1,348	6,873	1,113,954
Long term obligations:				
Due within one year	44			
Due subsequent to one year	3,444			
Total liabilities	12,219,868	2,228	7,555	$ 1,753,983
NET ASSETS				
Net assets held in trust for:				
Pension and other employee benefits	68,179,507			
Pool participants		6,232,079		
Other purposes			2,792,479	
Total net assets	$ 68,179,507	$ 6,232,079	$ 2,792,479	

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Deposits/Contributions:			
Employer	$ 882,131		
State	1,452,851		
Participants			$ 1,399,821
Members:			
Employees	1,706,579		
Retirees	151,730		
Federal Medicare Part D	21,667		
Other contributions	6,942		22
Total contributions	4,221,900		1,399,843
Investment income:			
Interest and other investment income	2,401,909	$ 240,407	73,108
Net increase (decrease) in fair value of investments	(5,706,429)	18,574	(287,137)
Reimbursements of expenses not separable from investment income	3,083		
Less investment expense	(436,209)	(5,084)	
Net investment income	(3,737,646)	253,897	(214,029)
Capital share and individual account transactions:			
Shares sold		10,102,322	
Reinvested distributions		195,978	
Shares redeemed		(10,136,181)	
Net capital share and individual account transactions		162,119	
Total additions	484,254	416,016	1,185,814
DEDUCTIONS			
Benefit payments	6,582,920		
Refunds	133,069		
Payments in accordance with trust agreements			910,879
Distribution to pool investors		195,978	
Depreciation	1,470		
General and administration	44,254		9,643
Total deductions	6,761,713	195,978	920,522
Net additions (deductions)	(6,277,459)	220,038	265,292
Net Assets, July 1, 2007	74,456,966	6,012,041	2,527,187
Net Assets, June 30, 2008	$ 68,179,507	$ 6,232,079	$ 2,792,479

The accompanying notes to the financial statements are an integral part of this statement.

State of Illinois

Statement of Net Assets
Component Units
June 30, 2008 (Expressed in Thousands)

	Illinois Housing Development Authority	Toll Highway Authority	Other Authorities	Illinois State University	Northern Illinois University
ASSETS					
Cash equity with State Treasurer	$ 293	$ 416,687			
Cash and cash equivalents	11,538	32,612	$ 89,042	$ 34,150	$ 23,251
Investments	141,875		12,848	125,241	138,441
Receivables, net:					
Intergovernmental		11,331	238		
Other	9,323	53,962	8,536	12,263	21,005
Due from component units			80,081	10	108
Due from primary government			97,169	976	474
Inventories			4	2,746	3,209
Prepaid expenses		9,801	247	2,046	34
Unamortized bond issuance costs	17,060	10,617	1,413	2,255	2,384
Loans and notes receivable, net	1,946,458		33,166	10,142	10,223
Restricted assets:					
Cash equity with State Treasurer		108,865	33,539		
Cash and cash equivalents		868,184	17,168	65,959	
Investments	630,939	140,089	133,073	57,022	
Other receivables, net		3,931	3,053		
Loans and notes receivable, net			61,862		
Other assets	6,765			1,412	9
Capital assets not being depreciated		943,008	41,951	56,504	45,338
Capital assets being depreciated, net	29,158	3,014,216	15,704	255,153	289,928
Total assets	2,793,409	5,613,303	629,094	625,879	534,404
LIABILITIES					
Accounts payable and accrued liabilities	89,928	319,934	11,037	17,327	27,133
Intergovernmental payables					
Due to component units			24,202	13	22,516
Due to primary government	345,734		1,527	311	406
Unearned revenue	1,522	152,138	19,871	7,381	16,127
Assets held for others	168,834			10,006	8,765
Short-term notes payable			2,593		
Other liabilities			25,396		
Long-term obligations:					
Due within one year	105,850	68,019	25,758	7,077	10,870
Due subsequent to one year	1,539,546	3,063,487	334,281	145,448	165,027
Total liabilities	2,251,414	3,603,578	444,665	187,563	250,844
NET ASSETS					
Invested in capital assets, net of related debt	(8,726)	1,503,127	28,890	242,599	161,529
Restricted for:					
Debt service		287,974	3,109		
Nonexpendable purposes			97	57,443	36,876
Other expendable purposes	466,109	385		35,332	21,386
Other purposes			62,383		
Unrestricted	84,612	218,239	89,950	102,942	63,769
Total net assets	$ 541,995	$ 2,009,725	$ 184,429	$ 438,316	$ 283,560

The accompanying notes to the financial statements are an integral part of this statement.

Southern Illinois University	University of Illinois	Other Universities	Total
			$ 416,980
$ 132,467	$ 329,506	$ 109,366	761,932
275,991	496,185	24,820	1,215,401
		8,236	19,805
63,673	319,902	44,729	533,393
120	3	10	80,332
9,201	123,037	3,343	234,200
6,586	28,808	3,648	45,001
583	28,424	1,131	42,266
4,191	8,272	2,549	48,741
19,561	62,794	15,097	2,097,441
			142,404
9	293,115	45,319	1,289,754
	1,506,795	88,496	2,556,414
			6,984
			61,862
14,747	41,330	728	64,991
92,482	479,446	118,180	1,776,909
518,249	2,770,262	545,293	7,437,963
1,137,860	6,487,879	1,010,945	18,832,773
50,495	446,484	61,743	1,024,081
		3,376	3,376
	33,581	20	80,332
82	34,951	240	383,251
49,259	156,636	16,760	419,694
20,930	35,647	7,532	251,714
1,100	7,214	1,437	12,344
		5,965	31,361
28,901	225,457	22,863	494,795
330,152	1,976,770	226,382	7,781,093
480,919	2,916,740	346,318	10,482,041
346,574	1,824,861	503,043	4,601,897
20,114	23,028	7,785	342,010
85,828	854,249	60,683	1,095,176
116,218	749,044	57,438	1,445,912
			62,383
88,207	119,957	35,678	803,354
$ 656,941	$ 3,571,139	$ 664,627	$ 8,350,732

Statement of Activities
Component Units
For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program revenues: Charges for service	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue
Authorities:					
Illinois Housing Development Authority	$ 280,231	$ 120,729	$ 186,728		$ 27,226
Toll Highway Authority	607,593	608,440			847
Other authorities	208,566	137,555	5,583	$ 64	(65,364)
Universities:					
Illinois State University	384,651	196,091	28,498	225	(159,837)
Northern Illinois University	477,469	238,779	63,347	2,157	(173,186)
Southern Illinois University	929,148	409,054	93,856	2,992	(423,246)
University of Illinois	4,126,548	1,913,520	815,819	2,412	(1,394,797)
Other universities	802,005	352,857	113,108	2,745	(333,295)
Total	$ 7,816,211	$ 3,977,025	$ 1,306,939	$ 10,595	$ (2,521,652)

The accompanying notes to the financial statements are an integral part of this statement.

General revenues						
State appropriations	Interest and investment income	Other	Additions to permanent endowments	Change in net assets	Net assets, July 1, 2007, as restated	Net assets, June 30, 2008
	$ 3,871			$ 31,097	$ 510,898	$ 541,995
	75,242			76,089	1,933,636	2,009,725
$ 32,979	13,259	$ 22,609	$ 27	3,510	180,919	184,429
147,128	6,225	39,199	3,335	36,050	402,266	438,316
169,956	3,237	390	2,693	3,090	280,470	283,560
363,622	3,538	82,243	2,734	28,891	628,050	656,941
1,174,223	(59,899)	149,744	37,362	(93,367)	3,664,506	3,571,139
348,926	4,772	3,044	6,858	30,305	634,322	664,627
$ 2,236,834	$ 50,245	$ 297,229	$ 53,009	$ 115,665	$ 8,235,067	$ 8,350,732

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STATE OF ILLINOIS
Notes to the Financial Statements
June 30, 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the State of Illinois have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB").

B. Financial Reporting Entity

The State of Illinois is a "primary government" whose financial statements consist of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The financial statements include all funds, elected offices, departments, and agencies as well as boards, commissions, authorities, and universities for which the State's elected officials are financially accountable. Financial accountability exists when the State's governing body appoints a majority of an organization's governing board and (1) the State can impose its will upon the organization or (2) there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the State.

The State's governing body consists of the legislative, executive, and judicial branches of government. The legislative function is controlled by an elected General Assembly composed of a 59-member Senate and a 118-member House of Representatives. The executive branch consists of the Governor (the chief executive of the State), the Lieutenant Governor, the Attorney General, the Secretary of State, the Comptroller, and the Treasurer. The judicial branch is composed of a seven-member Supreme Court, five Appellate court districts, and twenty-two Circuit Court judicial districts including Cook County.

The financial statements distinguish between the "primary government" and its "component units." The State's participation in a joint venture, related organizations, and jointly governed organizations is separately disclosed below. The primary government, which consists of organizations that make up the State's legal entity, is the nucleus of the State's reporting entity. Component units are legally separate organizations for which the State is financially accountable. The State provided over $2.2 billion in direct unrestricted expenditures to the State's component units including restricted grants, employee health insurance, employee retirement contributions, and construction project management during the fiscal year. Complete financial statements of the individual component units can be obtained from the respective component unit's administrative offices (as listed in parentheses below).

Fiduciary Component Units

The State has two fiduciary component units that administer pension (and other employee benefit) trust funds. These entities are legally separate from the State and meet the definition of a component unit because they are fiscally dependent on the State; however, due to their fiduciary nature they are presented in the Fiduciary Fund Statements as pension (and other employee benefit) trust funds along with other primary government fiduciary funds.

1. *Teachers' Retirement System ("TRS").* TRS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to TRS.

2. *State Universities Retirement System ("SURS").* SURS is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan which provides coverage to faculty and staff of State universities, community colleges, and related agencies of which most covered employees are not State employees. The State of Illinois is legally mandated to make contributions to SURS.

Blended Component Unit

The following component unit is reported, as exclusion would be misleading to the State's financial statements, as though it is a part of the primary government using the blending method since it provides services primarily to benefit the State:

1. *Office of the Special Deputy Receiver ("OSD*"). The OSD acts as agent for the State of Illinois in supervising the conservation, rehabilitation, or liquidation of insurance companies. The OSD reports on a December 31 year-end. (Administrative Office: 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654).

Discretely Presented Component Units

Discretely presented component units are reported in separate columns to emphasize that they are legally separate from the State. The discretely presented component units presented below have a voting majority of their governing bodies appointed by the State.

1. *Illinois Housing Development Authority ("IHDA").* The IHDA issues notes and bonds to make loans for the acquisition, construction, and rehabilitation of housing and to encourage home ownership. The State approves bonds and notes issued by the IHDA and is secondarily liable for its debt if there is not sufficient IHDA monies available to pay principal and interest. (Administrative Offices: 401 North Michigan Avenue, Suite 900, Chicago, Illinois 60611).

2. *Illinois State Toll Highway Authority ("THA").* The THA operates a toll highway system to promote the public welfare and to facilitate vehicular traffic by providing convenient, safe, modern, and limited access highways within Illinois. The State substantially approves the THA's budget. The THA reports on a December 31 year-end. (Administrative Offices: 2700 Ogden Avenue, Downers Grove, Illinois 60515).

3. *Illinois Literacy Foundation ("Foundation").* The Foundation promotes literacy among the residents of the State of Illinois by supporting literacy programs and enhancing

Statewide literacy awareness. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: 431 South 4th, 1st Floor, Springfield, Illinois 62756).

4. *Illinois Grain Insurance Corporation (*"*Corporation*"). The Corporation was created for the purpose of improving the economic stability of agriculture in the State of Illinois by establishing a fund to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman. The State has the ability to remove appointed members of the Corporation's governing board at will. (Administrative Offices: State Fairgrounds, Springfield, Illinois 62794).

5. *Illinois Conservation Foundation ("Foundation").* The Foundation was created to promote, support, assist, sustain, and encourage the charitable, educational, scientific, and recreational programs, projects, and policies of the Illinois Department of Natural Resources. The State has the ability to appoint, hire, reassign, and dismiss those persons responsible for the day-to-day operations of the Foundation. (Administrative Offices: Natural Resources Road, Springfield, Illinois 62701-1787).

6. *Comprehensive Health Insurance Plan ("CHIP") Board*. The CHIP provides an alternate market for health insurance for eligible Illinois residents having a pre-existing health condition. The State substantially approves the CHIP's budget. (Administrative Offices: 400 West Monroe Street, Suite 202, Springfield, Illinois 62704).

7. *East St. Louis Financial Advisory Authority ("Authority").* The Authority was created to provide a secure financial basis for and to furnish assistance to the city of East St. Louis. The State funds certain programs of the Authority. (Administrative Offices: 10 Collinsville Avenue, East St. Louis, Illinois 62201).

8. *Illinois Finance Authority ("Authority").* The Authority was created to foster economic development to the public and private institutions that create and retain jobs and improve the quality of life in Illinois by providing access to capital. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 233 South Wacker Drive, Suite 4000, Chicago, Illinois 60606).

9. *Illinois Medical District Commission ("Commission").* The Commission was created to maintain and expand a designated "medical district." The State substantially approves the Commission's budget. (Administrative Offices: 600 South Hoyne, Chicago, Illinois 60612).

10. *Quad Cities Regional Economic Development Authority ("Authority").* The Authority promotes economic development within the counties of Rock Island, Henry, and Mercer in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1830 Second Avenue, Suite 200, Rock Island, Illinois 61201).

11. *Southwestern Illinois Development Authority ("Authority").* The Authority promotes economic development within the counties of St. Clair and Madison in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily

liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 1022 Eastport Plaza, Collinsville, Illinois 62234).

12. *Southeastern Illinois Economic Development Authority ("Authority").* The Authority promotes economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 200 Potomac Boulevard, Mt. Vernon, Illinois 62864).

13. *Upper Illinois River Valley Development Authority ("Authority").* The Authority promotes economic development within the counties of Grundy, LaSalle, Bureau, Putnam, Kendall, Kane, McHenry, and Marshall in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 321 West Main Street, Ottawa, Illinois 61350).

14. *Boards of Trustees of Chicago State University ("CSU"), Eastern Illinois University ("EIU"), Governors State University ("GSU"), Northeastern Illinois University ("NEIU"), Northern Illinois University ("NIU"), Western Illinois University ("WIU"), Illinois State University ("ISU"), Southern Illinois University ("SIU"), and University of Illinois ("U of I") ("boards").* The boards of the respective universities operate, manage, control, and maintain the schools. The State provides significant financial support to the boards of the universities. Certain universities have donor restricted endowments that are restricted as to spending by the donor which are detailed in their separately issued financial statements. The Uniform Management of Institutional Funds Act permits the boards to spend net appreciation of endowments as they determine to be prudent. (Administrative Offices:

- CSU, 9501 South King Drive, Chicago, Illinois 60628
- EIU, 113 West Old Main, Charleston, Illinois 61920
- GSU, Route 54 & Stuenkel Road, University Park, Illinois 60466
- NEIU, 5500 North St. Louis Avenue, Chicago, Illinois 60625
- NIU, 204 Lowden Hall, DeKalb, Illinois 60115
- WIU, 1 University Circle, Macomb, Illinois 61455
- ISU, Campus Box 1200, Normal, Illinois 61790-1200
- SIU, Colyer Hall, Carbondale, Illinois 61801
- U of I, 111 E. Green, MC 434, Champaign, Illinois 61820).

The following component unit must obtain the State's approval for debt issuances:

1. *Will-Kankakee Regional Development Authority ("Authority").* The Authority promotes economic development within the counties of Will and Kankakee in the State of Illinois. The State approves bonds and notes issued by the Authority and is secondarily liable for its debt if there are not sufficient Authority monies to pay principal and interest. (Administrative Offices: 116 North Chicago Street, Suite 101, Joliet, Illinois 60432).

Excluding the following component units from the State's financial statements would be misleading and therefore the component units are included because of the nature of the component units' relationship with the State:

1. *IMSA Fund for Advancement of Education ("IMSA Fund").* The IMSA Fund was established for the purpose of benefiting, performing the function of, and carrying out certain charitable, educational, literary, and scientific purposes of the Illinois Mathematics and Science Academy, a primary government agency. (Administrative Offices: 1500 West Sullivan Road, Aurora, Illinois 60506-1000).

2. *Illinois Arts Council Foundation ("Foundation").* The Foundation was established to further charitable, literary, and educational art awareness programs. (Administrative Offices: James R. Thompson Center, 100 West Randolph, Suite 10-500, Chicago, Illinois 60601-3298).

Joint Venture

The State is a participant with the states of Michigan, Minnesota, New York, Ohio, Pennsylvania, and Wisconsin in the Great Lakes Protection Fund ("Fund"), an Illinois not-for-profit corporation. The Fund is the nation's first multi-state environmental endowment and was established in 1989 for furthering Federal and State commitments to programs that restore and maintain the Great Lakes' water quality. This purpose is achieved by providing grant money for projects that promote the objectives of the regional Great Lakes Toxic Substance Control Agreement and the binational Great Lakes Water Quality Agreement.

A state becomes a member of the Fund by agreeing to contribute an amount set forth in the Articles of Incorporation. The required contribution from all member states at incorporation was $81 million. The Fund's net assets on December 31, 2007 were $135.289 million.

Once a state agrees to make the required contribution, that state's governor becomes a "member" of the Fund. Each member is entitled to appoint two individuals to the board of directors. Budgetary and financial decisions rest with the board of directors except where restricted by the Articles of Incorporation. Two-thirds of the Fund's income is used to finance projects compatible with the organization's objectives as set forth in the Articles of Incorporation. The remaining one-third of income is paid to member states in proportion to the amount and period of time that each state's contribution was invested with the Fund ("state shares"). Illinois received a State share for 2007 of $669 thousand. The affirmative vote of all of the members is required for all actions of the Fund. Complete financial statements of the Fund can be obtained from the Fund's Administrative Offices at 1560 Sherman Avenue, Suite 880, Evanston, Illinois 60201.

Related Organizations and Jointly Governed Organizations

The State's officials are responsible for appointing the majority of the members of the boards of various related organizations, but the State's accountability for these organizations does not extend beyond making the appointments.

The State's officials, in conjunction with various other state and local government officials, are members of the boards of other organizations. However, the State has no ongoing financial interest or responsibility except the role of a participant in the various organizations' purpose and, in certain instances, pays annual dues or assessments.

C. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the State and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the State and between the State and its discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. They often have restrictions that are imposed by management, but can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including fiduciary funds and blended component units. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis on fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, generally result from nonexchange transactions or ancillary activities.

Proprietary fund operating expenses include costs directly related to providing services and producing and delivering goods. All expenses not meeting this definition are reported as nonoperating expenses.

The State reports the following major governmental funds:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. These services include, among others, employment and economic development, education, and health and social services. Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the General Fund consistent with applicable legal requirements. The State's General Fund contains four primary sub-accounts (General Revenue, Education Assistance, Common School, and Medicaid Provider Assessment Program) with numerous secondary sub-accounts.

Road – This fund accounts for the activities of the State highway programs including highway maintenance and construction, traffic control and safety, and administering motor vehicle laws and regulations. Funding sources include federal aid, transfers from the Motor Fuel Tax Fund, and various license and fee charges.

State Construction Account – This fund accounts for the construction, reconstruction, and maintenance of the State maintained highway system. Funding sources include a portion of motor vehicle registration fees, weight taxes, and transfers from the Motor Fuel Tax Fund.

The State reports the following major proprietary funds:

Unemployment Compensation Trust – This fund accounts for the activities of the unemployment insurance program including employer contributions, Federal Unemployment Trust advances, and benefit claims.

Water Revolving – This fund accounts for the activities of a revolving loan program for local government drinking water and sewage treatment infrastructure. Certain loans receivable in the fund are restricted due to revenue bond covenants.

Prepaid Tuition Fund – This fund accounts for the net assets held by *College Illinois!*, the Illinois prepaid tuition program. The program provides Illinois families with an affordable tax-advantaged method to pay for college.

Designated Account Purchase Program – This fund accounts for the activities of the Designated Account Purchase Program including issuance of bonds and acquisition of student loans from lenders. Certain assets in the fund are restricted due to revenue bond covenants.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenues funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service – These funds account for governmental resources obtained and accumulated to pay interest and principal on general long-term debt (other than capital leases, installment purchases, workers' compensation, and unfunded retirement benefit costs).

Capital Projects – These funds account for resources obtained and used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Permanent – This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizens.

Proprietary Fund Types:

Enterprise – These funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service – These funds account for data processing, printing, fleet management, telecommunications, professional services, workers' compensation claims, medical and dental benefits for State employees, and other services provided to agencies of the State on a reimbursement basis.

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust – These funds account for resources that are required to be held in trust for the members and beneficiaries of the State's five Public Employee Retirement Systems, the State's Deferred Compensation Plan Fund, and the health insurance postemployment benefit plans for community colleges and for local school districts (excluding Chicago) administered by the State.

Investment Trust – These funds (the Public Treasurer's Investment Pool and the Deferred Lottery Prize Winners Trust Fund) account for the external portion of investment pools sponsored by the State.

Private-Purpose Trust – These funds account for resources legally held in trust for use by individuals in the State's qualified tuition program under Section 529 of the Internal Revenue Code and other amounts held for individuals, private organizations, and other governments. There is no requirement that any portion of these resources be preserved as capital.

Agency – These funds account for collections of child support payments, sales and telecommunications taxes assessed by local governments but collected by the State, and other deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Component Units

The component statements provide aggregate information about the State's discretely presented component units, emphasizing major component units. The State's major component units are the Illinois Housing Development Authority, Illinois State Toll Highway Authority, Illinois State

University, Northern Illinois University, Southern Illinois University, and the University of Illinois.

D. Measurement Focus and Basis of Accounting

Government-wide, Proprietary Fund, Fiduciary Fund and Component Unit Financial Statements

The government-wide, proprietary fund, fiduciary fund, and component unit financial statements are reported using the economic resources measurement focus (except for agency funds which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income taxes, excise taxes, wealth taxes, grants, entitlements, and donations. On an accrual basis, revenues from self assessed taxes, principally income, excise, and wealth taxes, are recognized in the fiscal year in which the underlying exchange transaction occurs. Revenue from grants, entitlements, and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of formal debt issues and acquisitions under capital leases and installment purchases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include individual and corporate income taxes, sales taxes, public utility taxes, motor fuel taxes, and interest income. The tax revenues are recorded by the State as taxpayers earn income (individual income tax, corporate income tax, and other taxes), as sales are made (sales taxes, public utility taxes, motor fuel taxes, and other taxes), or as the taxable event occurs (other taxes) net of estimated overpayments and amounts not expected to be collected. All other revenue sources including fines, penalties, licenses, and other miscellaneous revenues are considered to be measurable and available only when cash is received.

Private-Sector Standards

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The State also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The State generally has elected not to follow subsequent private-sector guidance.

E. Eliminations

Eliminations have been made in the government-wide statement of net assets to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. As a result, amounts reported in the funds as interfund receivables and payables have been eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Amounts reported in the funds as receivable from or payable to fiduciary funds have been included in the statement of net assets as receivable from and payable to external parties, rather than as internal balances.

Eliminations have been made in the statement of activities to remove the "doubling-up" effect of internal service fund activity. The effect of similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function also have been eliminated, so that the allocated expenses are reported only by the function to which they were allocated.

F. Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents consist principally of certificates of deposit, repurchase agreements, and U.S. treasury bills and are stated at cost.

G. Investments

Investments are reported at fair value. Generally, the marketable securities are valued at closing prices listed on national securities exchanges and quotes from independent pricing services as of June 30. Real estate and venture capital are valued based upon appraisals and discounted cash flow analysis.

The Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a 2a7-like pool and thus reports all investments at amortized cost rather than market value. The fair value of the pool is the same as the value of the pool shares. The Treasurer's investment policies are governed by State statute. In addition, the Treasurer's Office has adopted its own investment practices that supplement the statutory requirement. The Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Jefferson Terrace, 300 West Jefferson Street, Second Level, Springfield, Illinois 62702.

The State's financial statements contain certain investments that meet the definition of "derivatives." Derivative investments included in the pension trust funds are described in more detail in Note 3.

H. Inventories and Prepaid Expenditures

Inventory is generally reported on the financial statements at moving-average cost. For governmental funds, the State recognizes the costs of material inventories as expenditures when purchased. The inventory amounts reported in the governmental funds do not reflect current appropriable resources, and therefore, the State reserves an equivalent portion of the balance.

For governmental funds, prepaid expenditures are recognized when paid.

I. Interfund Transactions

The State has the following types of interfund transactions:

Interfund Loans – amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

Services provided and used - sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts at year-end are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - flows of assets (such as cash or goods) between funds without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported at cost or estimated historical cost based on appraisals or deflated current replacement costs. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds of the primary government generally are as follows:

Table 1-1

Capital Asset Category	Capitalization Threshold
Infrastructure	$ 250,000
Land	100,000
Land Improvements	25,000
Site Improvements	25,000
Buildings	100,000
Building Improvements	25,000
Equipment	5,000
Works of Art and Historical Treasures	5,000

Certain component units, however, may have adopted different capitalization thresholds. These thresholds can be obtained from their separately issued financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's estimated useful life are not capitalized.

Major capital outlays for capital assets and improvements are capitalized as project costs are incurred. Interest incurred during the construction phase of capital assets used in business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Table 1-2

Capital Asset Category	Estimated Useful Lives (In Years)
Infrastructure	5-50
Land	N/A
Land Improvements	N/A
Site Improvements	3-50
Buildings	10-60
Building Improvements	10-45
Equipment	3-25
Works of Art and Historical Treasures	5-7

The State and the University of Illinois, a major component unit, do not capitalize certain collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain. These collections are protected, kept unencumbered, cared for and preserved. Proceeds from the sale, exchange, or other disposal of any item belonging to non-capitalized collections of works of art or historical treasures for the State and the University of Illinois must be applied to the acquisition of additional items for the same collection.

K. Retirement Costs

Substantially all State employees, including members of the General Assembly and Judicial Branch, participate in one of three State public employee retirement systems (see Note 16). The State also maintains and funds public employee retirement systems for employees of the various State supported universities and community colleges and for public school teachers in cities other than Chicago. It is the State's policy to fund retirement costs without regard to amounts calculated under the actuarial requirements. Except for in fiscal year 2004 when the State contributed the majority of the proceeds from a $10 billion general obligation bond, the State's contributions have been less than the retirement benefits paid during the year for the last twenty-seven fiscal years. Prior to fiscal year 1982, the State had funded the retirement costs at a level at least as great as the retirement benefits paid during the year.

Annual pension cost is recorded as an expense in the government-wide statement of activities and is comprised of the State's annual required contribution ("ARC"), which equals normal cost plus interest on unfunded prior service costs and amortization of prior service costs over thirty years,

one year's interest on the net pension obligation and an adjustment to the ARC to offset the effect of actuarial amortization of past under or over contributions.

L. Capital Appreciation ("deep-discount") Bonds

Capital appreciation bonds are those bonds that are issued at stated interest rates significantly below their effective interest rate, resulting in a substantial discount. The implicit interest (i.e., discount) is not paid until the bonds mature. Therefore, the net value of the bonds "accrete" (i.e., the discount is reduced) over the life of the bonds. Capital appreciation bonds are reported in the government-wide statement of net assets at their accreted value.

M. Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances. A liability for these amounts is reported in governmental funds only if the liability has matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., social security and Medicare tax).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997.

Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

Component unit financial statements also include a liability amount for compensated absences. However, they may have adopted different compensated absences policies. These policies can be obtained from their separately issued financial statements.

N. Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Advance Refundings of Debt

In the government-wide and proprietary fund financial statements, gains and losses from advance refundings of debt resulting in defeasance are deferred and amortized as a component of interest expense over the shorter of the remaining life of the old debt or the life of the new debt using the effective interest method. Bonds payable are reported net of these deferred gains and losses.

P. Net Assets/Fund Balances

The difference between fund assets and liabilities is "Net Assets" on governmental-wide, proprietary, and fiduciary fund financial statements and "Fund Balance" on governmental fund financial statements.

Fund balances of governmental funds that are legally restricted to a specific future use or that are not available for appropriation or expenditure are reported as reservations of fund balance.

When both unrestricted and restricted net assets or unreserved and reserved fund balances are available for use, the State uses restricted net assets or reserved fund balances first.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. New Accounting Pronouncements

Effective for the year ending June 30, 2008, the State adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Other Than Pensions*, which establishes standards of accounting and financial reporting for postemployment benefit plan (other than pension plans) expenditures, related liabilities or assets, note disclosures, and required supplementary information in the financial reports of states and local governmental employers. Implementation of the Statement required the State to begin recording a liability in the financial statements for the difference between the amount the State contributes for retirees and the actuarially required contribution for funding postemployment benefits other than pension benefits. The Statement was implemented prospectively with no liability recorded at the beginning of the fiscal year.

In addition, the State adopted the remaining portion of GASB Technical Bulletin 2006-1, *Accounting and Financial Reporting for Employers and OPEB Plans for Payments From the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*, related to GASB Statement No. 45 which clarifies the application of existing standards of accounting and financial reporting to payments that an employer receives from the federal government pursuant to the retiree drug subsidy provisions of Medicare Part D as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. As GASB Statement No. 45 was implemented prospectively, the Technical Bulletin did not require any modification to the financial statements.

Also, effective for the year ending June 30, 2008, the State adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* which establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, the statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of the Statement for the State only impacted financial statement disclosures and did not require any modification to the financial statements.

In addition, effective for the year ending June 30, 2008, the State adopted GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)* which establishes and modifies requirements related to financial statement disclosures by pension plans and by employers that provide benefit and defined contribution pensions.

S. Future Adoption of GASB Statements

Effective for the year ending June 30, 2009, the State will adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes standards of accounting and financial reporting for pollution remediation obligations. The State has not yet determined the impact on the State's financial statements as a result of adopting this statement.

Also effective for the year ending June 30, 2009, the State will adopt GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* which establishes accounting and financial reporting for land and other real estate held as investments by endowments. The State has not yet determined the impact on the State's financial statements as a result of adopting this statement.

2 NET ASSETS

A. Restatements

As shown in Tables 2-1 and 2-2, the financial statements have been restated as of July 1, 2007 for the following prior reporting errors:

Governmental Activities

- Understatement of unearned income tax revenues.
- Understatement of unearned driver's license and fee revenue.
- Lack of allocation of accrued motor fuel tax revenues to other State funds and understatement of accrued shared revenue liabilities associated with shared motor fuel tax revenues.

Business-type Activities

- Overstatement of allowance for uncollectible receivables for unemployment taxes, penalties, and interest in the Unemployment Compensation Trust Fund.

Component Units

- Understatement of accumulated depreciation at Chicago State University.

In addition, the classifications of the following funds have been changed and the financial statements have been restated as of July 1, 2007:

- The Federal Student Loan Fund has been reclassified from a nonmajor governmental fund to a nonmajor enterprise fund.

Table 2-1 (amounts expressed in thousands)

	Governmental Activities				
	Governmental Funds				
	General	Road Fund	State Construction Account	Nonmajor Governmental Funds	Governmental Activities
Fund Balance/Net Assets, June 30, 2007, as previously reported	$ (3,827,544)	$ 336,784	$ 281,119	$ 3,067,899	$ (20,401,568)
Understatement of unearned income taxes	(343,582)		--	--	(343,582)
Understatement of unearned licenses and fees	--	(28,815)	(5,248)	--	(34,063)
Understatement of accrued allocation of motor fuel tax revenues	--	34,640	22,344	(56,984)	--
Understatement of shared revenue associated with motor fuel tax revenues	--	--	--	(65,594)	(65,594)
Fund Balance/Net Assets, June 30, 2007, as restated	$ (4,171,126)	$ 342,609	$ 298,215	$ 2,945,321	$ (20,844,807)

Table 2-2 (amounts expressed in thousands)

	Business-type Activities			Component Units	
	Proprietary Funds				
	Unemployment Compensation Trust Fund	Nonmajor Enterprise Funds	Business-Type Activities	Nonmajor Universities	Component Units
Net Assets, June 30, 2007, as previously reported	$ 2,277,744	$ 102,932	$ 4,442,713	$ 636,225	$ 8,236,970
Understatement of unemployment tax revenues	31,638	--	31,638	--	--
Reclassification of Federal Student Loan Fund	--	47,962	47,962	--	--
Understatement of accumulated depreciation	--	--	--	(1,903)	(1,903)
Net Assets, June 30, 2007, as restated	$ 2,309,382	$ 150,894	$ 4,522,313	$ 634,322	$ 8,235,067

B. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports $5.512 billion of restricted net assets, of which $5.056 billion is restricted by enabling legislation.

3 DEPOSITS AND INVESTMENTS

The State Treasurer is the custodian of the State's deposits and investments for most funds and maintains these deposits and investments in the State Treasury. The investment authority and guidelines for the Treasurer's published investment policy for the State Treasury is found in Section 22.8 of the Deposit of State Moneys Act (15 ILCS 520). The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the State Treasury are not segregated by fund; rather, each contributing fund's balance is treated as equity in the State Treasury. Accordingly, the State Treasury is not reported as a separate fund in this report. Instead, each State fund's and each component unit's balance in the State Treasury is presented as "Cash equity with State Treasurer". Investments held by the State Treasurer in the State Treasury at June 30, 2008, consisted of the following:

Table 3-1 (amounts expressed in thousands)

Investment Type	Fair Value
Repurchase agreements	$ 1,845,762
U.S. Agency obligations	2,216,434
Commercial paper	1,543,608
Corporate debt securities	29,998
Money market mutual funds	899,562
Private equity	16,496
Equity in Public Treasurers' Investment Pool	1,048,352
Equity in other investment pools	629
Total fair value	$ 7,600,841

Funds maintained outside the State Treasury have independent statutory authority to manage their own deposits and investments. The investment authority of the Illinois State Board of Investment ("ISBI"), Teachers' Retirement System ("TRS"), and State Universities Retirement System ("SURS") is governed by the Illinois Pension Code (40 ILCS 5). Authorized investments consist of bonds, equities, real estate, venture capital and other activities to be made with the care, skill, prudence and diligence which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of investing similar retirement trusts. ISBI, TRS, and SURS each have published investment policies incorporating these guidelines. Primary government investments held outside of the State Treasury at June 30, 2008, except for investments held by ISBI, TRS, and SURS, consisted of the following:

Table 3-2 (amounts expressed in thousands)

Investment Type	Fair Value
Repurchase agreements	$ 18,009
U.S. Treasury obligations	1,273,670
U.S. Agency obligations	179,534
Municipal debt	138,058
Commercial paper	5,612
Annuities	2,548
Corporate debt securities	240,119
Debt mutual funds	1,087,938
Equity in Public Treasurers' Investment Pool	5,723,608
Equity in other investment pools	4,336
Money market mutual funds	325,060
Equity securities	632,170
Equity mutual funds	3,396,848
Blended mutual funds	245,493
Guaranteed investment contracts	617,102
Equity trust funds	123,409
Other	10,841
Total fair value	$ 14,024,355

The ISBI is considered to be an internal investment pool of the State of Illinois, operating solely from investment income. The ISBI manages and invests the pension assets of three separate public employee retirement systems: General Assembly Retirement System, the Judges' Retirement System of Illinois, and State Employees' Retirement System of Illinois. The ISBI's member systems retain all of the cash necessary for current operating expenditures in the State Treasury. The amount of cash received by the ISBI's member systems in excess of their current operating expenditures is transferred to the ISBI for purposes of long-term investment. The ISBI is not reported as a separate fund in this report. Instead, each member system's balance in the ISBI is presented as "Equity in the Illinois State Board of Investments". The ISBI has approximately $158.141 million in deposits and investments greater than the member systems equity due to net investment liabilities of the ISBI.

Investments held by ISBI at June 30, 2008, consisted of the following:

Table 3-3 (amounts expressed in thousands)

Investment Type	Fair Value
U.S. Treasury obligations	$ 235,753
U.S. Agency obligations	616,293
Corporate obligations	1,139,739
Common stock and equity funds	4,468,804
Preferred stock	5,095
Foreign debt obligations	31,430
Foreign equity securities	1,757,196
Hedge funds	598,985
Real estate	1,332,081
Private equity	524,629
Money market instruments	307,482
Infrastructure funds	209,976
Bank loans	202,138
Forward foreign currency contracts	(73)
Total Investments	$ 11,429,528

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Deposits

Primary Government:

In accordance with Section 6 of the Public Funds Investment Act (30 ILCS 235), uncollateralized and uninsured deposits may not exceed 75% of the capital stock and surplus of a bank, 75% of the net worth of a savings and loan association or 50% of the unimpaired capital and surplus of a credit union.

The carrying amount and bank balance of cash deposits held by the State Treasury was $1.657 billion and $1.655 billion at June 30, 2008, respectively. Of the total bank balance of these cash deposits at June 30, 2008, $12.450 million was uninsured and uncollateralized.

The carrying amount and bank balance of cash deposits held outside of the State Treasury, except for investments held by ISBI, TRS, and SURS, was $140.755 million and $125.898 million at June 30, 2008, respectively. Of the total bank balance of these cash deposits at June 30, 2008, $2.407 million was uninsured with collateral held by the pledging financial institution in the State's name, $3.175 million was uninsured with collateral held by the pledging financial institution but not in the State's name and $12.938 million was uninsured and uncollateralized.

ISBI's policy outlines the control procedures used to monitor custodial credit risk for deposits. These deposits are under the custody of State Street Bank and Trust. State Street Bank and Trust has an AA Long-term Deposit/Debt rating by Standard and Poor's and an Aa1 rating by Moody's. The carrying amount and bank balance of ISBI's cash deposits at June 30, 2008, was $43.667 million and $43.744 million, respectively. Of the total bank balance at June 30, 2008, $43.455 million was uninsured and uncollateralized.

TRS's foreign currency held by investment managers at June 30, 2008 totaled $44.161 million, all of which was uninsured and uncollateralized.

SURS's cash held in its investment related bank account in excess of $100,000 is uninsured and uncollateralized. SURS has no deposit policy for custodial credit risk. Deposits are under the custody of the Northern Trust Company which has an AA- Long-term Deposit/Debt rating by Standard and Poor's and an Aa3 rating by Moody's. At June 30, 2008, the carrying amount was $442.904 million and the bank balance was $449.681 million, of which $6.291 million was uninsured and uncollateralized.

Investments

Primary Government:

The State does not have a formal policy for custodial credit risk of investments held outside of the State Treasury. The following table summarizes the primary government investments held outside of the State Treasury, except for investments held by ISBI, TRS and SURS, that were subject to custodial credit risk at June 30, 2008:

Table 3-4 (amounts expressed in thousands)

Investment Type	Fair Value
Uninsured and unregistered with securities held by counterparties	
Repurchase agreements	$ 5,610
Commercial paper	5,612
Annuities	1,538
Uninsured and unregistered with securities held by counterparties' agents but not in the State's name	
U.S. Treasury obligations	15,760
U.S. Agency obligations	6,380
Municipal debt	5,970

As of June 30, 2008, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in ISBI's name:

Table 3-5 (amounts expressed in thousands)

Investment Type	Fair Value
ISBI:	
Common stock	$ 2,025
U.S. government and agency obligations	9,695
Total	$ 11,720

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Primary Government:

Section 2 of the Public Funds Investment Act limits the State's investments, both inside and outside the State Treasury, to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding $500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Additional investments may be authorized in certain funds as exceptions to Section 2 of the Public Funds Investment Act pursuant to State statute prescribing

the activities of a fund. The following table summarizes the Moody's credit quality ratings for debt securities held by the State Treasurer in the State Treasury at June 30, 2008:

Table 3-6 (amounts expressed in thousands)

Investment Type	Aaa	A	P-1	Not Rated	Total
Repurchase agreements	$ --	$ --	$ 1,845,762	$ --	$ 1,845,762
U.S. Agency obligations	1,474,031	--	742,403	--	2,216,434
Commercial paper	--	--	1,543,608	--	1,543,608
Corporate debt securities	--	10,000	--	19,998 *	29,998
Money market mutual funds	890,553	--	--	9,009	899,562
Equity in Public Treasurers' Investment Pool	--	--	--	1,048,352 **	1,048,352
Equity in other investment pools	--	--	--	629	629
Total fixed income securities	$ 2,364,584	$ 10,000	$ 4,131,773	$ 1,077,988	$ 7,584,345

** $19,998 of corporate debt securities are rated A-1 by Standard and Poor's.*
*** Equity in Public Treasurers' Investment Pool was rated AAA by Standard and Poor's.*

The following table summarizes the Moody's credit quality ratings for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2008:

Table 3-7 (amounts expressed in thousands)

Investment Type	Aaa	Aa	A	Baa	Ba	P-1	Not Rated*	Total
Repurchase agreements	$ 5,938	$ --	$ --	$ --	$ --	$ --	$ --	$ 5,938
U.S. Agency obligations	172,678	501	--	--	--	--	6,295	179,474
Municipal debt	53,764	78,626	4,823	--	--	--	845	138,058
Commercial paper	--	--	--	--	--	5,612	--	5,612
Corporate debt securities	122,488	38,817	48,916	25,474	96	--	4,328	240,119
Mutual funds	54,472	506,083	--	--	--	--	527,383	1,087,938
Equity in Public Treasurers' Investment Pool	--	--	--	--	--	--	5,723,608	5,723,608
Equity in other investment pools	--	--	--	--	--	--	4,336	4,336
Money market mutual funds	--	--	--	--	--	--	325,060	325,060
Total subject to credit risk	$ 409,340	$ 624,027	$ 53,739	$ 25,474	$ 96	$ 5,612	$ 6,591,855	7,710,143
U.S. Treasury obligations								1,273,670
U.S. Agency obligations explicitly guaranteed by U.S. government								60
Repurchase agreements backed by U.S. Treasury obligations								12,071
Total fixed income securities								$ 8,995,944

** $98.434 million of mutual funds were rated A by Standard and Poor's, and all of the Equity in Public Treasurer's Investment Pool amounts along with $203.384 million of money market mutual funds were rated AAA by Standard and Poor's.*

The portfolios of ISBI, TRS, and SURS are managed by professional investment management firms. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement. With the exception of certain commingled funds, bonds below B- are not permissible in any of the fixed income investment manager guidelines. However, in circumstances where position downgrades occur, investment managers have been given permission to hold securities due to circumstances such as

a higher peer group rating from another nationally recognized statistical rating organization, firm internal ratings, or other mitigating factors.

The following table summarizes the Moody's credit quality ratings for debt securities held by ISBI at June 30, 2008:

Table 3-8 (amounts expressed in thousands)

Quality Rating	Corporate Debt Obligations	Foreign Debt Obligations	U.S. Agency Obligations	Total
Aaa	$ 134,911	$ 2,940	$ 616,293	$ 754,144
Aa	128,871	--	--	128,871
A	145,008	--	--	145,008
Baa	164,563	10,934	--	175,497
Ba	142,247	--	--	142,247
B	291,041	--	--	291,041
Caa	64,919	--	--	64,919
Ca	530	--	--	530
C	556	--	--	556
Not rated	67,093	17,556	--	84,649
Total subject to credit risk	$ 1,139,739	$ 31,430	$ 616,293	1,787,462
U.S. Treasury obligations				235,753
Total fixed income securities				$ 2,023,215

The following table summarizes the Moody's credit quality ratings for debt securities held by TRS at June 30, 2008:

Table 3-9 (amounts expressed in thousands)

Quality Rating	Corporate Debt Obligations	Foreign Debt Obligations	U.S. Agency Obligations	Municipal Obligations	Short-term Investments	Commingled Funds	Total
Aaa	$ 1,427,671	$ 645,198	$ 2,813,621	$ 9,840	$ --	$ --	$ 4,896,330
Aa	634,498	135,405	--	13,874	15,888	--	799,665
A	786,171	89,507	--	4,582	--	--	880,260
Baa	749,093	55,505	--	--	--	--	804,598
Ba	120,454	31,682	--	--	--	39,404	191,540
B	122,772	2,773	--	--	--	42,520	168,065
Caa	29,968	--	--	--	--	--	29,968
Ca	10,452	--	--	--	--	--	10,452
C	4,018	--	--	--	--	--	4,018
P-1	--	--	--	--	123,769	--	123,769
Not rated	108,643	33,175	4,281	--	--	--	146,099
Total subject to credit risk	$ 3,993,740	$ 993,245	$ 2,817,902	$ 28,296	$ 139,657	$ 81,924	8,054,764
U.S. Treasury obligations							710,207
U.S. Agency obligations explicitly guaranteed by U.S. government							344,749
Less cash equivalents							(313,227)
Total fixed income securities							$ 8,796,493

The following table summarizes the Standard and Poor's credit quality ratings for debt securities held by SURS at June 30, 2008:

Table 3-10 (amounts expressed in thousands)

Quality Rating	Corporate Debt Securities	Foreign Debt Securities	U.S. Agency Obligations	Municipal Obligations	Total
AAA	$ 873,172	$ 11,361	$ 2,327,878	$ 7,694	$ 3,220,105
AA	837,487	15,856	372	16,928	870,643
A	501,914	(100)	--	--	501,814
BBB	312,193	4,444	367	1,637	318,641
BB	79,217	630	--	--	79,847
B	33,909	--	--	--	33,909
CCC	6,000	--	--	--	6,000
C	647	--	--	--	647
D	737	--	--	--	737
Not rated	269,714	--	258	--	269,972
Total subject to credit risk	$ 2,914,990	$ 32,191	$ 2,328,875	$ 26,259	5,302,315
U.S. Treasury obligations					933,963
U.S. Agency obligations explicitly guaranteed by U.S. government					153,576
SMP fixed income					11,912
Less cash equivalents					(703,018)
Total fixed income securities					$ 5,698,748

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government:

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State Treasurer's investment policy for the State Treasury limits investments to maturities not to exceed five years with the majority required to be in authorized investments with less than one-year maturity. In addition, no more than 10% of the investment portfolio shall be allocated to investments with a 2 to 4 year maturity band and no more than 10% of the investment portfolio shall be allocated to investments with a 4 to 5 year maturity band. For funds held outside of the State Treasury, excluding pension (and other employee benefit) trust funds, there is no formal policy limiting investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

The following table summarizes the segmented time distribution of the debt securities held by the State Treasurer in the State Treasury at June 30, 2008:

Table 3-11 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Repurchase agreements	$ 1,845,762	$ 1,845,762	$ --	$ --	$ --
U.S. Agency obligations	2,216,434	742,403	1,474,031	--	--
Commercial paper	1,543,608	1,543,608	--	--	--
Corporate debt securities	29,998	19,998	10,000	--	--
Money market mutual funds	899,562	899,562	--	--	--
Equity in Public Treasurers' Investment Pool	1,048,352	1,048,352	--	--	--
Equity in other investment pools	629	--	--	28	601
Total fixed income investments	$ 7,584,345	$ 6,099,685	$ 1,484,031	$ 28	$ 601

The following table summarizes the Weighted Average Maturity ("WAM") for debt securities held by the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2008. The WAM expresses investment time horizons – the time when investments become due and payable – in years to reflect the dollar size of individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Table 3-12 (amounts expressed in thousands)

Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase agreements	$ 18,009	0.003
U.S. Treasury obligations	1,273,670	5.040
U.S. Agency obligations	179,534	6.699
Municipal debt	138,058	5.794
Commercial paper	5,612	0.027
Corporate debt securities	240,119	11.487
Mutual funds	1,087,938	6.373
Equity in Public Treasurers' Investment Pool	5,723,608	0.068
Equity in other investment pools	4,336	0.041
Money market mutual funds	325,060	0.097
Total fixed income investments	$ 8,995,944	

Pensions:

ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted average rate between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's portfolio. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. ISBI benchmarks its debt security portfolio to Lehman Brothers Aggregate. At June 30, 2008 the effective duration of the Lehman Brothers Aggregate was 3.8 years. At the same point in time, the effective duration of the ISBI debt security portfolio was 4.2 years. The following table summarizes the effective duration of the debt securities held by ISBI at June 30, 2008:

Table 3-13 (amounts expressed in thousands)

Investment Type	Fair Value		Effective Weighted Duration (Years)
Government and agency obligations:			
U.S. Treasury obligations	$ 235,753		5.3
U.S. Agency obligations	616,293		3.4
		$ 852,046	
Corporate obligations:			
Bank and finance	224,738		4.2
Collateralized mortgage obligations	136,048		1.4
Industrials	609,530		4.9
Other	169,423		5.1
		1,139,739	
Foreign debt obligations		31,430	4.8
Total		$ 2,023,215	

TRS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. The following table summarizes the time segmented distribution of the debt securities held by TRS at June 30, 2008:

Table 3-14 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More Than 20 Years
U.S. Treasury obligations	$ 710,207	$ 91,291	$ 274,017	$ 267,724	$ 42,435	$ 34,740
U.S. Agency obligations	3,162,651	103,619	181,888	268,920	825,893	1,782,331
Municipal obligations	28,296	--	--	1,833	12,559	13,904
Corporate debt securities	3,993,740	338,835	889,285	621,347	180,461	1,963,812
Foreign debt securities	993,245	57,461	269,419	351,413	107,225	207,727
Short-term investments	139,657	131,577	8,080	--	--	--
Commingled funds	81,924	--	39,404	42,520	--	--
Total subject to interest rate risk	9,109,720	$ 722,783	$ 1,662,093	$ 1,553,757	$ 1,168,573	$ 4,002,514
Less cash equivalents	(313,227)					
Total fixed income securities	$ 8,796,493					

SURS manages its exposure to fair value loss arising from increasing interest rates by diversifying the debt securities portfolio. SURS has not adopted a formal policy specific to interest rate risk. The following table summarizes the time segmented distribution of the debt securities held by SURS at June 30, 2008:

Table 3-15 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	10 to 20 Years	More Than 20 Years
U.S. Treasury and agency obligations	$ 3,428,326	$ 345,817	$ 335,545	$ 387,171	$ 398,155	$ 1,961,638
Municipal obligations	26,259	475	--	501	25,283	--
Corporate debt securities	2,914,990	288,357	549,470	1,111,456	122,844	842,863
Foreign debt securities	32,191	512	5,260	7,952	(37,237)	55,704
Total subject to interest rate risk	6,401,766	$ 635,161	$ 890,275	$ 1,507,080	$ 509,045	$ 2,860,205
Less cash equivalents	(703,018)					
Total fixed income securities	$ 5,698,748					

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment.

Primary Government:

Only assets held by the State Treasurer and assets held outside the State Treasurer by the Prepaid Tuition Fund and foreign offices are allowed to be used to purchase investments in foreign securities. The State Treasurer is limited by the Deposit of State Moneys Act to investments in debt instruments issued by foreign governments, except the Republic of Sudan, that are guaranteed by the full faith and credit of the foreign government in which the foreign government has not defaulted or been late in payment on similar debt instruments at the time the Treasurer purchases the debt instrument. The Prepaid Tuition Fund has an investment policy limiting international equities to 10% of its total investment portfolio.

The following table summarizes the foreign currency risk, by currency denomination, of the primary government, except for debt securities held by ISBI, TRS, and SURS, outside of the State Treasury at June 30, 2008:

Table 3-16 (amounts expressed in thousands)

Currency Denomination	Foreign Short-term Deposits
Canadian Dollar	$ 5
Euro	14
Hong Kong Dollar	20
Japanese Yen	23
Mexican Peso	28
Other currencies	18
Total deposits and investments subject to foreign currency risk	$ 108

Pensions:

The ISBI, TRS, and SURS do not have formal foreign risk policies. ISBI's international portfolio is constructed on the principles of diversification, quality growth and value. Risk of loss arises

from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion.

TRS's foreign currency risk exposure is primarily derived from its holdings in foreign currency-denominated equity, fixed income investments and foreign currency. TRS's international equity and global fixed income managers, at their discretion, may or may not hedge the portfolio's foreign currency exposures with currency forward contracts depending upon their views on a specific country or foreign currency relative to the U.S. dollar.

International investment management firms must maintain diversified portfolios for SURS. The System's exposure to foreign currency risk derives from its positions in foreign currency and foreign currency-denominated equity investments.

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by ISBI as of June 30, 2008:

Table 3-17 (amounts expressed in thousands)

Currency Denomination	Foreign Equity Securities	Foreign Debt Obligations	Total
Australian Dollar	$ 122,274	$ --	$ 122,274
British Pound Sterling	360,798	356	361,154
Canadian Dollar	67,312	640	67,952
Danish Krone	20,127	--	20,127
Euro	579,718	3,464	583,182
Hong Kong Dollar	54,097	--	54,097
Japanese Yen	278,817	--	278,817
Norwegian Krone	33,771	--	33,771
Singapore Dollar	33,616	6,137	39,753
South Korean Won	22,323	--	22,323
Swedish Krona	38,233	--	38,233
Swiss Franc	129,365	--	129,365
Other currencies	16,745	20,833	37,578
Total investments subject to foreign currency risk	$ 1,757,196	$ 31,430	$ 1,788,626

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by TRS as of June 30, 2008:

Table 3-18 (amounts expressed in thousands)

Currency Denomination	Foreign Equity Securities	Foreign Debt Obligations	Other Foreign Obligations	Total
Australian Dollar	$ 369,540	$ 15,521	$ 1,298	$ 386,359
Brazilian Real	237,193	12,622	(770)	249,045
British Pound Sterling	1,306,883	254,486	12,361	1,573,730
Canadian Dollar	88,742	22,763	1,288	112,793
Euro	2,063,993	304,540	18,168	2,386,701
Hong Kong Dollar	308,826	--	687	309,513
Japanese Yen	1,319,576	119,298	9,521	1,448,395
Mexican Peso	29,133	69,973	1,804	100,910
New Taiwan Dollar	154,635	--	7,523	162,158
New Zealand Dollar	19,416	3,161	201	22,778
Norwegian Krone	99,351	8,164	400	107,915
South African Rand	83,859	--	174	84,033
South Korean Won	210,110	43,543	3,999	257,652
Swedish Krona	49,331	44,539	597	94,467
Swiss Franc	432,090	11,775	168	444,033
Other currencies	425,435	82,860	605	508,900
Total deposits and investments subject to foreign currency risk	$ 7,198,113	$ 993,245	$ 58,024	$ 8,249,382

In addition to the above, TRS has foreign currency investments in private equity with fair values totaling $7.792 million (payable in Euros) and real estate with fair values totaling $75.783 million (payable in Euros) and $8.975 million (payable in British Pound Sterling).

The following table summarizes the foreign currency risk by currency denomination for deposits and investments held by SURS as of June 30, 2008:

Table 3-19 (amounts expressed in thousands)

Currency Denomination	Foreign Equity Securities	Foreign Debt Obligations	Other Foreign Obligations	Foreign Cash	Total
Australian Dollar	$ 62,197	$ 364	$ (1,248)	$ 4,457	$ 65,770
Brazilian Real	4,083	3,027	(4,173)	23,693	26,630
British Pound Sterling	244,281	5,304	(1,626)	(54,623)	193,336
Canadian Dollar	94,875	147	--	(3,125)	91,897
Euro	504,531	9,429	(9,616)	(6,779)	497,565
Hong Kong Dollar	65,304	--	--	284	65,588
Japanese Yen	263,421	12,466	--	(22,322)	253,565
Singapore Dollar	27,767	--	--	7,915	35,682
Swiss Franc	83,921	--	--	(495)	83,426
Other currencies	62,633	1,454	(102)	10,241	74,226
Total investments subject to foreign currency risk	$ 1,413,013	$ 32,191	$ (16,765)	$ (40,754)	$ 1,387,685

COMPONENT UNITS

The risk disclosures associated with the State's major component unit's deposits and investments are as follows:

ILLINOIS HOUSING DEVELOPMENT AUTHORITY ("IHDA")

Investments

Table 3-20 (amounts expressed in thousands)

Investment Type	Rating Standard & Poor's/Moody's	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency obligations	AAA/Aaa	$650,883	$619,193	$24,493	$ 4,532	$ 2,665
Municipal and other obligations	AAA/Aaa	2,399	--	471	1,003	925
Total subject to credit risk		653,282	619,193	24,964	5,535	3,590
U.S. Government obligations		64,369	46,595	4,477	3,979	9,318
Repurchase agreements backed by U.S. Government obligations		55,163	--	--	2,675	52,488
Total investments		$772,814	$665,788	$29,441	$12,189	$ 65,396

Interest Rate Risk: IHDA's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: IHDA is limited to investments as described in the State Statutes.

Concentration of Credit Risk: IHDA places no limit on the amount that may be invested in any one issuer. More than 5 percent of IHDA's investments are in Federal Home Loan Bank ($231.235 million), Federal National Mortgage Corporation ($229.494 million), and Federal Home Loan Mortgage Corporation ($161.048 million).

ILLINOIS TOLL HIGHWAY AUTHORITY ("THA")

Investments

Table 3-21 (amounts expressed in thousands)

Investment Type	Rating Standard & Poor's	Fair Value	Less Than 1 Year	1 to 5 Years
U.S. Agency obligations:				
	AAA	$ 7,591	$ 788	$ 6,803
	Not rated	15,966	15,966	--
Money market mutual funds	AAA	867,759	867,759	--
Short-term investment fund	Not rated	425	425	--
Total subject to credit risk		891,741	884,938	6,803
U.S. Treasury notes		116,532	58,489	58,043
Total subject to interest rate risk		1,008,273	$943,427	$ 64,846
Less cash equivalents		(868,184)		
Total investments		$ 140,089		

Interest Rate Risk: As a means of limiting its exposure to fair value losses from rising interest rates, THA's investment policy requires the majority of THA investments to be less than one year maturity with no investment exceeding a ten-year maturity.

ILLINOIS STATE UNIVERSITY ("ISU")

Investments

University

Table 3-22 (amounts expressed in thousands)

Investment Type	Rating Standard & Poor's/Moody's	Fair Value	Less Than 1 Year	1 to 6 Years
U.S. Agency obligations	AAA/Aaa	$ 95,358	$ 12,046	$ 83,312
Illinois Public Treasurers' Investment Pool	AAA/Not rated	23,769	23,769	--
Money market mutual funds	Not rated	71,143	71,143	--
Total subject to credit risk		190,270	106,958	83,312
U.S. Treasuries		8,298	--	8,298
Total subject to interest rate risk		198,568	$ 106,958	$ 91,610
Less cash equivalents		(94,912)		
Total investments		$ 103,656		

Interest Rate Risk: ISU's investment policy does not limit the maturity of investments as a means of managing its exposure to fair value losses arising from an increasing rate environment.

Credit Risk: ISU is limited to investments as described in the State Statutes.

Concentration of Credit Risk: ISU places no limit on the amount that may be invested in any one issuer. More than 5 percent of ISU's investments are in Federal Farm Credit Bank ($34.390 million) and Federal Home Loan Bank ($51.327 million).

ISU Foundation

Table 3-23 (amounts expressed in thousands)

Investment Type	Rating Standard and Poor's	Fair Value	Duration (Years)
Bond mutual funds	AA	12,466	4.80
Commodities mutual funds	AA	2,842	1.40
Bank Common Trusts	AAA	5,228	0.26
Total subject to credit risk and interest rate risk		20,536	
Common stock		344	
Equity mutual funds		36,032	
Hedge funds		8,763	
International funds		6,399	
Real estate and limited partnerships		6,533	
Total investments		$ 78,607	

Interest Rate Risk: ISU Foundation's investment policy requires the average duration of the fixed income portfolio to be within 20% of the duration of the index to which the portfolio is benchmarked.

Duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows arising from such investments as callable bonds, prepayments, and variable-rate debt. The interest rate risk information for U.S. Treasuries and certificates of deposit is disclosed by specific identification since these investments have a distinct investment objective and are maintained separately.

Credit Risk: ISU Foundation's investment policy states that no more than 25% of the fixed income portfolio may be rated below investment grade.

NORTHERN ILLINOIS UNIVERSITY ("NIU")

Investments

University

Table 3-24 (amounts expressed in thousands)

Investment Type	Rating*	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years
U.S. Agency obligations	AAA	$ 75,647	$ 12,025	$ 58,561	$ 5,061
Commercial paper	A1	6,634	6,634	--	--
Money market mutual funds	AAA	56	56	--	--
Illinois Public Treasurers' Investment Pool	AAA	10,709	10,709	--	--
Total subject to credit risk and interest rate risk		93,046	$ 29,424	$ 58,561	$ 5,061
Less cash equivalents		(10,765)			
Total investments		$ 82,281			

** Ratings are from Standard and Poor's except commercial paper which is from Moody's.*

Interest Rate Risk: NIU does not have a formal policy for interest rate risk.

Credit Risk: NIU is limited to investments as described in the State Statutes.

Concentration of Credit Risk: NIU has no formal policy limiting the amount that may be invested in any one issuer. The NIU has one commercial paper investment of $6.634 million in CentreStar Cptl. that represents 8% of the total investments of the NIU.

NIU Foundation

Table 3-25 (amounts expressed in thousands)

Investment Type	Rating Standard and Poor's	Fair Value	Weighted Average Duration (Years)
Bond mutual funds	AA	$ 4,209	1.9
	AA	3,453	4.5
	AA	5,931	4.6
	Not Rated	3,358	0.7
Total subject to credit risk and interest rate risk		16,951	
Equity mutual funds		23,035	
Foreign equity mutual funds		5,865	
Common stock		1,321	
Limited partnerships		7,811	
Other		1,177	
Total investments		$ 56,160	

Interest Rate Risk: NIU Foundation's policy indicates that each manager shall maintain a duration of +/- 20 percent of the effective duration of its benchmark index.

Credit Risk: NIU Foundation's policy calls for managers to maintain an overall credit rating of Aa or better by Moody's or AA or better by Standard & Poor's and to hold no more than 15 percent of the portfolio in below investment grade issues (below Baa/BBB).

Foreign Currency Risk: NIU Foundation's policy calls for individual international managers to maintain an appropriate diversification with respect to currency and country. The following table summarizes the foreign currency risk by currency denomination for investments held by the Foundation as of June 30, 2008:

Table 3-26 (amounts expressed in thousands)

Currency denomination	Equity Mutual Funds
British Pound Sterling	$ 697
Euro	2,163
Japanese Yen	557
Swiss Franc	397
All other currency	2,051
Total subject to foreign currency risk	$ 5,865

SOUTHERN ILLINOIS UNIVERSITY ("SIU")

Investments

University

Table 3-27 (amounts expressed in thousands)

Investment Type	Rating Standard and Poor's	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years
U.S. Agency obligations	AAA	$ 97,704	$ 24,248	$ 57,443	$ 16,013
Equity in Public Treasurers' Investment Pool	AAA	124,872	124,872	--	--
Total subject to credit risk		222,576	149,120	57,443	16,013
U.S. Treasuries		34,010	10,710	18,021	5,279
Total subject to interest rate risk		$ 256,586	$ 159,830	$ 75,464	$ 21,292
Common stock		44			
Less cash equivalents		(124,872)			
Total investments of the University		131,758			
Investments of component units except for SIU-Carbondale Foundation		27,162			
Total investments		$ 158,920			

Interest Rate Risk: Interest rate risk is mitigated by structuring SIU's portfolio so that securities mature to meet the SIU's cash requirements for ongoing operations. The internally managed portfolio is managed in accordance with covenants provided from the University's debt issuance activities. The externally managed portfolio is typically allocated with 20 to 35 percent of assets held in cash equivalents; 10 to 40 percent of assets held in the short-term portfolio; and 35 to 60 percent of assets held in the intermediate-term portfolio.

Credit Risk: Credit risk is mitigated by limiting investments to those specified in the *Illinois Public Funds Investment Act;* pre-qualifying the financial institutions which are utilized; and diversifying the investment portfolio so that the failure of any one issue or backer will not place an undue financial burden on SIU.

SIU-Carbondale Foundation

Table 3-28 (amounts expressed in thousands)

Investment Type	Rating Moody's	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency obligations	Aaa	$ 31	$ --	$ --	$ --	$ 31
U.S. fixed income mutual funds	NR	32,138	32,138	--	--	--
Commercial paper	NR	11,492	11,492	--	--	--
Money market mutual funds	NR	8,100	7,660	--	--	440
Total subject to interest rate risk		51,761	$ 51,290	$ --	$ --	$ 471
Foreign equity mutual funds		16,358				
Equity mutual funds		48,952				
Total investments		$ 117,071				

Custodial Credit Risk: As of June 30, 2008, the SIU-Carbondale Foundation had $11.492 million of commercial paper that is held by financial institutions and not in the Foundation's name.

Foreign Currency Risk: The SIU-Carbondale Foundation had investments in five different non-U.S. mutual funds. The U.S. dollar balances of the Foundation's investments exposed to foreign currency risk as of June 30, 2008 are categorized by currency below:

Table 3-29 (amounts expressed in thousands)

Currency denomination	Equity Mutual Funds
British Pound Sterling	$ 1,254
Euro	4,565
Japanese Yen	1,594
All other currency	8,945
Total subject to foreign currency risk	$ 16,358

UNIVERSITY OF ILLINOIS ("U of I")

Deposits

Foundation

The carrying amount and bank balance of cash deposits of U of I's Foundation was $3.815 million and $3.273 million at June 30, 2008, respectively. Of the total bank balance of these cash deposits at June 30, 2008, $697 thousand was uninsured and uncollateralized.

Investments

Interest Rate Risk: U of I and the U of I Foundation, a component unit of the U of I, employ multiple investment managers, of which each has a specific maturity assignment related to operating funds. The funds are structured with different layers of liquidity. Funds expected to be used within one year are invested in money market instruments. Core operating funds are invested in longer maturity investments. Core operating funds investment manager's performance benchmarks are Lehman Brothers 1-3 year Government Credit Bond Index and the Lehman Brothers Intermediate Aggregate Bond Index. The manager guidelines provide that the average weighted duration of the portfolio, including option position, not vary from that of their respective performance benchmarks by more than +/-20 percent. The Entity's investments and maturities at June 30, 2008 are illustrated below:

University

Table 3-30 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Certificates of deposit	$ 400	$ 400	$ --	$ --	$ --
U.S. Treasury put	4,345	--	--	--	4,345
U.S. Treasury bonds and bills	122,965	53,945	55,536	13,051	433
U.S. Agency obligations	207,900	82,017	62,555	7,587	55,741
Commercial paper	72,577	72,577	--	--	--
Corporate bonds	104,097	6,646	47,002	25,353	25,096
Bond mutual funds	61,776	--	669	61,107	--
Money market mutual funds	413,820	413,820	--	--	--
Illinois Public Treasurers' Investment Pool	2,628	2,628	--	--	--
Non government mortgage-backed securities	65,005	--	2,134	4,064	58,807
Government bonds - non U.S.	3,511	--	3,511	--	--
Repurchase agreements	140,398	140,398	--	--	--
Total subject to interest rate risk	1,199,422	$ 772,431	$ 171,407	$ 111,162	$ 144,422
U.S. equities	24,385				
Foreign equity securities	32,847				
U.S. equity mutual funds	110,578				
Limited partnerships	9,801				
Preferred stock	880				
Real estate	13,767				
Total investments of the University	1,391,680				
Investments of component units except for U of I Foundation	14,959				
Less cash equivalents	(626,986)				
Total investments	$ 779,653				

At June 30, 2008, U of I's operating funds pool portfolio had an effective duration of 1.6 years.

Foundation

Table 3-31 (amounts expressed in thousands)

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Treasury bonds	$ 11,707	$ --	$ 3,078	$ --	$ 8,629
U.S. Agency obligations	28,493	--	--	223	28,270
Municipal bonds	223	--	--	223	--
Government bonds - non U.S.	123	--	--	--	123
Government agencies - non U.S.	105	--	105	--	--
Corporate bonds and notes	57,037	--	2,496	1,795	52,746
Mutual funds - bonds	93,859	9,204	39,168	45,453	34
Mutual funds - foreign bonds	309	--	127	170	12
Mutual funds - municipal bonds	2,154	159	672	907	416
Mutual funds - blended bonds	849	--	--	849	--
Mutual funds - money market	42,417	42,417	--	--	--
Total subject to interest rate risk	237,276	$ 51,780	$ 45,646	$ 49,620	$ 90,230
U.S. equities	238,161				
Foreign equity securities	164,492				
Preferred stock	1,386				
Equity mutual funds	153,702				
Foreign equity mutual funds	19,992				
Real estate and partnerships	389,948				
Foreign real estate and partnerships	15,047				
Other	3,323				
Total investments	$ 1,223,327				

Credit Risk: U of I's policy requires that operating funds be invested in fixed income securities and money market instruments. Fixed income securities shall be rated investment grade or better by one or more nationally recognized statistical rating organizations. Securities not covered by the investment grade standard are allowed if, in the manager's judgment, those instruments are of comparable credit quality. Securities which fall below the stated minimum credit requirements subsequent to initial purchase may be held at the manager's discretion. It is expected that the average credit quality of the operating funds will not fall below Standard & Poor's AA- or equivalent. At June 30, 2008, U of I and the U of I Foundation had debt securities and quality ratings as shown in the charts below:

University

Table 3-32 (amounts expressed in thousands)

Investment Type	Fair Value	Standard and Poor's/Moody's AAA/Aaa	AAA/ Not Rated	AA/Aa	A/BA	BBB/Baa	BB/Ba	Less Than BB or Not Rated
Certificates of deposit	$ 400	$ --	$ --	$ --	$ --	$ --	$ --	$ 400
U.S. Agency obligations	207,900	207,900	--	--	--	--	--	--
Commercial paper	72,577	72,577	--	--	--	--	--	--
Corporate bonds	104,097	21,899	--	15,054	26,404	30,038	2,995	7,707
Bond mutual funds	61,776	1,822	--	59,285	669	--	--	--
Money market mutual funds	413,820	411,171	--	--	--	--	--	2,649
Illinois Public Treasurers' Investment Pool	2,628	--	2,628	--	--	--	--	--
Non government mortgage-backed securities	65,005	62,099	--	702	643	178	182	1,201
Government bonds - non U.S.	3,511	2,322	--	388	439	362	--	--
Repurchase agreements	140,398	--	--	--	--	--	--	140,398
Total subject to credit risk	1,072,112	$ 779,790	$ 2,628	$ 75,429	$ 28,155	$ 30,578	$ 3,177	$ 152,355
U.S. Treasury put	4,345							
U.S. Treasury bonds and bills	122,965							
Total fixed income securities	$ 1,199,422							

Foundation

Table 3-33 (amounts expressed in thousands)

Investment Type	Fair Value	Standard and Poor's AAA	AA	A	BBB	BB	Less Than BB or Not Rated
U.S. Agency obligations	$ 28,493	$ 28,493	$ --	$ --	$ --	$ --	$ --
Municipal bonds	223	111	80	--	--	--	32
Government bonds - non U.S.	123	--	--	--	123	--	--
Government agencies - non U.S.	105	--	--	105	--	--	--
Corporate bonds and notes	57,037	21,321	5,911	3,399	7,472	3,704	15,230
Mutual funds - bonds	93,859	60,387	14,729	9,045	2,682	4,509	2,507
Mutual funds - foreign bonds	309	6	49	68	46	87	53
Mutual funds - municipal bonds	2,154	788	1,019	249	92	--	6
Mutual funds - blended bonds	849	210	235	280	121	--	3
Mutual funds - money market	42,417	42,417	--	--	--	--	--
Total subject to credit risk	225,569	$ 153,733	$ 22,023	$ 13,146	$ 10,536	$ 8,300	$ 17,831
U.S. Treasury bonds	11,707						
Total fixed income securities	$ 237,276						

Foreign Currency Risk: The U of I does not have a formal foreign risk policy. The U.S. dollar balances of U of I's and Foundation's cash equivalents and investments exposed to foreign currency risk as of June 30, 2008 are categorized by currency below:

University

Table 3-34 (amounts expressed in thousands)

Currency denomination	Total	Cash Equivalents	Equity Investments
British Pound Sterling	$ 9,217	$ 245	$ 8,972
Euro	13,737	318	13,419
Hong Kong Dollar	1,548	--	1,548
Japanese Yen	1,581	--	1,581
Swiss Franc	2,697	3	2,694
All other currency	4,667	34	4,633
Total subject to foreign currency risk	$ 33,447	$ 600	$ 32,847

Foundation

Table 3-35 (amounts expressed in thousands)

Currency denomination	Total	Cash Equivalents	Equity Investments	Foreign Debt Obligations	Real Estate and Partnerships
British Pound Sterling	$ 50,421	$ 480	$ 49,926	$ 15	$ --
Euro	51,708	709	42,968	152	7,879
Hong Kong Dollar	6,803	32	6,485	--	286
Japanese Yen	29,184	165	27,180	9	1,830
Swedish Krona	7,467	38	7,429	--	--
Swiss Franc	16,586	578	16,008	--	--
All other currency	41,047	1,374	34,488	133	5,052
Total subject to foreign currency risk	$ 203,216	$ 3,376	$ 184,484	$ 309	$ 15,047

DERIVATIVES

Certain State agencies, principally ISBI, TRS and SURS, invest in derivative securities. These derivative securities have been authorized by the policies of the applicable State agencies and the Illinois Compiled Statutes. A derivative security is an investment whose return on investment depends upon the underlying value of other assets such as commodity prices, bond and stock prices or a market index. In general, a derivative is used to modify exposure to undesirable risks, to increase portfolio liquidity and flexibility or to enhance investment yields within the level of risk defined in the agency's investment guidelines.

Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to the established terms. In order to eliminate credit risk, all derivative securities of ISBI, TRS and SURS are done through a clearinghouse which guarantees delivery and accepts the risk of default by either party. Market risk is the possibility that a change in interest or currency rates will cause

the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by ISBI, TRS and SURS by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by governing bodies and senior management, and the risk positions of the investment managers are reviewed periodically to monitor compliance with limits.

ISBI, TRS and SURS invest in the following types of derivatives: foreign currency forward contracts, collateralized mortgage obligations, financial futures and financial options.

Foreign currency forward contracts are used to hedge against the currency risk in agencies' foreign stock and fixed income security portfolios. Foreign currency forward contracts are an agreement to purchase or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. Fluctuations in the market value of foreign currency forward contracts are recognized as incurred rather than at the maturity or settlement date of the contract. Foreign currency forward contracts represent an off-balance sheet obligation because there are no balance sheet assets or liabilities associated with those contracts. As of June 30, 2008, the net unrealized gain (loss) of foreign currency forward contracts outstanding for ISBI, TRS and SURS was ($73) thousand, $3.394 million and $4.252 million, respectively.

Collateralized mortgage obligations are securities which are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayment by mortgagees, which may result from a decline in interest rates. As of June 30, 2008, the fair value of collateralized mortgage obligations for ISBI and SURS was $165.456 million and $419.858 million, respectively.

Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed-upon price. As the market value of the futures contract varies from the original contract price, a gain or loss is recognized and paid to the clearinghouse. Financial futures represent an off-balance sheet obligation because there are no balance sheet assets or liabilities associated with those contracts.

Financial options are agreements that give one party the right, but not the obligation, to purchase or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As writers of financial options, ISBI, TRS and SURS receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums received are recorded as a liability when the financial option is written. Fluctuations in the fair value of financial options are recognized in the financial statements as incurred rather than at the time the options are exercised or when they expire. As a purchaser of financial options, ISBI and SURS pay a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Premiums paid are recorded as an asset when the financial option is purchased and gains/losses are recognized when the options are exercised by the agency or they expire.

As of June 30, 2008, the fair value of option contracts written for TRS and SURS was ($35) thousand and ($6.076) million, respectively.

The following table represents the derivative positions held by ISBI, TRS and SURS at June 30, 2008 in financial futures and financial options.

Table 3-36 (amounts expressed in thousands)

Type of Derivative Contract	Contractual Principal Outstanding* Illinois State Board of Investment	Teachers' Retirement System	Universities Retirement System
Domestic interest rate products			
Fixed income futures purchased	$ 600	$ 272,871	$ 6,054,900
Fixed income futures sold	167,444	120,406	116,600
Fixed income put options (written, purchased)	34,700	9,478	969,300
Fixed income call options (written, purchased)	28,300	(39,377)	562,100
International interest rate products			
Fixed income futures purchased	--	100,476	738,911
Fixed income futures sold	--	120,083	338,344
Fixed income put options (written, purchased)	--	--	5,199
Fixed income call options (written, purchased)	--	--	255,424
Domestic Equity Products			
S & P 500 Index and other equity futures purchased	122,986	1,323,697	179,405
S & P 500 Index and other equity futures sold	--	10,441	--
International Equity Products			
Stock index futures purchased	--	11,578	--
Domestic Currency Products			
Currency call options written	--	2,068	--
Currency put options written	--	1,280	--
Currency call options on futures	--	182,914	--
Currency put options on futures	--	1,302	--
Foreign Currency Products			
Forward foreign currency futures (net)	--	1,824,307	--
Foreign currency yield curve (net)	--	303,834	--

* *The contractual principal amounts listed above represent the fair value of the underlying assets the derivative contracts control. Contractual principal values do not represent actual balance sheet values.*

Contractual principal amounts are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.

SECURITIES LENDING TRANSACTIONS

The investment policies of certain State agencies and component units, principally the State Treasurer, ISBI, TRS, SURS and the University of Illinois, permit them to enter into securities lending transactions. In these transactions, the agency loans their securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The agencies' securities custodians are agents in lending the securities for collateral of at least 102% of the fair value of the securities. Collateral can consist of cash, cash equivalents, government securities, commercial paper or irrevocable letters of credit. Depending on their nature, securities on loan at year-end are presented as classified or unclassified in the preceding schedule of custodial credit risk. Generally, at year-end, agencies had no credit risk exposure to borrowers because the amounts they owed to borrowers exceeded the amounts borrowers owed the agencies and maturities on non-cash collateral received are longer than the lesser of the maturities of the securities lent or the term of the lending transactions. Policies regarding indemnification vary among agencies. Some agencies' contracts with custodians require them to indemnify the agency if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or the borrowers fail to pay the agency for

income distributions by the securities' issuers while the securities are out on loan. Other agencies have no provisions for indemnification.

Generally, securities loans can be terminated on demand by either the agency or the borrower, although the average term of the loans is 10 to 29 days. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 30 to 51 days. The relationship between the maturities of the investment pool and the agency's loans are affected by the maturities of the securities loans made by other entities that use the agent's pool, which the agency cannot determine. The agencies cannot pledge or sell collateral securities received unless the borrower defaults.

The following table summarizes the fair value and related collateral value of outstanding loaned investment securities as of June 30, 2008.

Table 3-37 (amounts expressed in thousands)

State Agency/Component Unit	Fair Value	Collateral Value
State Treasurer	$ 1,454,922	$ 1,570,346
Illinois Student Assistance Commission	163,245	167,529
Illinois State Board of Investments	1,851,953	1,912,743
Teachers' Retirement System	4,518,175	4,677,593
State Universities Retirement System	1,988,800	2,046,500
University of Illinois	129,527	132,774

4 *TAXES RECEIVABLE*

Taxes receivable for the primary government at June 30, 2008 are as follows:

Table 4-1 (amounts expressed in thousands)

	Governmental Activities			Business-type Activities	
	General Fund	Nonmajor Funds	Total	Unemployment Compensation Trust Fund	Fiduciary Funds
Income tax	$ 642,631	$ 105,511	$ 748,142	$ -	$ -
Less allowance	(289,256)	(52,629)	(341,885)	-	-
Net income tax	353,375	52,882	406,257	-	-
Sales tax	621,984	187,127	809,111	-	-
Less allowance	(170,691)	(50,459)	(221,150)	-	-
Net sales tax	451,293	136,668	587,961	-	-
Motor fuel tax	-	144,484	144,484	-	-
Less allowance	-	(19,864)	(19,864)	-	-
Net motor fuel tax	-	124,620	124,620	-	-
Public utility tax	11,399	12,852	24,251	-	-
Less allowance	(3,141)	(1,583)	(4,724)	-	-
Net public utility tax	8,258	11,269	19,527	-	-
Other tax	106,703	68,176	174,879	-	-
Less allowance	(6,143)	(1,220)	(7,363)	-	-
Net other tax	100,560	66,956	167,516	-	-
Unemployment compensation tax	-	-	-	539,545	-
Less allowance	-	-	-	(106,644)	-
Net unemployment compensation tax	-	-	-	432,901	-
Taxes assessed by other governments	-	-	-	-	142,341
Total taxes receivable, net	$ 913,486	$ 392,395	$ 1,305,881	$ 432,901	$142,341

5 *INTERFUND BALANCES AND ACTIVITY*

Interfund due to and due from balances at June 30, 2008 consisted of the following:

Table 5-1 (amounts expressed in thousands)

	Due To										
Due From	General Fund	Road Fund	Nonmajor Governmental Funds	Unemployment Compensation Trust Fund	Water Revolving Fund	Prepaid Tuition Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ --	$ 121	$ 48,028	$ --	$ --	$ --	$ --	$ 77	$ 8,575	$ --	$ 56,801
Road Fund	32	--	57,908	--	--	--	--	--	--	--	57,940
State Construction Account	--	--	35,443	--	--	--	--	--	--	--	35,443
Nonmajor Governmental Funds	286,732	10,845	90,886	4,325	--	--		429	10	10,377	403,604
Unemployment Compensation Trust Fund	4,278	346	21	--	--	--	--	--	--	--	4,645
Designated Account Purchase Program Fund	--	--	--	--	--	--	--	1,149	--	--	1,149
Nonmajor Enterprise Funds	74,333	--	--	--	--	--	1	4,794	--	695	79,823
Internal Service Funds	405,425	70,557	31,784	--	242	4	--	535	9,442	860	518,849
Fiduciary Funds	27,357	299	31,031	--	6	--	--	11	211	52	58,967
Total	$ 798,157	$ 82,168	$ 295,101	$ 4,325	$ 248	$ 4	$ 1	$ 6,995	$ 18,238	$ 11,984	$ 1,217,221

Interfund due to and due from balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers activity at June 30, 2008 consisted of the following:

Table 5-2 (amounts expressed in thousands)

	Transfers-Out							
Transfers-In	General Fund	Road Fund	Nonmajor Governmental Funds	Unemployment Compensation Trust Fund	Designated Account Purchase Program Fund	Nonmajor Enterprise Funds	Internal Service Funds	Total
General Fund	$ --	$ --	$ 3,338,747	$ --	$ --	$ 643,480	$ 1,212	$ 3,983,439
Road Fund	--	--	328,595	--	--	--	--	328,595
State Construction Account	--	--	240,052	--	--	--	--	240,052
Nonmajor Governmental Funds	5,740,781	273,021	1,291,939	15,415	--	10,743	--	7,331,899
Unemployment Compensation Trust Fund	--	--	1,549	--	--	--	--	1,549
Designated Account Purchase Program Fund	--	--	--	--	--	681	--	681
Nonmajor Enterprise Funds	--	--	--	--	2,500	38,704	--	41,204
Total	$ 5,740,781	$ 273,021	$ 5,200,882	$ 15,415	$ 2,500	$ 693,608	$ 1,212	* $ 11,927,419

* Transfers out for internal service funds also include $196 in capital assets to governmental funds.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts to debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

INTERENTITY

The due from amounts for the State of Illinois from its component units, as of June 30, 2008, consisted of the following:

Table 5-3 (amounts expressed in thousands)

Due To	Due From: Illinois Housing Development Authority	Toll Highway Authority	Nonmajor Authorities	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois	Nonmajor Universities	Total
General Fund	$ --	$ --	$ --	$ --	$ 166	$ 20	$ 24,960	$ 30	$ 25,176
Road Fund	--	527	--	--	--	--	--	--	527
Nonmajor Governmental Funds	345,734	130	36	14	35	2	478	32	346,461
Unemployment Compensation Trust Fund	--	--	--	3	5	29	105	31	173
Water Revolving Fund	--	--	353	--	--	--	--	--	353
Internal Service Funds	--	3,552	203	185	41	8	6,821	72	10,882
Fiduciary Funds	--	--	935	109	159	23	2,587	75	3,888
Total	$ 345,734	$ 4,209 *	$ 1,527	$ 311	$ 406	$ 82	$ 34,951	$ 240	$ 387,460

* The amounts due to the Toll Highway Authority at December 31, 2007, its fiscal year-end, were $0.

The due to amounts for the State of Illinois to its component units, as of June 30, 2008, consisted of the following:

Table 5-4 (amounts expressed in thousands)

Due From	Due To: Toll Highway Authority	Nonmajor Authorities	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois	Nonmajor Universities	Total
General Fund	$ 2	$ 2	$ 612	$ 190	$ 6,103	$ 94,479	$ 342	$ 101,730
Road Fund	55	--	--	153	217	3,696	519	4,640
Nonmajor Governmental Funds	11	91	351	63	2,842	22,445	2,482	28,285
Water Revolving Fund	--	97,028	--	--	27	1	--	97,056
Nonmajor Enterprise Funds	--	--	--	--	--	37	--	37
Internal Service Funds	2	--	13	68	12	2,379	--	2,474
Fiduciary Funds	24	48	--	--	--	--	--	72
Total	$ 94 *	$ 97,169	$ 976	$ 474	$ 9,201	$ 123,037	$ 3,343	$ 234,294

* The amounts due from the Toll Highway Authority at December 31, 2007, its fiscal year-end, were $0.

Transactions between the State of Illinois and its component units consist mostly of appropriations for general administrative expenses and capital projects. In addition, most of the State's universities receive pass-through and other grants from the State.

6 *LOANS AND NOTES RECEIVABLE*

Loans and notes receivable at June 30, 2008, consisted of the following:

Table 6-1 (amounts expressed in thousands)

	Primary Government						
	Governmental Activities			Business-type Activities			
	General Fund	Nonmajor Governmental Funds	Total	Water Revolving Fund	Designated Account Purchase Program Fund	Total	Fiduciary Funds
Student loan program	$ 50,464	$ 1,519	$ 51,983	$ --	$ 1,235,798	$ 1,235,798	$ 106
Local government infrastructure	--	--	--	1,675,998	--	1,675,998	--
Business loan program	36,478	--	36,478	--	--	--	--
Port district construction	14,968	--	14,968	--	--	--	--
Other	1,698	67,238	68,936	--	--	--	--
	103,608	68,757	172,365	1,675,998	1,235,798	2,911,796	106
Less: Allowance for uncollectible accounts	90,847	1,489	92,336	--	6,968	6,968	22
Total	12,761	67,268	80,029	1,675,998	1,228,830	2,904,828	84
Less: Amounts representing restricted assets	--	--	--	371,657	1,228,830	1,600,487	--
Loans and notes receivable, net	$ 12,761	$ 67,268	$ 80,029	$ 1,304,341	$ --	$ 1,304,341	$ 84

Table 6-2 (amounts expressed in thousands)

	Major Component Units				
	Illinois Housing Development Authority	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Mortgage loan program	$ 1,982,143	$ --	$ --	$ --	$ --
Student loan program	--	11,080	10,397	21,636	65,671
Other	--	--	--	195	--
	1,982,143	11,080	10,397	21,831	65,671
Less: Allowance for uncollectible accounts	35,685	938	174	2,270	2,877
Loans and notes receivable, net	$ 1,946,458	$ 10,142	$ 10,223	$ 19,561	$ 62,794

7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

Table 7-1 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Primary Government					
Governmental activities					
Capital assets not being depreciated:					
Land and land improvements	$ 2,612,548	$ 56,212	$ 6,018	$ 949	$ 2,663,691
Historical treasures and works of art	37,769	402	--	49	38,220
Construction in progress	65,799	78,249	2,532	(110,730)	30,786
Total capital assets not being depreciated	2,716,116	134,863	8,550	(109,732)	2,732,697
Capital assets being depreciated:					
Infrastructure	22,512,075	1,036,897	606,880	3	22,942,095
Site improvements	717,020	14,315	2,461	11,443	740,317
Buildings and building improvements	4,154,486	3,850	15,434	91,000	4,233,902
Equipment	1,076,262	65,065	38,147	(2,902)	1,100,278
Historical treasures and works of art	1,100	--	--	--	1,100
Total capital assets being depreciated	28,460,943	1,120,127	662,922	99,544	29,017,692
Less accumulated depreciation for:					
Infrastructure	9,754,868	977,793	606,880	--	10,125,781
Site improvements	339,759	23,301	1,936	(2,483)	358,641
Buildings and building improvements	1,840,306	116,436	10,695	(2,291)	1,943,756
Equipment	852,438	58,190	36,774	(5,503)	868,351
Historical treasures and works of art	1,100	--	--	--	1,100
Total accumulated depreciation	12,788,471	1,175,720	656,285	(10,277)	13,297,629
Total capital assets being depreciated, net	15,672,472	(55,593)	6,637	109,821	15,720,063
Governmental activities capital assets, net	$ 18,388,588	$ 79,270	$ 15,187	$ 89	$ 18,452,760
Depreciation expense for governmental activities was charged to functions as follows:					
Health and social services					$ 32,124
Education					2,796
General government					50,050
Employment and economic development					8,590
Transportation					997,809
Public protection and justice					56,722
Environmental and business regulation					27,629
Total					$ 1,175,720

Table 7-2 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Primary Government					
Business-type activities					
Water Revolving Fund:					
Capital assets being depreciated:					
Equipment	$ 460	$ 89	$ --	$ (167)	$ 382
Total capital assets being depreciated	460	89	--	(167)	382
Less accumulated depreciation for:					
Equipment	275	2	--	(78)	199
Total accumulated depreciation	275	2	--	(78)	199
Total capital assets being depreciated, net	185	87	--	(89)	183
Water Revolving Fund capital assets, net	185	87	--	(89)	183
Designated Account Purchase Program:					
Capital assets being depreciated:					
Equipment	514	--	--	--	514
Total capital assets being depreciated	514	--	--	--	514
Less accumulated depreciation for:					
Equipment	470	27	--	--	497
Total accumulated depreciation	470	27	--	--	497
Total capital assets being depreciated, net	44	(27)	--	--	17
Designated Account Purchase Program capital assets, net	44	(27)	--	--	17
Nonmajor enterprise funds:					
Capital assets not being depreciated:					
Land and land improvements	190	--	--	--	190
Total capital assets not being depreciated	190	--	--	--	190
Capital assets being depreciated:					
Buildings and building improvements	1,589	24	--	--	1,613
Equipment	6,204	601	257	(315)	6,233
Total capital assets being depreciated	7,793	625	257	(315)	7,846
Less accumulated depreciation for:					
Buildings and building improvements	299	45	--	--	344
Equipment	4,947	501	224	(315)	4,909
Total accumulated depreciation	5,246	546	224	(315)	5,253
Total capital assets being depreciated, net	2,547	79	33	--	2,593
Nonmajor enterprise funds capital assets, net	2,737	79	33	--	2,783
Total Business-type activities					
Capital assets not being depreciated	190	--	--	--	190
Capital assets being depreciated, net	2,776	139	33	(89)	2,793
Business-type activities capital assets, net	$ 2,966	$ 139	$ 33	$ (89)	$ 2,983
Depreciation expense for business-type activities was charged to functions as follows:					
Water revolving					$ 2
Designated account purchase program					27
Lottery					174
Other					372
Total					$ 575

Table 7-3 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Fiduciary Funds					
Capital assets not being depreciated:					
Land and land improvements	$ 1,675	$ --	$ --	$ --	$ 1,675
Total capital assets not being depreciated	1,675	--	--	--	1,675
Capital assets being depreciated:					
Site improvements	418	--	--	--	418
Buildings and building improvements	14,592	345	--	--	14,937
Equipment	20,005	837	432	--	20,410
Total capital assets being depreciated	35,015	1,182	432	--	35,765
Less accumulated depreciation for:					
Site improvements	316	20	--	--	336
Buildings and building improvements	6,893	391	--	--	7,284
Equipment	16,969	1,058	414	--	17,613
Total accumulated depreciation	24,178	1,469	414	--	25,233
Total capital assets being depreciated, net	10,837	(287)	18	--	10,532
Fiduciary funds capital assets, net	$ 12,512	$ (287)	$ 18	$ --	$ 12,207

Table 7-4 (amounts expressed in thousands)

	Beginning Balance	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units					
Illinois Housing Development Authority:					
Capital assets being depreciated:					
Buildings and building improvements	$ 1,805	$ 40,821	$ --	$ --	$ 42,626
Equipment	1,939	88	62	--	1,965
Total capital assets being depreciated	3,744	40,909	62	--	44,591
Less accumulated depreciation for:					
Buildings and building improvements	1,805	11,811	--	--	13,616
Equipment	1,736	143	62	--	1,817
Total accumulated depreciation	3,541	11,954	62	--	15,433
Total capital assets being depreciated, net	203	28,955	--	--	29,158
Capital assets, net	$ 203	$ 28,955	$ --	$ --	$ 29,158
Toll Highway Authority:					
Capital assets not being depreciated:					
Land and land improvements	$ 272,468	$ 11,287	$ 1,078	$ --	$ 282,677
Construction in progress	549,347	906,656	--	(795,672)	660,331
Total capital assets not being depreciated	821,815	917,943	1,078	(795,672)	943,008
Capital assets being depreciated:					
Infrastructure	4,668,418	141,545	7,203	795,672	5,598,432
Buildings and building improvements	38,820	214	--	--	39,034
Equipment	186,118	29,410	46,665	--	168,863
Total capital assets being depreciated	4,893,356	171,169	53,868	795,672	5,806,329
Less accumulated depreciation for:					
Infrastructure	2,453,645	204,608	1,440	--	2,656,813
Buildings and building improvements	26,116	1,985	--	--	28,101
Equipment	138,556	7,386	38,743	--	107,199
Total accumulated depreciation	2,618,317	213,979	40,183	--	2,792,113
Total capital assets being depreciated, net	2,275,039	(42,810)	13,685	795,672	3,014,216
Capital assets, net	$ 3,096,854	$ 875,133	$ 14,763	$ --	$ 3,957,224

Table 7-4 (continued)
(amounts expressed in thousands)

	Beginning Balance,	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units, continued					
Illinois State University:					
Capital assets not being depreciated:					
Land and land improvements	$ 14,158	$ --	$ --	$ --	$ 14,158
Construction in progress	28,172	39,124	--	(24,950)	42,346
Total capital assets not being depreciated	42,330	39,124	--	(24,950)	56,504
Capital assets being depreciated:					
Infrastructure	12,683	--	--	--	12,683
Site improvements	19,484	289	136	6,067	25,704
Buildings and building improvements	354,310	993	3,121	18,883	371,065
Equipment	127,721	8,096	3,083	--	132,734
Total capital assets being depreciated	514,198	9,378	6,340	24,950	542,186
Less accumulated depreciation for:					
Infrastructure	5,136	312	--	--	5,448
Site improvements	7,618	758	136	--	8,240
Buildings and building improvements	167,221	7,211	3,121	--	171,311
Equipment	97,704	7,306	2,976	--	102,034
Total accumulated depreciation	277,679	15,587	6,233	--	287,033
Total capital assets being depreciated, net	236,519	(6,209)	107	24,950	255,153
Capital assets, net	$ 278,849	$ 32,915	$ 107	$ --	$ 311,657
Northern Illinois University:					
Capital assets not being depreciated:					
Land and land improvements	$ 23,110	$ --	$ --	$ --	$ 23,110
Historic treasures and works of art	450	26	--	(147)	329
Construction in progress	33,805	28,356	--	(40,262)	21,899
Total capital assets not being depreciated	57,365	28,382	--	(40,409)	45,338
Capital assets being depreciated:					
Site improvements	55,200	--	--	2,665	57,865
Buildings and building improvements	417,693	--	256	37,744	455,181
Equipment	158,721	8,349	1,497	--	165,573
Total capital assets being depreciated	631,614	8,349	1,753	40,409	678,619
Less accumulated depreciation for:					
Site improvements	28,313	2,001	--	--	30,314
Buildings and building improvements	207,933	10,573	39	--	218,467
Equipment	134,347	7,048	1,485	--	139,910
Total accumulated depreciation	370,593	19,622	1,524	--	388,691
Total capital assets being depreciated, net	261,021	(11,273)	229	40,409	289,928
Capital assets, net	$ 318,386	$ 17,109	$ 229	$ --	$ 335,266

Table 7-4 (continued)
(amounts expressed in thousands)

	Beginning Balance,	Additions	Deletions	Transfers and Reclassifications	Ending Balance
Major Component Units, continued					
Southern Illinois University:					
Capital assets not being depreciated:					
Land and land improvements	$ 21,880	$ --	$ 335	$ --	$ 21,545
Historic treasures and works of art	6,221	56	--	27	6,304
Construction in progress	100,197	46,706	383	(81,887)	64,633
Total capital assets not being depreciated	128,298	46,762	718	(81,860)	92,482
Capital assets being depreciated:					
Infrastructure	8,608	--	--	--	8,608
Site improvements	44,376	108	58	2,507	46,933
Buildings and building improvements	749,572	8,516	2,449	79,208	834,847
Equipment	294,092	16,398	7,771	145	302,864
Total capital assets being depreciated	1,096,648	25,022	10,278	81,860	1,193,252
Less accumulated depreciation for:					
Infrastructure	8,594	13	--	--	8,607
Site improvements	32,312	1,252	58	--	33,506
Buildings and building improvements	371,162	18,723	1,781	--	388,104
Equipment	235,429	16,838	7,481	--	244,786
Total accumulated depreciation	647,497	36,826	9,320	--	675,003
Total capital assets being depreciated, net	449,151	(11,804)	958	81,860	518,249
Capital assets, net	$ 577,449	$ 34,958	$ 1,676	$ --	$ 610,731
University of Illinois:					
Capital assets not being depreciated:					
Land and land improvements	$ 129,437	$ 1,283	$ 459	$ --	$ 130,261
Historic treasures and works of art	14,813	661	--	--	15,474
Construction in progress	289,517	244,401	--	(200,207)	333,711
Total capital assets not being depreciated	433,767	246,345	459	(200,207)	479,446
Capital assets being depreciated:					
Site improvements	620,665	--	48	6,243	626,860
Buildings and building improvements	2,788,132	--	730	193,964	2,981,366
Equipment	1,535,141	89,191	45,654	--	1,578,678
Total capital assets being depreciated	4,943,938	89,191	46,432	200,207	5,186,904
Less accumulated depreciation for:					
Site improvements	235,745	21,832	--	--	257,577
Buildings and building improvements	924,574	69,251	436	--	993,389
Equipment	1,098,789	109,017	42,130	--	1,165,676
Total accumulated depreciation	2,259,108	200,100	42,566	--	2,416,642
Total capital assets being depreciated, net	2,684,830	(110,909)	3,866	200,207	2,770,262
Capital assets, net	$ 3,118,597	$ 135,436	$ 4,325	$ --	$ 3,249,708

8 CHANGES IN LONG-TERM OBLIGATIONS

Changes in long-term obligations for governmental activities for the year ended June 30, 2008 are summarized below:

Table 8-1 (amounts expressed in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Primary Government					
Governmental Activities					
Bonds payable:					
General obligation bonds (note 9)	$ 20,580,959	$ 186,476	* $ (776,145)	$19,991,290	$ 758,860 ^
Special obligation bonds (note 10)	2,398,859	55,484	** (153,115)	2,301,228	159,186 ^^
Deferred amount on refundings:					
General obligation bonds (note 9)	(62,428)	--	11,390	(51,038)	(10,534)
Special obligation bonds (note 10)	(1,274)	--	424	(850)	(425)
Unamortized premiums:					
General obligation bonds (note 9)	349,592	4,848	(38,612)	315,828	36,486
Special obligation bonds (note 10)	70,148	1,876	(7,079)	64,945	6,924
Unamortized (discounts):					
General obligation bonds (note 9)	(2,325)	--	121	(2,204)	(120)
Total bonds payable	23,333,531	248,684	(963,016)	22,619,199	950,377
Other long-term obligations:					
Capital lease obligations (note 13A)	10,735	258	(1,266)	9,727	1,037
Installment purchases (note 13D)	16,241	2,094	(6,033)	12,302	5,604
Certificates of participation (note 13B)	97,335	--	(7,035)	90,300	5,895
Illinois Emergency Management Agency (note 13C)	25,891	4,124	--	30,015	--
Cape Girardeau bridge (note 13E)	2,152	--	(204)	1,948	1,872
Workers compensation (note 19)	200,748	151,278	(122,343)	229,683	111,013
Auto liability (note 19)	9,308	6,514	(3,616)	12,206	4,249
Compensated absences (note 1M)	431,711	339,078	(327,772)	443,017	31,442
Net pension obligation (note 16)	17,090,697	2,105,358	--	19,196,055	--
Net other postemployment benefits obligation (note 17)	--	1,238,131	--	1,238,131	--
Other obligations (note 13H)	8,888	219	(1,175)	7,932	4,272
Total other long-term obligations	17,893,706	3,847,054	(469,444)	21,271,316	165,384
Total Governmental Activities	$ 41,227,237	$ 4,095,738	$(1,432,460)	$43,890,515	$ 1,115,761

* Includes $61,476 of interest accreted on capital appreciation debt.
** Includes $5,484 of interest accreted on capital appreciation debt.
^ Includes $1,237 of unaccreted appreciation on capital appreciation debt.
^^ Includes $979 of unaccreted appreciation on capital appreciation debt.

The liabilities for governmental activities of the primary government have been liquidated in prior years as follows:

Compensated absences, certificates of participation and capital lease obligations (including installment purchases) – by the applicable governmental and internal service funds that accounted for the salaries and wages of the related employees or incurred the obligation.

Workers compensation – by charges from the Workers' Compensation Revolving Fund, an internal service fund, to the applicable fund that would have paid the salaries and wages of the related employees.

Net pension obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the General Assembly Retirement System, the Judges' Retirement System or the State Employees' Retirement System. In addition, appropriations from the General Fund have been used to liquidate amounts for employees who are members of the Teachers' Retirement System or the State Universities Retirement System.

Net other postemployment benefit obligation – by the applicable funds that accounted for the salaries and wages of the related employees who are members of the State's group insurance programs. In addition, appropriations from the General Fund are used to liquidate amounts for employees of the State's university component units.

Other – by the applicable governmental funds that incurred the obligation as discussed in Note 13.

Changes in long-term obligations for business-type activities for the year ended June 30, 2008 are summarized below:

Table 8-2 (amounts expressed in thousands)

	Balance July 1, 2007, as Reclassified	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Primary Government Business-type Activities					
Business-type Activities Water Revolving Fund *					
Other long-term obligations:					
Capital lease obligations (note 13A)	$ --	$ 6	$ (1)	$ 5	$ 3
Compensated absences (note 1M)	1,224	643	(560)	1,307	139
Total Water Revolving Fund	1,224	649	(561)	1,312	142
Prepaid Tuition Fund:					
Tuition and related accretion payable (note 13G)	956,201	191,544	(45,339)	1,102,406	50,000
Compensated absences (note 1M)	92	56	(69)	79	8
Total Prepaid Tuition Fund	956,293	191,600	(45,408)	1,102,485	50,008
Designated Account Purchase Program:					
Bonds and notes payable:					
Revenue bonds (note 11)	3,492,200	--	(2,607,800)	884,400	--
Unamortized (discounts):					
Revenue bonds (note 11)	(12,626)	--	7,667	(4,959)	--
Total bonds and notes payable	3,479,574	--	(2,600,133)	879,441	--
Other long-term obligations:					
Compensated absences (note 1M)	721	419	(529)	611	61
Total Designated Account Purchase Program	3,480,295	419	(2,600,662)	880,052	61
Nonmajor Enterprise Funds:					
Lottery prize awards (note 13F)	1,044	--	(34)	1,010	107
Compensated absences (note 1M)	6,608	3,319	(3,405)	6,522	396
Other obligations (note 13H)	10,310	561	(701)	10,170	9,617
Total Nonmajor Enterprise Funds	17,962	3,880	(4,140)	17,702	10,120
Total Business-type Activities	$ 4,455,774	$ 196,548	$ (2,650,771)	$ 2,001,551	$ 60,331

* as reclassified

Changes in long-term obligations for fiduciary funds for the year ended June 30, 2008 are summarized below:

Table 8-3 (amounts expressed in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Fiduciary Funds					
Capital lease obligations (note 13A)	$ 1	$ 28	$ (1)	$ 28	$ 12
Compensated absences (note 1M)	3,375	347	(262)	3,460	32
Total Fiduciary Funds	$ 3,376	$ 375	$ (263)	$ 3,488	$ 44

Changes in long-term obligations for component units for the year ended June 30, 2008 are summarized below:

Table 8-4 (amounts expressed in thousands)

	Balance July 1, 2007, as Reclassified	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Major Component Units					
Illinois Housing Development Authority:					
Bonds and notes payable:					
Revenue bonds (note 11)	$ 1,595,533	$401,296	$(348,355)	$1,648,474	$106,640
Notes payable (note 12)	1,666	2,900	--	4,566	--
Deferred amount on refundings (note 11)	(11,591)	608	1,322	(9,661)	(1,279)
Unamortized (discounts) (note 11)	--	(142)	--	(142)	(57)
Unamortized premiums (note 11)	1,912	--	(176)	1,736	123
Total bonds and notes payable	1,587,520	404,662	(347,209)	1,644,973	105,427
Other long-term obligations:					
Compensated absences (note 1M)	484	17	(78)	423	423
Total other long-term obligations	484	17	(78)	423	423
Total Illinois Housing Development Authority	$ 1,588,004	$404,679	$(347,287)	$1,645,396	$105,850
Illinois State Toll Highway Authority:					
Bonds and notes payable:					
Revenue bonds (note 11)	$ 2,382,410	$700,000	$ (47,350)	$3,035,060	$ 50,030
Deferred amount on refundings (note 11)	(20,399)	--	2,444	(17,955)	(2,472)
Unamortized premiums (note 11)	103,525	--	(6,106)	97,419	6,105
Total bonds and notes payable	2,465,536	700,000	(51,012)	3,114,524	53,663
Other long-term obligations:					
Capital lease obligations (note 13A)	4,016	--	(4,016)	--	--
Accrued self-insurance (note 19)	8,618	6,765	(4,694)	10,689	10,689
Compensated absences (note 1M)	5,700	5,461	(4,909)	6,252	3,626
Other obligations (note 13H)	76	--	(35)	41	41
Total other long-term obligations	18,410	12,226	(13,654)	16,982	14,356
Total Illinois State Toll Highway Authority	$ 2,483,946	$712,226	$ (64,666)	$3,131,506	$ 68,019
Illinois State University:					
Bonds and notes payable:					
Revenue bonds (note 11)	$ 85,476	$ 32,026	$ (5,228)	$ 112,274	$ 5,196 ^
Notes payable (note 12)	100	--	(100)	--	--
Unamortized premiums (note 11)	396	--	(56)	340	56
Unamortized (discounts) (note 11)	(980)	--	55	(925)	(50)
Total bonds and notes payable	84,992	32,026	(5,329)	111,689	5,202
Other long-term obligations:					
Capital lease obligations (note 13A)	331	--	(203)	128	128
Certificates of participation (note 13B)	--	22,230	--	22,230	--
Unamortized (discounts) (note 13B)	--	(93)	--	(93)	--
Compensated absences (note 1M)	18,332	1,623	(1,722)	18,233	1,713
Other obligations (note 13H)	306	32	--	338	34
Total other long-term obligations	18,969	23,792	(1,925)	40,836	1,875
Total Illinois State University	$ 103,961	$ 55,818	$ (7,254)	$ 152,525	$ 7,077
Northern Illinois University:					
Bonds and notes payable:					
Revenue bonds (note 11)	$ 109,596 *	$ 1,591	$ (5,945)	$ 105,242	$ 5,945 ^^
Notes payable (note 12)	1,060	--	(434)	626	396
Total bonds and notes payable	110,656	1,591	(6,379)	105,868	6,341
Other long-term obligations:					
Capital lease obligations (note 13A)	20,169 *	812	(352)	20,629	368
Certificates of participation (note 13B)	5,265	--	(345)	4,920	365
Compensated absences (note 1M)	23,470	746	(196)	24,020	1,934
Other obligations (note 13H)	13,290	8,587	(1,417)	20,460	1,862
Total other long-term obligations	62,194	10,145	(2,310)	70,029	4,529
Total Northern Illinois University	$ 172,850	$ 11,736	$ (8,689)	$ 175,897	$ 10,870

^ Includes $134 of unaccreted appreciation on capital appreciation debt.
^^ Includes $115 of unaccreted appreciation on capital appreciation debt.
* as reclassified

Table 8-4 (continued)
(amounts expressed in thousands)

	Balance July 1, 2007, as Reclassified	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year	
Major Component Units, continued						
Southern Illinois University:						
Bonds and notes payable:						
Revenue bonds (note 11)	$ 235,404	$ 34,413	$ (13,465)	$ 256,352	$ 12,687	^
Notes payable (note 12)	255	--	(167)	88	88	
Deferred amount on refundings (note 11)	(2,281)	--	248	(2,033)	(248)	
Unamortized premiums (note 11)	5,196	1,360	(260)	6,296	312	
Total bonds and notes payable	238,574	35,773	(13,644)	260,703	12,839	
Other long-term obligations:						
Capital lease obligations (note 13A)	3,115	88	(1,792)	1,411	1,097	
Certificates of participation (note 13B)	30,950	--	(2,590)	28,360	2,670	
Unamortized (discounts) (note 13B)	(73)	--	4	(69)	(3)	
Accrued self-insurance (note 19)	12,699	10,460	(7,471)	15,688	7,580	
Compensated absences (note 1M)	46,820	5,398	(4,251)	47,967	4,121	
Other obligations (note 13H)	25,936	2,274	(23,217)	4,993	597	
Total other long-term obligations	119,447	18,220	(39,317)	98,350	16,062	
Total Southern Illinois University	$ 358,021	$ 53,993	$ (52,961)	$ 359,053	$ 28,901	
University of Illinois:						
Bonds and notes payable:						
Revenue bonds (note 11)	$ 1,075,579	$113,487	$ (71,005)	$1,118,061	$126,679	^^
Deferred amount on refundings (note 11)	(17,617)	(2,663)	1,127	(19,153)	(1,133)	
Unamortized premiums (note 11)	34,597	--	(1,209)	33,388	1,261	
Unamortized (discounts) (note 11)	(512)	--	512	--	--	
Total bonds and notes payable	1,092,047	110,824	(70,575)	1,132,296	126,807	
Other long-term obligations:						
Capital lease obligations (note 13A)	20,872 *	8,164	(6,397)	22,639	6,628	
Certificates of participation (note 13B)	440,770	231,210	(83,290)	588,690	18,560	
Deferred amount on refundings (note 13B)	(14,364)	(2,027)	1,586	(14,805)	(1,950)	
Unamortized premiums (note 13B)	11,713	5,971	(1,612)	16,072	1,737	
Accrued self-insurance (note 19)	156,178	65,165	(44,175)	177,168	48,591	
Compensated absences (note 1M)	210,166	22,262	(18,084)	214,344	18,084	
Other obligations (note 13H)	63,308	3,391	(876)	65,823	7,000	
Total other long-term obligations	888,643	334,136	(152,848)	1,069,931	98,650	
Total University of Illinois	$ 1,980,690	$444,960	$(223,423)	$2,202,227	$225,457	

^ Includes $128 of unaccreted appreciation on capital appreciation debt.
^^ Includes $461 of unaccreted appreciation on capital appreciation debt.
* as reclassified

9 GENERAL OBLIGATION BONDS

General obligation bonds outstanding and bonds authorized but unissued at June 30, 2008 are as follows:

Table 9-1 (amounts expressed in thousands)

Governmental Activities

		Original Issue Amount	Final Maturity	Interest Rate Ranges	Anti-Pollution	Capital Development	Coal Development
General:							
1983-T		$ 17,000	8/1/2008	8.25%	$ 680	$ --	$ --
1983-U		10,000	12/1/2008	8.5%	400	--	--
1984-V		12,000	4/1/2009	8.75%	480	--	--
1984-W		20,000	9/1/2009	8.75%	1,600	--	--
Multiple Purpose Series:							
January	1988	93,003	8/1/2008	Accreted*	1,028	7,634	147
October	1988	225,000	8/1/2008	Accreted*	1,539	18,464	769
November	1989	250,000	8/1/2010	Accreted*	1,724	48,950	--
November	1990	250,000	8/1/2011	Accreted*	--	56,287	--
September	1991	209,793	8/1/2012	Accreted*	833	54,777	1,512
October	1992	249,991	8/1/2013	Accreted*	1,504	73,074	1,194
October	1993	169,399	8/1/2015	Accreted*	7,636	30,063	450
October	1994	209,816	8/1/2016	Accreted*	10,808	86,390	3,140
December	1995	315,795	12/1/2011	5.125%	--	--	--
December	1995	184,205	12/1/2020	5.125% to 5.25%	--	32,298	--
February	1997	84,945	2/1/2011	5.1% to 5.15%	--	--	--
February	1997	165,055	2/1/2012	5.1% to 5.2%	3,098	14,990	--
July	1997	100,000	7/1/2022	4.7% to 5.25%	12,574	23,053	--
November	1997	168,330	8/1/2019	Accreted*	--	127,260	--
April	1998	119,850	4/1/2012	5.0% to 5.5%	--	--	--
April	1998	130,150	4/1/2023	5.0% to 5.5%	--	82,363	3,286
June	1998	200,000	6/1/2023	4.75% to 5.0%	--	36,300	--
November	1998	122,334	8/1/2020	Accreted*	--	61,581	--
March	1999	169,255	3/1/2013	5.0% to 5.125%	--	--	--
March	1999	230,745	3/1/2024	4.75% to 5.125%	3,039	64,492	1,196
June	1999	250,000	6/1/2024	5.0% to 5.375%	--	119,917	--
October	1999	100,000	10/1/2017	5.5% to 6.0%	--	998	2,503
January	2000	160,000	1/1/2020	5.375% to 6.1%	--	27,169	--
April	2000	300,000	4/1/2025	5.0% to 5.7%	--	62,400	--
June	2000	300,000	6/1/2019	5.25% to 5.7%	720	24,480	--
August	2000	300,000	8/1/2025	5.0% to 5.625%	--	44,250	--
October	2000	101,855	8/1/2022	Accreted*	--	31,444	--
December	2000	300,000	12/1/2025	4.5% to 5.75%	3,841	92,176	1,500
April	2001	112,810	4/1/2016	5.25% to 5.375%	--	--	--
April	2001	163,190	4/1/2021	5.25% to 5.375%	4,897	35,613	1,781
May	2001	300,000	5/1/2026	4.3% to 5.5%	--	111,167	2,300
August	2001	375,000	8/1/2026	5.0% to 5.5%	6,260	68,860	3,130
November	2001	375,000	11/1/2026	5.0% to 6.0%	6,587	78,513	--
December	2001	318,775	10/1/2014	5.0% to 5.375%	--	--	--
February	2002	375,000	2/1/2027	4.6% to 5.5%	7,600	95,000	--
March	2002	375,000	4/1/2027	5.1% to 5.5%	--	97,200	--
April	2002	79,695	4/1/2013	5.25% to 5.5%	--	--	--
July	2002	395,000	7/1/2027	3.5% to 5.375%	5,494	64,747	2,354
August	2002	564,900	8/1/2019	5.25% to 5.5%	--	--	--
October	2002	395,000	10/1/2027	4.75% to 5.25%	--	76,962	--
October	2002	62,079	8/1/2024	Accreted*	3,843	11,591	1,537
December	2002	400,000	12/1/2027	3.25% to 5.375%	4,785	178,350	2,175
June	2003	460,000	6/1/2028	3.0% to 5.0%	11,027	113,945	--
June	2003	10,000,000	6/1/2033	2.5% to 5.1%	--	--	--
A-October	2003	363,000	10/1/2020	4.0% to 5.25%	4,625	24,190	--
B-October	2003	40,170	10/1/2021	Variable**	--	--	--
B-October	2003	559,830	10/1/2033	Variable**	18,990	104,965	--
A-March	2004	484,400	3/1/2034	5.0%	13,625	132,475	--
B-March	2004	344,775	3/1/2014	5.0%	--	--	--
September	2004	285,000	9/1/2029	4.5% to 5.0%	--	39,600	--
November	2004	275,000	11/1/2029	5.0%	4,400	103,510	--
April	2005	315,000	4/1/2030	5.0%	--	74,800	--
September	2005	300,000	9/1/2030	3.25% to 5.0%	--	109,480	--
January	2006	325,000	1/1/2031	5.0% to 5.5%	--	108,560	2,760
June	2006	274,950	1/1/2021	5.0%	--	--	--
A-June	2006	285,000	6/1/2031	5.0%	--	172,040	3,490
B-June	2006	15,000	6/1/2011	4.25%	--	9,000	--
April	2007	150,000	4/1/2032	4.5% to 5.0%	--	91,200	--
A-June	2007	108,000	6/1/2025	4.25% to 5.5%	--	40,156	--
B-June	2007	329,000	1/1/2021	4.25% to 5.25%	--	--	--
April	2008	125,000	4/1/2033	4.0% to 5.0%	--	100,000	--
Total		$24,849,095			$ 143,637	$ 3,262,734	$ 35,224
Authorized but Unissued					$ 23,554	$ 823,446	$ 561,894

* Accreted bonds are shown at their accreted values as of 6/30/08. Inputted interest rates on these capital appreciation bonds range from 3.23% to 7.9%.

** See Note 14--Derivatives for details on the variable rate bonds.

Table 9-1 (amounts expressed in thousands)
(continued)

Pension	School Construction	Transportation "A"	Transportation "B"	Refunding	Principal Outstanding June 30, 2008	Amount Related to Capital Assets
$ --	$ --	$ --	$ --	$ --	$ 680	$ --
--	--	--	--	--	400	--
--	--	--	--	--	480	--
--	--	--	--	--	1,600	--
--	147	4,404	293	--	13,653	2,020
--	1,077	7,386	5,385	--	34,620	4,391
--	2,068	17,236	16,202	--	86,180	15,010
--	--	26,706	19,721	--	102,714	20,876
--	1,397	23,211	21,876	--	103,606	22,681
--	3,573	20,893	31,215	22,033	153,486	34,729
--	103	28,157	13,087	--	79,496	19,937
--	--	15,895	17,166	--	133,399	26,652
--	--	--	--	1,046	1,046	690
--	605	--	4,281	--	37,184	21,653
--	--	--	--	2,029	2,029	1,342
--	1,286	--	6,197	--	25,571	10,243
--	--	--	6,287	--	41,914	9,788
--	--	--	19,133	--	146,393	56,016
--	--	--	--	15,555	15,555	9,385
--	--	--	--	--	85,649	60,004
--	26,400	--	3,300	--	66,000	23,236
--	1,513	--	16,205	--	79,299	23,280
--	--	--	--	94,480	94,480	65,318
--	62,810	--	15,983	--	147,520	36,830
--	10,083	--	--	--	130,000	76,745
--	23,800	4,200	3,500	--	35,001	5,198
--	23,625	7,875	4,331	--	63,000	20,467
--	52,000	31,200	10,400	--	156,000	70,997
--	21,600	20,400	4,800	--	72,000	37,112
--	29,500	59,000	44,250	--	177,000	85,508
--	48,623	--	--	--	80,067	16,647
--	67,083	--	--	--	164,600	50,693
--	--	--	--	110,935	110,935	62,232
--	17,001	13,355	--	--	72,647	26,892
--	53,667	53,667	9,200	--	230,001	113,536
--	68,860	71,990	15,650	--	234,750	104,010
--	99,261	39,520	23,119	--	247,000	79,413
--	--	--	--	183,495	183,495	105,719
--	114,000	38,000	30,400	--	285,000	72,330
--	93,600	43,200	36,000	--	270,000	93,790
--	--	--	--	44,880	44,880	34,052
--	133,418	92,215	11,772	--	310,000	123,568
--	--	--	--	494,255	494,255	277,873
--	153,924	50,025	23,089	--	304,000	83,922
--	--	26,905	3,844	--	47,720	24,613
--	53,940	65,250	43,500	--	348,000	143,927
--	117,621	73,513	22,054	--	338,160	127,755
9,950,000	--	--	--	--	9,950,000	--
--	49,335	42,810	9,290	229,015	359,265	179,618
--	--	--	--	40,170	40,170	20,738
--	211,945	183,945	39,985	--	559,830	238,074
--	137,220	146,665	28,385	--	458,370	206,766
--	--	--	--	241,200	241,200	127,594
--	88,000	105,600	17,600	--	250,800	115,744
--	73,260	49,280	11,550	--	242,000	72,660
--	72,160	107,360	22,880	--	277,200	146,191
--	85,560	53,360	27,600	--	276,000	85,864
--	91,080	56,120	40,480	--	299,000	96,839
--	--	--	--	238,290	238,290	126,537
--	19,320	31,470	35,880	--	262,200	125,659
--	--	--	--	--	9,000	9,000
--	22,080	10,560	20,160	--	144,000	61,138
--	9,824	12,750	39,270	--	102,000	37,505
--	--	--	--	305,500	305,500	127,331
--	--	10,000	15,000	--	125,000	34,606
$ 9,950,000	$ 2,142,369	$ 1,644,123	$ 790,320	$ 2,022,883	19,991,290	$ 4,112,944
$ --	$ 183,584	$ 99,204	$ 244,082	$ 829,616		
			Deferred amount on refundings		(51,038)	(26,642)
			Unamortized premiums		315,828	134,467
			Unamortized (discounts)		(2,204)	--
				Total	$ 20,253,876	$ 4,220,769

General obligation bonds have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correction, and conservation purposes and for maintenance and construction of highway and waterway facilities. Bonds have been issued to provide assistance to municipalities for construction of sewage treatment facilities, port districts, aquarium facilities, local schools, mass transportation and aviation purposes, and to fund research and development of coal as an energy source. Bonds were also issued for the purpose of making contributions to the following designated retirement systems: State Employees' Retirement System of Illinois; Teachers' Retirement System of the State of Illinois; State Universities Retirement System; Judges' Retirement System of Illinois; and General Assembly Retirement System. In addition, bonds have been authorized to refund any general obligation bonds outstanding.

The State Constitution provides that the State may issue general obligation bonds for specific purposes in such amounts as provided either by the General Assembly with a three-fifths vote of each house or by a majority of voters in a general election. The enabling acts pursuant to which the bonds are issued provide that all bonds issued thereunder shall be direct obligations of the State of Illinois and pledge the full faith and credit of the State. Effective July 30, 2004, general obligation bonds are to be redeemed over a period not to exceed 25 years from available resources in the debt service funds. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. With the exception of anti-pollution bonds, Illinois offerings generally have a call option of the State. Calls can begin 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and at a redemption price not to exceed par value.

Changes in general obligation bonds during the year ended June 30, 2008, are summarized in Note 8. Future general obligation debt service requirements at June 30, 2008 are as follows:

Table 9-2 (amounts expressed in thousands)

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2009	$ 760,097	$ 945,130	$ 1,705,227
2010	744,982	919,972	1,664,954
2011	733,797	892,172	1,625,969
2012	716,444	866,527	1,582,971
2013	703,915	839,296	1,543,211
2014-2018	3,344,939	3,744,981	7,089,920
2019-2023	3,472,958	2,954,672	6,427,630
2024-2028	4,309,040	2,021,400	6,330,440
2029-2033	5,335,804	844,116	6,179,920
2034-2038	80,795	2,324	83,119
	20,202,771	$ 14,030,590	$34,233,361
Less: Unaccreted appreciation	(211,481)		
	19,991,290		
Deferred amount on refundings	(51,038)		
Unamortized premiums	315,828		
Unamortized (discounts)	(2,204)		
Total	$ 20,253,876		

The State has issued $600 million in variable rate general obligation bonds. Information regarding the June 30, 2008 valuations and risks associated with these bonds are included in Note 14—Derivatives.

10 SPECIAL OBLIGATION BONDS

Special obligation bonds have been authorized and issued to provide funds for the Build Illinois Program and the State's Metropolitan Civic Center Support Program, and to refund any bonds previously issued under these programs.

The Build Illinois Program was implemented to expand the State's efforts in economic development by providing financing in certain areas. These areas include construction, reconstruction, modernization and extension of the State's infrastructure; development and improvement of educational, scientific, technical and vocational programs and facilities; expansion of health and human services in the State; protection, preservation, restoration and conservation of the State's environmental and natural resources; and provision of incentives for the location and expansion of businesses in Illinois resulting in increased employment.

The State has pledged the following portions of the State's tax revenues, net of related expenses, to annually repay the debt service requirements of the remaining principal and interest of $3.1 billion in special obligation bonds related to the Build Illinois Program:

Table 10-1 (amounts expressed in thousands)

	Annual Revenue Amount	Total Revenue for Source
4.44% of general sales tax revenues plus $37.8 million	$ 467,872	$ 10,142,098
50% of hotel operators tax	110,323	219,781
$5 million of vehicle use tax	5,000	36,239
Total	$ 583,195	$ 10,398,118
Principal and interest requirements	$ 265,922	
Percentage to principal and interest requirements	219%	

The annual revenue amounts are generally consistent year to year with increases or decreases related to economic conditions in the State. Additional issuances of bonds for the Build Illinois Program cannot be undertaken if the debt service exceeds 5% of the State's total sales tax revenues.

The State's Metropolitan Civic Center Support Program was implemented to provide funding for single or multi-purpose projects. The primary function of which is to provide public entertainment, exhibitions or conventions, or to provide parking facilities related thereto. Also, a portion (not to exceed $10 million) is authorized for the purpose of making construction and improvement grants by the Secretary of State, as State Librarian, to public libraries and library systems.

The State originally pledged a portion of the State's horse racing privilege tax to repay the principal and interest of $174 million in special obligation bonds related to the State's Metropolitan Civic Center Support Program. Upon the abolishment of the horse racing privilege tax, the State annually uses amounts from the General Revenue Account (a subaccount of the General Fund) to pay the debt service of the special obligation bonds related to the State's Metropolitan Civic Center Support Program.

Effective July 30, 2004, special obligation bonds are to be redeemed over a period not to exceed 25 years. Previously, bonds have been issued which mature in varying amounts over periods not exceeding 30 years. Additionally, these bonds have call provisions providing for early redemption at the option of the State, beginning 10 years following the date of issuance, in whole or in part, in such order as the State shall determine and within any maturity by lot at varying premiums which decrease periodically.

Special obligation bonds outstanding and bonds authorized but unissued for governmental activities at June 30, 2008, are as follows:

Table 10-2 (amounts expressed in thousands)

Governmental Activities

				Build Illinois		
	Original Issue Amount	**Final Maturity**	**Interest Rate Ranges**	**Public Infrastructure**	**Business Development**	**Education**
Series 1990-A	$ 88,645	12/15/2008	6.5%	$ --	$ --	$ --
Series 1990-B	4,601	12/15/2019	Accreted*	--	--	--
Series L	52,001	6/15/2015	Accreted*	57,785	2,734	6,765
Series 1991	74,895	12/15/2020	6.25%	--	--	--
Series O	22,711	6/15/2013	Accreted*	--	--	--
Series P	100,000	6/15/2022	6.5%	51,968	--	15,055
Series Q	416,890	6/15/2012	6.0%	--	--	--
Series S	256,815	6/15/2010	5.0% to 5.1%	--	--	--
Series S	74,830	6/15/2018	5.0% to 5.25%	8,735	--	6,097
Series U	100,000	6/15/2019	5.0%	21,427	--	22,455
Series W	80,000	6/15/2016	5.0%	29,979	--	12,508
Series X	60,000	6/15/2017	5.2% to 5.6%	28,280	--	5,427
Series Y	145,475	6/15/2018	4.9% to 5.25%	--	--	--
Series 1998	37,590	12/15/2015	4.7% to 5.0%	--	--	--
Series Z	60,000	6/15/2019	4.25% to 5.0%	26,150	--	4,237
Series 2000	50,280	12/15/2015	4.7% to 5.5%	--	--	--
Series of May 2000	125,000	6/15/2020	6.0% to 6.25%	51,480	14,300	2,860
Series of March 2001	125,165	6/15/2016	5.5%	--	--	--
Series of June 2001	125,000	6/15/2021	5.125% to 5.5%	64,600	11,400	11,400
Series of September 2001	110,450	6/15/2020	4.5% to 5.375%	--	--	--
Series of April 2002	150,000	6/15/2027	5.5% to 6.0%	57,000	9,000	21,000
Series May 2002	50,310	6/15/2014	5.5%	--	--	--
Second Series of May 2002	94,815	6/15/2020	5.5% to 5.75%	--	--	--
Series of November 2002	182,225	6/15/2022	5.0% to 5.25%	119,163	13,519	27,037
Series of December 2002	54,350	6/15/2018	5.0% to 5.25%	--	--	--
Series of March 2003	75,775	6/15/2015	5.0% to 5.25%	--	--	--
Series of July 2003	150,000	6/15/2028	4.0% to 5.25%	88,200	17,640	26,460
Series of March 2004	200,000	6/15/2028	4.0% to 5.0%	91,770	14,490	77,280
Series of February 2005	75,000	6/15/2029	3.0% to 5.0%	23,789	26,250	14,766
Series of June 2005	125,000	6/15/2030	5.0% to 5.25%	95,920	--	14,080
Series of March 2006	65,000	6/15/2026	4.0% to 5.0%	32,400	3,600	16,200
Series of June 2006	150,000	6/15/2031	4.0% to 5.0%	96,600	--	41,400
Series of July 2007	50,000	6/15/2027	4.5% to 5.0%	28,025	--	9,975
Total	$ 3,532,823			$ 973,271	$ 112,933	$ 335,002
Authorized but Unissued				$ 115,329	$ 2,699	$ 293,670

* Accreted bonds are shown at their accreted values as of 6/30/08. Inputted interest rates on these capital appreciation bonds range from 6.95% to 7.4%.

Table 10-2 (amounts expressed in thousands)
(continued)

		Civic Centers				
Environment	Refunding	Civic Centers	Libraries	Refunding	Principal Outstanding June 30, 2008	Amount Related to Capital Assets
$ --	$ --	$ --	$ --	$ 5,355	$ 5,355	$ --
--	--	17,245	--	--	17,245	--
366	--	--	--	--	67,650	11,405
--	--	42,995	6,625	--	49,620	--
--	59,018	--	--	--	59,018	6,296
1,247	--	--	--	--	68,270	22,069
--	78,980	--	--	--	78,980	29,225
--	16,165	--	--	--	16,165	4,928
148	--	--	--	--	14,980	263
118	--	--	--	--	44,000	642
123	--	--	--	--	42,610	1,325
773	--	--	--	--	34,480	994
--	99,515	--	--	--	99,515	34,517
--	--	--	--	13,955	13,955	--
9,093	--	--	--	--	39,480	1,305
--	--	--	--	34,580	34,580	--
2,860	--	--	--	--	71,500	1,509
--	80,210	--	--	--	80,210	20,590
7,600	--	--	--	--	95,000	7,492
--	85,540	--	--	--	85,540	2,326
3,000	--	--	--	--	90,000	5,394
--	50,310	--	--	--	50,310	18,616
--	94,815	--	--	--	94,815	35,084
4,506	--	--	--	--	164,225	10,661
--	48,125	--	--	--	48,125	7,157
--	75,775	--	--	--	75,775	19,833
14,700	--	--	--	--	147,000	9,226
9,660	--	--	--	--	193,200	13,389
820	--	--	--	--	65,625	11,064
--	--	--	--	--	110,000	64,024
6,300	--	--	--	--	58,500	21,181
--	--	--	--	--	138,000	55,609
9,500	--	--	--	--	47,500	1,910
$ 70,814	$ 688,453	$ 60,240	$ 6,625	$ 53,890	$ 2,301,228	$ 418,034
$ 10,064	Unlimited	$ 142,404	$ 3,375	Unlimited		
			Deferred amount on refundings		(850)	(23)
			Unamortized premiums		64,945	12,734
				Total	$ 2,365,323	$ 430,745

Changes in special obligation bonds during the year ended June 30, 2008, are summarized in Note 8. Future special obligation debt service requirements at June 30, 2008, are as follows:

Table 10-3 (amounts expressed in thousands)

Year Ending June 30	Governmental Activities Principal	Interest	Total
2009	$ 160,165	$ 118,948	$ 279,113
2010	165,775	111,247	277,022
2011	167,569	103,127	270,696
2012	168,065	94,874	262,939
2013	170,185	86,507	256,692
2014-2018	790,071	299,200	1,089,271
2019-2023	447,125	128,437	575,562
2024-2028	231,710	41,415	273,125
2029-2033	31,125	2,688	33,813
	2,331,790	$ 986,443	$ 3,318,233
Less: Unaccreted appreciation	(30,562)		
	2,301,228		
Deferred amount on refundings	(850)		
Unamortized premiums	64,945		
Total	$ 2,365,323		

11 *REVENUE BONDS*

The State Constitution empowers certain State agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. The bond indentures include a pledge from these agencies and authorities that income derived from acquired or constructed assets be used to retire the debt and service related interest. Bonds outstanding at June 30, 2008 (except for the Illinois State Toll Highway Authority which is as of December 31, 2007), net of unamortized discounts, unamortized deferred amount on bond refunding, and unamortized bond premiums are as follows:

Table 11-1 (amounts expressed in thousands)

Fund Type/Agency	Amount Outstanding	Outstanding Interest Rates	Annual Maturity To
Primary Government			
Business-type Activities			
Major Funds:			
Designated Account Purchase Program	$ 879,441	2.440% to 17.000%	2045
Major Component Units			
Illinois Housing Development Authority	1,640,407	2.100% to 15.000%	2048
Illinois State Toll Highway Authority	3,114,524	3.972% to 6.300%	2031
Illinois State University	111,689	2.700% to 7.350%	2033
Northern Illinois University	105,242	4.000% to 6.550%	2029
Southern Illinois University	260,615	3.000% to 6.200%	2036
University of Illinois	1,132,296	3.000% to 12.000%	2038

Changes in revenue bonds during the year ended June 30, 2008 are summarized in Note 8. Revenue bond debt service requirements, principal and interest as of June 30, 2008, are as follows:

Table 11-2 (amounts expressed in thousands)

Primary Government

Year Ending June 30	Business-type Activities Designated Account Purchase Program Principal	Interest
2009	$ --	$ 21,579
2010	--	21,579
2011	--	21,579
2012	--	21,579
2013	--	21,579
2014-2018	--	107,897
2019-2023	--	107,897
2024-2028	--	107,897
2029-2033	--	107,897
2034-2038	--	107,897
2039-2043	209,400	103,757
2044-2048	675,000	25,620
	884,400	$776,757
Unamortized (discounts)	(4,959)	
Total	$879,441	

Table 11-3 (amounts expressed in thousands)

Major Component Units

Year Ending June 30	Illinois Housing Development Authority Principal	Interest	Illinois Toll Highway Authority Principal	Interest	Illinois State University Principal	Interest
2009	$ 106,640	$ 74,396	$ 50,030	$ 134,660	$ 5,330	$ 4,058
2010	47,635	71,477	52,750	141,136	5,380	3,894
2011	49,290	69,553	45,465	138,880	6,280	3,839
2012	53,045	67,552	49,910	136,191	6,190	3,758
2013	52,845	65,353	53,040	133,009	6,330	3,618
2014-2018	269,550	291,431	457,775	602,500	27,615	15,377
2019-2023	239,435	231,573	609,070	471,389	19,845	12,049
2024-2028	284,365	168,624	962,020	293,623	21,635	7,585
2029-2033	272,045	102,073	755,000	70,374	19,565	2,372
2034-2038	205,160	40,662	--	--	--	--
2039-2043	49,540	10,120	--	--	--	--
2044-2048	18,720	1,967	--	--	--	--
2049-2053	215	5	--	--	--	--
	1,648,485	$1,194,786	3,035,060	$2,121,762	118,170	$ 56,550
Less: Unaccreted appreciation	(11)		--		(5,896)	
	1,648,474		3,035,060		112,274	
Deferred amount on refundings	(9,661)		(17,955)		--	
Unamortized premiums	1,736		97,419		340	
Unamortized (discounts)	(142)		--		(925)	
Total	$1,640,407		$3,114,524		$ 111,689	

Table 11-3 (continued)
(amounts expressed in thousands)

Major Component Units, continued

Year Ending June 30	Northern Illinois University Principal	Northern Illinois University Interest	Southern Illinois University Principal	Southern Illinois University Interest	University of Illinois Principal	University of Illinois Interest
2009	$ 6,060	$ 4,090	$ 12,815	$ 8,437	$ 127,140	$ 40,915
2010	6,175	3,977	13,190	8,218	33,250	39,421
2011	6,300	3,857	14,100	7,842	34,850	38,540
2012	5,760	3,738	14,465	7,533	37,370	37,568
2013	5,859	3,638	15,015	7,196	38,155	36,455
2014-2018	31,249	16,244	77,080	30,552	204,400	166,264
2019-2023	31,800	9,010	70,290	20,450	231,660	134,793
2024-2028	10,345	3,725	59,900	11,704	210,440	90,059
2029-2033	8,495	425	24,940	5,498	205,040	42,078
2034-2038	--	--	10,830	1,003	95,125	6,927
2039-2043	--	--	--	--	--	--
2044-2048	--	--	--	--	--	--
2049-2053	--	--	--	--	--	--
	112,043	$ 48,704	312,625	$ 108,433	1,217,430	$ 633,020
Less: Unaccreted appreciation	(6,801)		(56,273)		(99,369)	
	105,242		256,352		1,118,061	
Deferred amount on refundings	--		(2,033)		(19,153)	
Unamortized premiums	--		6,296		33,388	
Unamortized (discounts)	--		--		--	
Total	$ 105,242		$ 260,615		$1,132,296	

Included within the $1,640.4 million of outstanding Illinois Housing Development Authority ("IHDA") revenue bonds are $1,640.1 million which do not require the Governor to include in the State budget the amount necessary for payment of principal and interest. Payment of principal and interest on IHDA bonds are debt of various entities and are guaranteed from pledged revenues of the properties and assets within its issuance resolutions. Furthermore, a portion of the IHDA bonds are additionally secured by a form of credit enhancement such as a municipal bond insurance policy or a direct pay letter of credit on its payment of principal and interest.

A. Demand and Variable Rate Bonds

Primary Government

Designated Account Purchase Program ("IDAPP")

The entire $879.4 million of outstanding revenue bonds at June 30, 2008 are variable rate bonds that have their interest rates reset periodically. These bonds carry a maximum interest rate ranging from 12% to 17%. The interest rate in effect at June 30, 2008 was used in calculating future interest payments.

Major Component Units

Illinois Housing Development Authority ("IHDA")

Included within the IHDA's outstanding revenue bonds are $46.7 million of Homeowner Mortgage Revenue Bonds Series 2004A3, 2004C3 and 2005A3 and $65.3 million of Housing

Bonds Series 2004B, 2008A, 2008B and 2008C which are variable rate demand bonds. Interest rates on these bonds are determined weekly at a rate established by the remarketing agent on each rate determination date. In addition, $18.8 million of Homeowner Mortgage Revenue Bonds Series 2001D, 2001F and 2002B are also variable rate, but not demand bonds. Interest rates on these bonds are based on a floating rate determined on a monthly basis and paid either monthly or semi-annually. On the variable rate demand bonds, IHDA has agreements with liquidity providers to purchase any bonds tendered for purchase in accordance with the indentures. For additional security, IHDA has entered into risk management agreements to hedge against interest rate risks on 3 series of bonds and wrapped credit enhancements on 4 series of bonds (see Note 14—Derivatives). The IHDA has a commitment to reimburse the provider of the credit enhancer for any advancement of principal and interest payments made.

Illinois State Toll Highway Authority ("THA")

As of December 31, 2007, the THA had outstanding variable rate demand bonds in the amount of $114.8 million for the Series 1993B bonds, $123.1 million for the Series 1998B bonds and $700.0 million for the 2007 A-1 and A-2 bonds. These bonds have final maturities in 2010, 2017 and 2030, respectively, and bear interest rates as determined by the remarketing agents on each rate determination date not to exceed 22%, 10% and 15%, respectively. These bonds are subject to redemption if tendered by the holder at a price equal to the principal plus accrued interest upon notice and delivery to the remarketing agent. The THA has agreements with liquidity providers to purchase any bonds so tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. The THA has obtained a financial guarantee insurance policy to guarantee the payment of principal and interest on the scheduled maturity dates. The THA has an obligation to reimburse the insurer for any such payments made.

University of Illinois ("U of I")

The U of I had outstanding variable rate demand bonds in the amount of $20.1 million for the Series 1997B bonds, $67.0 million for the Series 2005B bonds, $53.7 million for the Series 2006A bonds, $40.9 million for the Series 2007 bonds and $62.0 million for the two Series 2008 bonds. These bonds have final maturities in 2026, 2035, 2008, 2008, 2038 and 2026, respectively, and bear interest rates as determined by the remarketing agents on each rate determination date not to exceed 12% on all of the bond series' except the Series 2007 bonds, which the maximum rate is 9%. These bonds are subject to redemption if tendered by the holder at a price equal to the principal plus accrued interest upon notice and delivery to the remarketing agent. The U of I has agreements with liquidity providers to purchase any bonds so tendered for purchase in accordance with the indentures with respect to which the Trustee does not, on the date any such tendered bonds are required to be purchased, have sufficient funds to make such purchase. The U of I has obtained a letter of credit or bond insurance policy to guarantee the payment of principal and interest on the scheduled maturity dates. The U of I has an obligation to reimburse the letter of credit issuer or bond insurer for any such payments made.

Derivatives

IHDA, THA and U of I all have entered into various interest rate swap agreements. Details of these agreements are discussed in Note 14—Derivatives.

B. Conduit Debt (not included in financial statements)

The State of Illinois, by action of the General Assembly, created various authorities for the express purpose of providing private entities with an available low cost source of capital financing for construction of facilities deemed to be in the public interest. Fees are assessed to recover related processing and application costs incurred. Bonds issued by the authorities represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers to the entity served by the bond issuance. The State has no obligation for this debt. Accordingly, these bonds are not reflected in the accompanying financial statements.

At June 30, 2008, recorded amounts of revenue bonds, net of defeased bonds, and notes outstanding as reported by authority officials are as follows:

Table 11-4 (amounts expressed in thousands)

Authority	Amount Outstanding	Annual Maturity To
Illinois Finance Authority	$ 22,511,347	2048
Illinois Housing Development Authority	320,542	2048
Southwestern Illinois Development Authority	497,919	2038
Upper Illinois River Valley Development Authority	128,798	2042
Will-Kankakee Regional Development Authority	45,710	2042
Illinois Medical District Commission	27,970	2032
Quad Cities Regional Economic Development Authority	48,040	2041
Western Illinois Development Authority	10,000	2023
Total	$ 23,590,326	

12 NOTES/GENERAL OBLIGATION CERTIFICATES PAYABLE

A. Notes Payable

The State's major component units have obtained notes payable, normally secured by specific revenue sources, to provide financing. Outstanding notes payable at June 30, 2008 were as follows:

Table 12-1 (amounts expressed in thousands)

Fund Type/Agency	Amount Outstanding	Interest Rates	Annual Maturity To
Major Component Units			
Illinois Housing Development Authority	$ 4,566	5.03% to 5.45%	2012
Northern Illinois University	626	4.25%	2012
Southern Illinois University	88	3.00%	2009

Changes in notes payable during the year ended June 30, 2008 are summarized in Note 8. Future notes payable debt service requirements as of June 30, 2008, are as follows:

Table 12-2 (amounts expressed in thousands)

Major Component Units

Year Ending June 30	Illinois Housing Development Authority		Northern Illinois University		Southern Illinois University	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ --	$ 224	$ 396	$ 16	$ 88	$ 1
2010	--	224	124	10	--	--
2011	--	224	72	5	--	--
2012	4,566	254	34	1	--	--
	$ 4,566	$ 926	$ 626	$ 32	$ 88	$ 1

B. General Obligation Certificates Payable

The State is authorized to borrow up to 5% of the State's appropriations in a fiscal year to meet deficits in anticipated revenues. All such debt shall be retired from the revenues received in that fiscal year.

On September 25, 2007, the State issued $1,200 million of general obligation certificates, which matured on November 9, 2007, with an interest rate of 4.25%. The certificates were issued to provide liquidity to the Hospital Provider Program (accounted for in the General Revenue Account) to make supplemental payments to certain public and non-public hospitals within the State of Illinois pursuant to the Medicaid State Plan. Proceeds from the certificates were deposited as follows: $1,200 million into the General Revenue Account (a sub-account of the General Fund) and $552 thousand of bond issuance premium into the General Obligation Bond Retirement and Interest Fund (a nonmajor governmental fund).

On April 24, 2008, the State issued $1,200 million of general obligation certificates, which matured on various dates through June 17, 2008, with an interest rate of 3.0%. The certificates were issued to provide mid-fiscal year liquidity to the General Revenue Account (a sub-account of the General Fund) and the Hospital Provider Program (accounted for in the General Revenue Account) to make supplemental inpatient and outpatient payments to certain public and non-public hospitals within the State of Illinois and other medical claims. Proceeds from the certificates were deposited as follows: $1,200 million into the General Revenue Account (a sub-account of the General Fund) and $843 thousand of bond issuance premium into the General Obligation Bond Retirement and Interest Fund (a nonmajor governmental fund).

Changes in general obligation certificates payable during the year ended June 30, 2008 are as follows:

Table 12-3 (amounts expressed in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Primary Government				
Governmental Activities				
General obligation certificates payable	$ --	$ 2,400,000	$ (2,400,000)	$ --
Unamortized premiums	--	1,409	(1,409)	--
Total Governmental Activities	$ --	$ 2,401,409	$ (2,401,409)	$ --

C. Short-Term Borrowings

Primary Government – Business-type Activities

The Designated Account Purchase Program ("IDAPP") has a $500 million short-term revolving credit line agreement. The revolving credit line was used to purchase eligible student loans (guaranteed or insured or an eligible loan under the Higher Education Act). The credit line was due to expire on July 25, 2008.

The terms of the credit line are as follows: loans on the line of credit are drawn at the applicable rate per annum which approximates LIBOR. IDAPP borrowing is supported by a liquidity line of credit provided by the financing institution. The financing institution receives 43 basis points on the outstanding debt for providing the bank credit facility and for serving as the administrative agent. As of June 30, 2008, $390.8 million outstanding under this line is shown as current for fiscal year 2008.

Major Component Units

Southern Illinois University ("SIU")

On March 1, 2008, the SIU at Edwardsville Foundation entered into a note payable due July 2, 2008. The purpose of the note was for refinancing the construction of an office building. The original debt issued in October 1999 was recorded as a revenue bond. At June 30, 2008, the $1.1 million outstanding under this note is shown as current for fiscal year 2008.

University of Illinois ("U of I")

The U of I has a $28.0 million line of credit to a bank, due on January 31, 2009, with a negotiated interest rate in irregular intervals (2.98% at June 30, 2008). The line of credit is unsecured. The line of credit is to be used to purchase property that is to be held by the U of I. As of June 30, 2008, $7.2 million outstanding under this line is shown as current for fiscal year 2008.

Changes in short-term borrowing during the year ended June 30, 2008 are as follows:

Table 12-4 (amounts expressed in thousands)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Primary Government				
Business-type Activities				
Major Funds:				
Designated Account Purchase Program	$ 195,170	$ 688,998	$ (493,398)	$ 390,770
Major Component Units				
Southern Illinois University	$ --	$ 1,650	$ (550)	$ 1,100
University of Illinois	$ 6,402	$ 1,283	$ (471)	$ 7,214

13 OTHER LONG-TERM OBLIGATIONS

Other long-term obligations reported in the government-wide statements and disclosed below are as follows:

Table 13-1 (amounts expressed in millions)

Primary Government			Business-type Activities		
Description	Reference	Governmental Activities	Water Revolving Fund	Prepaid Tuition Fund	Nonmajor Enterprise Funds
Capital lease obligations	(A)	$ 9.7	$ --	$ --	$ --
Certificates of participation	(B)	90.3	--	--	--
Illinois Emergency Management Agency	(C)	30.0	--	--	--
Installment purchase obligations	(D)	12.3	--	--	--
Cape Girardeau Bridge - State of Illinois/ State of Missouri Joint Agreement	(E)	1.9	--	--	--
Obligations to Lottery Prize Winners	(F)	--	--	--	1.0
Prepaid Tuition Fund obligations	(G)	--	--	1,102.4	--
Other obligations	(H)	7.9	--	--	10.2
Total Other Long-Term Obligations		$ 152.1	$ -	$ 1,102.4	$ 11.2

Table 13-2 (amounts expressed in millions)

Major Component Units					
Description	Reference	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Capital lease obligations	(A)	$ 0.1	$ 20.6	$ 1.4	$ 22.6
Certificates of participation	(B)	22.1	4.9	28.3	590.0
Other obligations	(I)	0.3	20.5	5.0	65.8
Total Other Long-Term Obligations		$ 22.5	$ 46.0	$ 34.7	$ 678.4

A. Lease Commitments

The State has entered into various capital leases for land, office facilities, office and computer equipment and other assets. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. Information regarding operating leases is included in Note 20.

At June 30, 2008, assets capitalized under capitalized leases are as follows:

Table 13-3 (amounts expressed in thousands)

Primary Government

	Governmental Activities	Business-type Activities	Fiduciary Funds
Buildings and building improvements	$ 14,386	$ --	$ --
Equipment	1,894	6	38
	16,280	6	38
Less: Accumulated depreciation	7,109	--	5
	$ 9,171	$ 6	$ 33

Table 13-4 (amounts expressed in thousands)

Major Component Units

	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
Buildings and building improvements	$ --	$ 20,367	$ 3,240	$ --
Equipment	672	816	1,666	29,733
	672	21,183	4,906	29,733
Less: Accumulated depreciation	278	698	1,839	11,710
	$ 394	$ 20,485	$ 3,067	$ 18,023

Future minimum commitments for non-cancelable capital leases as of June 30, 2008 are as follows:

Table 13-5 (amounts expressed in thousands)

Primary Government

	Capitalized Leases						
Year Ending	Governmental Activities		Business-type Activities		Fiduciary Funds		
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	$ 1,037	$ 870	$ 3	$ --	$ 12	$ 2	$ 1,924
2010	894	764	2	--	14	1	1,675
2011	837	686	--	--	2	--	1,525
2012	891	605	--	--	--	--	1,496
2013	989	524	--	--	--	--	1,513
2014-2018	5,079	1,160	--	--	--	--	6,239
Total minimum lease payments	$ 9,727	$ 4,609	$ 5	$ --	$ 28	$ 3	$14,372

Table 13-6 (amounts expressed in thousands)

Major Component Units

Year Ending June 30	Illinois State University		Northern Illinois University		Southern Illinois University		University of Illinois	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 128	$ 4	$ 368	$ 1,163	$ 1,097	$ 48	$ 6,628	$ 768
2010	--	--	388	1,142	192	11	5,191	649
2011	--	--	409	1,122	118	5	4,842	398
2012	--	--	432	1,100	4	--	2,110	224
2013	--	--	455	1,077	--	--	1,752	148
2014-2018	--	--	2,298	5,004	--	--	2,116	95
2019-2023	--	--	2,752	4,314	--	--	--	--
2024-2028	--	--	3,338	3,440	--	--	--	--
2029-2033	--	--	4,367	2,348	--	--	--	--
2034-2038	--	--	5,822	893	--	--	--	--
Total minimum lease payments	$ 128	$ 4	$ 20,629	$21,603	$ 1,411	$ 64	$ 22,639	$ 2,282

B. Certificates of Participation

State-issued Certificates of Participation - The State is authorized to issue certificates of participation ("Certificates") representing the right to receive a proportionate share in lease-purchase or installment purchase payments to be made for the benefit of State agencies for the acquisition or improvement of real or personal property, refinancing of such property, payment of expenses of such property or payment of expenses related to the issuance. The outstanding balance of the State-issued Certificates included in the governmental activities financial statements as of June 30, 2008 was $24.2 million.

Certain major component units have also issued Certificates representing the right to receive a proportionate share of lease-purchase or installment payments. All of these Certificates issued by major component units are considered State-issued. The outstanding balance of these Certificates as of June 30, 2008 was $645.3 million, which includes unamortized premiums of $16.1 million, unamortized discounts of $.2 million and deferred amounts on refunding of $14.8 million and is included in the component unit financial statements.

Non-State-issued Certificates of Participation - The State also finances the purchase of certain State-owned real and personal property through third party (non-State-issued) Certificates. These non-State-issued Certificates are sold by private concerns and are repaid by State agency appropriations pursuant to installment purchase agreements. The outstanding balance of non-State-issued Certificates included in the governmental activities financial statements as of June 30, 2008 was $66.1 million.

Future commitments by the State to make installment payments to pay for the assets acquired and related financing costs for State-issued and non-State-issued Certificates at June 30, 2008 are as follows:

Table 13-7 (amounts expressed in thousands)

Primary Government
Governmental Activities

Year Ending June 30	Certificates of Participation					
	State-Issued		Non-State-Issued		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 1,850	$ 1,387	$ 4,045	$ 3,440	$ 5,895	$ 4,827
2010	1,945	1,278	5,780	3,390	7,725	4,668
2011	2,055	1,162	6,085	3,069	8,140	4,231
2012	2,170	1,038	6,425	2,724	8,595	3,762
2013	2,305	906	6,775	2,357	9,080	3,263
2014-2018	13,835	2,202	31,695	6,233	45,530	8,435
2019-2023	--	--	5,335	317	5,335	317
	$24,160	$ 7,973	$66,140	$21,530	$90,300	$29,503

Table 13-8 (amounts expressed in thousands)

Major Component Units

Year Ending June 30	Certificates of Participation							
	Illinois State University		Northern Illinois University		Southern Illinois University		University of Illinois	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ --	$ 735	$ 365	$ 256	$ 2,670	$ 1,217	$ 18,560	$ 24,066
2010	825	892	390	235	2,770	1,121	19,470	23,155
2011	855	867	410	214	2,875	1,015	16,900	22,322
2012	875	839	435	191	2,105	899	20,640	21,516
2013	910	811	465	167	2,190	813	27,060	20,515
2014-2018	5,055	3,531	2,855	376	6,320	3,082	176,525	80,067
2019-2023	6,155	2,442	--	--	6,710	1,697	178,705	41,585
2024-2028	7,555	1,032	--	--	2,720	136	130,830	11,590
	22,230	$11,149	4,920	$ 1,439	28,360	$ 9,980	588,690	$ 244,816
Deferred amount on refundings	--		--		--		(14,805)	
Unamortized premiums	--		--		--		16,072	
Unamortized (discounts)	(93)		--		(69)		--	
	$22,137		$ 4,920		$28,291		$589,957	

C. Illinois Emergency Management Agency

Tracts of land near Ottawa, Illinois were donated to the State more than 50 years ago for public purposes. Several years later, the State discovered that other parties had dumped radioactive waste on the land, before it was donated to the State. The State advised the United States Environmental Protection Agency ("USEPA") of the situation and the land was transferred to the Illinois Emergency Management Agency, formerly the Department of Nuclear Safety, for clean-up.

Although the State was not culpable for the creation of the hazard, federal law makes it, as the owner, a potentially responsible party along with the corporations that did the dumping. These corporations are defunct and in recognition of the State's lack of culpability, the USEPA has currently estimated the clean-up to the site and adjacent property to cost $60 million. The State has estimated its portion of the liability for the clean-up to be $30 million which is recorded in the governmental activities statement of net assets at June 30, 2008.

D. Installment Purchase Obligations

The State has acquired certain land, office facilities, office and computer equipment and other assets through installment purchase arrangements. Future commitments under installment purchase contracts as of June 30, 2008 are as follows:

Table 13-9 (amounts expressed in thousands)

Primary Government

Year Ending June 30	Governmental Activities Principal	Interest	Total
2009	$ 5,604	$ 433	$ 6,037
2010	4,336	224	4,560
2011	1,967	97	2,064
2012	332	12	344
2013	63	1	64
	$12,302	$ 767	$ 13,069

E. Cape Girardeau Bridge - State of Illinois/State of Missouri Joint Agreement

The State of Illinois entered into an agreement with the State of Missouri for the construction of the Cape Girardeau Bridge. The agreement required that the State of Illinois reimburse the State of Missouri for 40% of the costs incurred for bridge construction. In accordance with a pre-established payment plan, the State of Illinois repays one-quarter of its annual obligation each year for four years following the year costs were incurred. Each year, the State of Missouri incurs costs and each year, the State of Illinois makes payments on costs incurred in prior years (unless such costs have been totally reimbursed) subject to the same one-quarter reimbursement arrangement. The State of Missouri assesses 5.3% interest on the unpaid balance.

As of June 30, 2008, the balance of the Illinois/Missouri Joint Agreement was $1.9 million and is included in the governmental activities financial statements. In subsequent years, this liability will be liquidated from future resources of the State Construction Account, a major governmental fund. Future Illinois/Missouri Joint Agreement debt service requirements at June 30, 2008, are as follows:

Table 13-10 (amounts expressed in thousands)

Year Ending June 30	Principal	Interest	Total
2009	$1,872	$ 103	$1,975
2010	76	4	80
	$1,948	$ 107	$2,055

F. Obligations to Lottery Prize Winners

The State has obligations to certain lottery prize winners for awards payable in annual installments ranging from nineteen years to the life of the prize winner, with the first payment being made after the claim is presented for payment.

For certain prize winners, annuities were purchased in the name of the State for which the State has retained the rights of ownership. Effective July 30, 1985, State law provides that the State Treasurer, with the consent of the Director of the Department of Revenue, may contract to invest in securities, which provide payments corresponding to its obligation to these winners. The present value of these annuities and the related liabilities owed to prize winners, approximating $1 million, have been reported in the financial statements of the State Lottery Fund, a nonmajor enterprise fund.

In addition to the prize obligations discussed above, the State has provided for other payments corresponding to its obligation to prize winners through the purchase of direct obligations of the federal government, primarily in the form of United States Treasury zero coupon bonds. As established by State law, such securities shall be maintained in the Deferred Lottery Prize Winners Trust Fund, a special trust fund separate and apart from all public money or funds of the State. These investments are purchased in amounts to provide for annual annuity payments to the prize winner(s) of each qualifying individual drawing. Since these monies are invested by the State on behalf of external legally separate entities (the prize winners), with specific investments being acquired for these individual entities for which the income from and changes in the value of the investments affect only the prize winners for whom they were acquired, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Deferred Lottery Prize Winners Trust Fund is reported as an investment trust fund. The investments of the fund are reported at fair value, which approximated $569.5 million at year-end, and the net assets are reported as reserved for external investment pool participants.

G. Prepaid Tuition Fund Obligations

Tuition payable in the Illinois Prepaid Tuition Fund, a major enterprise fund, as of June 30, 2008, represents net principal payments received for contracts held by the fund in the amount of $828.1 million, of which $45.6 million is considered current. In addition, an accretion payable recorded in the same fund in the amount of $274.3 million of which $4.4 million is considered current, is the present value of payments to be made in excess of the principal payments received from investments of the tuition contracts. The accretion expense is estimated as a percentage of net tuition costs paid to date.

The rate for fiscal year 2008 is 8.75% based on the actuarial reporting. The accretion expense is calculated on a monthly basis on the balance in the tuition payable account.

H. Other Obligations

Primary Government - Governmental Activities

The Tax Reform Act of 1986 requires issuers of state and local government bonds to rebate to the federal government arbitrage profits earned on those bonds under certain circumstances. In accordance with that, it was determined that there was an arbitrage rebate liability of $247 thousand as of June 30, 2008. The Build Illinois Bond Retirement and Interest Fund, a nonmajor governmental fund, is expected to be used to repay the liability of $247 thousand from future resources of this fund.

A lawsuit against the City of Chicago and the Illinois State Board of Education ("ISBE") has resulted in a settlement requiring the ISBE to pay $19.25 million over seven years to Chicago Public School District #299 ("District") to assist the District in providing special education

services to identified eligible children within the least restrictive environment. The settlement, reached in July 1999, required the ISBE to pay $2.75 million per year through January 2006. Due to the District's failure to disburse an adequate amount of ISBE's portion of the settlement for the intended purpose, ISBE has only paid $11.57 million of the settlement amount through June 30, 2008. In fiscal year 2005, a federal judge extended the ruling through the end of the 2009-2010 school year. This ruling allowed ISBE to restructure the remaining payments due the District through fiscal year 2010. The ISBE Federal Department of Education Fund, a nonmajor governmental fund, is expected to be used to repay the liability of $7.68 million from future resources of this fund.

Primary Government - Business-type Activities

Other nonmajor enterprise funds presented other miscellaneous obligations in the amount of $10.1 million. These obligations, consisting mostly of future workers' compensation benefit payments for self insured companies, are expected to be paid with current resources of the reporting fund.

Major Component Units

Major component units presented other miscellaneous obligations in the amount of $91.6 million. These obligations will be liquidated by the reporting major component unit.

14 DERIVATIVES

The State and its component units have entered into various debt-related derivatives as of June 30, 2008. The objectives of the derivatives are as follows:

Primary Government - Governmental Activities

On October 30, 2003, the State of Illinois issued a total of $963 million of tax exempt general obligation new and refunding bonds in two series: $363 million fixed rate bonds maturing through 2020 (2003A bonds) and $600 million variable rate demand bonds maturing in years 2020 through 2033 (2003B bonds). To assure the continuing ability to place the variable rate demand bonds with investors, the State secured a liquidity facility from Depfa Bank, PLC for the principal amount and 35 days interest on the 2003B bonds.

Pursuant to Public Act 93-9, the State simultaneously entered into Interest Rate Exchange Agreements ("Agreements") with five counterparties under substantially identical terms, to create a net fixed rate debt service obligation on the 2003B bonds. The Agreements together with the issuance of the 2003B bonds as variable rate debt were entered into to produce a lower total cost of debt service than if the financing plan had been sold as all fixed rate debt.

The Agreements were entered into pursuant to the Interest Rate Risk Management Policy ("Policy"), as required by the General Obligation Bond Act, 30 ILCS 330/9, *et seq.* Pursuant to the Policy, the Agreements and the 2003B bonds in combination are not counted against the variable rate debt limit of the State, since amounts paid on the 2003B bonds and receipts under the Agreements are substantially similar and canceling, resulting in a net synthetic fixed rate obligation.

Subject to continuing basis performance monitoring between the Agreements and the 2003B bonds (certain basis risks described herein), the savings to the State afforded by the net synthetic

fixed rate bond structure versus a traditional fixed rate bond structure was approximately 0.71% per year, or a net present value of approximately $50 million as of June 30, 2008.

The Agreements provide for the State to pay a monthly fixed rate of interest (3.890%) and receive a monthly floating rate of interest based on 67% of the one month London Interbank Offered Rate ("LIBOR") or the Securities Industry and Financial Market Association ("SIFMA") index, depending on whether one month LIBOR is above or below 2.5%. The payments are computed on a combined Agreement amount which is equal to the 2003B bonds' principal outstanding and reduces as the 2003B bonds' principal is repaid.

Major Component Units

Illinois Housing Development Authority ("IHDA")

To protect against the potential of rising interest rates, IHDA has entered into three pay-fixed, receive variable, interest rate swap agreements, the objectives of which are to achieve a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had IHDA issued fixed-rate debt. In addition, IHDA has entered into four interest rate cap agreements, the objectives of which are to establish a maximum debt service which may be paid over the life of the underlying bonds.

Since interest rates have declined since the implementation of the swap and cap agreements, most currently active swaps and cap agreements, except for Housing Bonds Series 2004B, 2008A and 2008B had a negative fair value as of June 30, 2008. The negative fair values may be countered by reductions in total interest payments required under the variable rate bonds, creating lower synthetic interest rates. Since the coupons on IHDA's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes.

Illinois State Toll Highway Authority ("THA")

To achieve lower fixed rate borrowing costs, the THA issued variable rate debt and entered into variable-to-fixed rate swap agreements. The objective was to obtain a synthetic fixed interest rate on the underlying bonds at a cost anticipated to be less than the amounts paid had the THA issued fixed rate debt.

The THA has entered into variable-to-fixed rate swap agreements ("Agreements") on the entire amount of the Series 1993B ($178 million), Series 1998B ($123 million), Series 2007 A-1 ($350 million) and Series 2007 A-2 ($350 million) bond issues. Under the terms of Series 1993B Agreement, the THA each June 30 and December 31, beginning June 1993 and ending with maturity in December 2009 pays a fixed synthetic rate of 4.920% and receives a floating rate equal to the variable interest rate on the outstanding bonds. Under the terms of the two Series 1998B Agreements, the THA each January 1 and July 1, beginning July 1998 and ending with maturity in January 2017 pays a fixed synthetic rate of 4.325% and receives a floating rate equal to the variable interest rate on the outstanding bonds. Under the terms of the two Series 2007 A-1 Agreements, the THA each January 1 and July 1, beginning January 2008 and ending with maturity of the Agreement in July 2030, pays a fixed rate of 3.972% and on the first business day of each month receives a floating rate equal to the SIFMA 7-day Municipal Swap Index. Under the terms of the two Series 2007 A-2 Agreements, the THA each January 1 and July 1, beginning January 2008 and ending with maturity of the Agreement in July 2030, pays a fixed rate of 3.9925% and on the first business day of each month receives a floating rate equal to the SIFMA 7-day Municipal Swap Index.

University of Illinois ("U of I")

To facilitate the advance refunding of the UIC South Campus Development Project Series 1999 Bonds and, as a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in February 2006, the U of I entered into two interest rate swap agreements in connection with its $54 million Series 2006A variable rate bonds for the UIC South Campus Development Project. The intention of the swaps was to effectively change the U of I's variable interest rate on the Bonds to a synthetic fixed rate of 1.03% through August 2007 and 4.292% thereafter, which includes the Bonds' current liquidity facility fee of 0.2%. In addition, there is a 0.08% current remarketing fee. In the third and fourth quarter of fiscal year 2008, there was an unfavorable increase in the basis between the interest paid on the Series 2006A bonds and the variable payment received from the swap counterparties. This was primarily due to reduced demand for the bonds due to the financial troubles encountered by the bond insurer, Financial Guaranty Insurance Company ("FGIC").

The Bonds and related swap agreements mature in January 2022, and the swaps' initial notional amount matches the variable rate Bonds ($54 million). The swaps were entered into at the same time as the Bonds were issued in February 2006. Starting in fiscal year 2011, the notional value of the swaps and the principal amount of the associated Bonds begin to mature. Under the swaps, the U of I pays counterparties a fixed payment of 0.83% through August 2007 and 4.092% thereafter, and receives a variable payment equal to its cost-of-funds through February 2010 and thereafter receives a variable payment equal to 68% of one-month LIBOR. In February 2008, the variable payment that the U of I received changed from its cost-of-funds to the SIFMA Index plus 0.05% through February 2010. At June 30, 2008, the SIFMA Index plus 0.05% equaled 1.60%. This change occurred because the monoline bond insurance company, FGIC, was downgraded below AA by Standard & Poor's Corporation.

In April 2007, the U of I entered into a variable-to-fixed interest rate swap agreement. The purpose of this interest rate swap was to hedge Series 2007 variable rate demand revenue refunding bonds for the Health Services Facility System issued in July 2007. The notional amount of the interest rate swap was $41 million and equal to the par amount of the bonds issued. The U of I pays monthly payments to the counterparty equal to 3.534% times the notional amount and receives monthly payments from the counterparty equal to 68% of one-month LIBOR, commencing in October 2007. In the third and fourth quarters of fiscal year 2008, there was an unfavorable increase in the basis between the interest paid on the Series 2007 bonds and the variable payment received from the swap counterparty. This was primarily due to reduced demand for the bonds resulting from the financial troubles encountered by the insurer, Ambac. In June 2008, the U of I issued variable rate demand Health Services Facilities System Revenue Bonds, Series 2008. The proceeds from these bonds were invested in U.S. Treasury, State and Local Government Securities until July 2008. In July 2008, the Series 2007 bonds were redeemed. The interest rate swap agreement with Lehman Brothers Commercial Bank transferred to the Series 2008 bonds in July 2008.

Additionally, to facilitate the advance refunding of the Series 2001 A and B Certificates of Participation for Utility Infrastructure Projects and, as a means to lower its borrowing costs, when compared against fixed rate bonds at the time of issuance in March 2004, the U of I entered into an interest rate swap in connection with its $144 million variable rate Series 2004 Certificates of Participation for Utility Infrastructure Projects ("Certificates"). The intention of the swap was to effectively change the U of I's variable interest rate on the Certificates to a synthetic fixed rate of 3.855%, which includes the Certificates' current liquidity facility fee of 0.09%. In addition, there is a 0.05% current remarketing fee.

The Certificates and related swap agreement mature in August 2021 and the swap's initial notional amount matches the variable rate Certificates ($144 million). The swap was entered into at the same time as the Certificates were issued (March 2004). During fiscal year 2006, the notional value of the swap and the principal amount of the associated Certificates began to mature. Under the swap, the U of I pays the counterparty a fixed payment of 3.765% and receives a variable payment computed as 100% of the SIFMA Index. Conversely, the Certificates' variable interest rates are expected to approximate the SIFMA Index. For fiscal year 2008, the Certificates' average variable interest rate was approximately .06% below the SIFMA Index.

Risks

Credit risk

The State is subject to credit risk should the credit ratings of either the State or the Liquidity Provider deteriorate. The amount of the floating rate of interest on the 2003B general obligation bonds may increase relative to the amount of the floating index received under the Agreements, thus requiring the State to pay any difference or shortfall. Conversely, if ratings of the State and Liquidity Provider improve relative to the market, the amount of the floating index received under the Agreements may exceed the amount of interest required for the 2003B bonds, resulting in additional receipts to the State.

As of June 30, 2008, IHDA was not exposed to credit risk because of the negative fair values of the swaps. Should interest rates change and the fair values become positive, IHDA would be exposed to credit risk in the amount of the swaps' fair value. Fair value is a factor only upon termination.

The THA has required counterparty ratings of at least 'A-1' from Moody's Investors Service and 'A+' from Standard & Poor's Corporation to enter into a swap agreement. Additionally, the THA has the right to terminate its swap agreements at any time. As of December 31, 2007 (the THA's fiscal year-end), the seven counterparties have credit ratings that exceed the minimum credit rating requirement. If the counterparties, for the Series 1993B, Series 1998B, Series 2007 A-1 and Series 2007 A-2 Agreements, are downgraded below acceptable levels, the agreements require that the counterparties post suitable and adequate collateral. The notional amount of the agreements equals the principal amount of the bonds of the Series 1993B, Series 1998B, Series 2007 A-1 and Series 2007 A-2 bond obligations.

For the U of I Series 2006A bonds, the credit ratings for the first counterparty by Standard & Poor's Corporation and Moody's Investors Service were AA and Aa2, respectively. The credit ratings for the second counterparty by Standard & Poor's Corporation and Moody's Investors Service were A+ and Aa3, respectively. For the U of I Series 2007 bonds, the counterparty credit ratings by Standard & Poor's Corporation and Moody's Investors Service were A and A2, respectively. For the U of I Series 2004 Certificates of Participation, the counterparty credit ratings by Standard & Poor's Corporation and Moody's Investors Service were A+ and Aa3, respectively. To mitigate the potential for credit risk, if both credit ratings of the counterparties fall below BBB+ and Baa1 (Standard & Poor's Corporation and Moody's Investors Service, respectively), the fair value of the swap will be collateralized by the counterparty with U.S. Treasury Securities, Agency Notes and Municipal Securities. Collateral would be posted with a third party custodian.

Basis risk

Since the floating index under the Agreement is based on LIBOR, the State bears exposure to changing interest rate relationships between tax exempt and taxable debt markets. Should the value of tax exempt interest decrease in relation to taxable interest (as a result of a further lowering of income tax rates among other causes), tax exempt interest rates may rise (which the State pays on its 2003B general obligation bonds in the form of SIFMA) in relation to the floating interest rate index (which the State receives under the Agreements in the form of 67% of one month LIBOR when the Agreement is in LIBOR mode). If this were to occur, the State would pay any difference or shortfall. Conversely, if the value of tax exempt interest relative to taxable interest were to increase such that tax exempt interest rates decrease when compared to 67% of one month LIBOR (when the Agreements are in LIBOR mode), the floating index received under the Agreements could exceed the amount of interest required for the 2003B bonds, resulting in additional receipts for the State.

IHDA would be exposed to basis risk on its swap agreements should the variable payment received be based on an index other than the index on the underlying bonds. Should the relationship between the indexes converge, the expected cost savings may not be realized. IHDA believes its swap agreements have been structured to minimize or eliminate this risk.

The THA has implemented a strategy on the agreements associated with the Series 1993B, Series 1998B, Series 2007 A-1 and Series 2007 A-2 bonds which was designed to provide a synthetic fixed rate below the traditional fixed interest rate available at the time of the financings, producing interest rate savings to the THA. The agreements expose the THA to basis risk should the variable interest rate on the bonds and the SIFMA Index diverge. If an unfavorable divergence occurs, the expected cost savings may not be realized. As of December 31, 2007 (THA's fiscal year-end), the SIFMA rate was 3.38%.

To minimize the potential for basis risk for the 2006A and 2007 bonds and 2004 Certificates of Participation, the U of I engaged a third party consultant to calculate the "mark-to-market" or "market value" of the swap transactions. As of June 30, 2008, the combined mark-to-market value of the two swaps associated with the 2006A bonds were ($4.1) million, the mark-to-market value of the 2007 bond was ($1.5) million and the mark-to-market value of the swap associated with the 2004 Certificates of Participation was ($4.1) million. The negative amounts represent an approximation of the amount of money the U of I may have to pay a swap provider to terminate the swap. In accordance with governmental accounting standards, these amounts are not required to be included in the accompanying financial statements.

Termination risk

Should the State or a counterparty fail to perform under the terms of the Agreement, there may be a termination of the Agreement. In such an event the State may incur an unhedged variable rate position with its 2003B general obligation bonds and potentially owe a net termination payment if the market value of the contract is against the State. Posting collateral by the counterparty (in the form of cash, unconditional Treasury obligations or Treasury guaranteed agency securities), if required by the credit rating of the counterparty, protects the State's interest against the counterparty's failure when the market value is in favor of the State. The State is never required to post collateral when the value is in favor of the counterparty (as is the case as of June 30, 2008).

IHDA or the counterparty may terminate any of the swap agreements if the other party fails to perform under the terms of the swap agreements. If a swap is insured, a termination event occurs if the insurer fails to meet its obligations under the agreement.

The THA may terminate any of the swap agreements at any time, and the counterparty may terminate if the THA fails to perform under the terms of the swap agreements. On a current mark-to-market basis, using December 31, 2007 (THA's fiscal year-end) as a termination date, the net present value of each of the swaps would require the THA to make an estimated combined termination payment, in the event that the outstanding swaps were terminated, of approximately $3.4 million, $9.6 million, $9.4 million and $10.4 million for Series 1993B, Series 1998B, Series 2007 A-1 and Series 2007 A-2 bonds, respectively.

The U of I has the option to terminate all of their swaps early. The U of I or the counterparties may terminate the swaps if the other party fails to perform under the terms of the agreement. The U of I may also terminate the individual swaps if both credit ratings of the counterparties fall below BBB+ as issued by Standard and Poor's Corporation and Baa1 as issued by Moody's Investors Service. If the swaps are terminated, the variable rate Bonds or Certificates, would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the swaps have a negative fair value, the U of I would be liable to the counterparties for a payment equal to the swaps' fair value.

Rollover risk

All of the swap agreements discussed above have been structured to protect the issuing agency from exposure to rollover risk.

Details of the various debt related derivative agreements in effect as of June 30, 2008 (except for the THA which is as of December 31, 2007) are as follows:

Table 14-1 (amounts expressed in thousands)

Associated Bond Issue (1)	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Rate in Effect at 6/30/08	Fair Values (2)	Swap Termination Date	Counterparty Credit Rating (3)
Primary Government								
Governmental Activities								
Interest Rate Swap Contracts								
Series 2003B	$384,000	10/03	3.890%	67% of 1 mo. LIBOR^^,	1.55%	$ (30,091)	10/33	A/A1/A+
General Obligation Bonds	54,000	10/03	3.890%	when 1 mo. LIBOR	1.55%	(4,101)	10/33	AA-/Aa3/AA-
	54,000	10/03	3.890%	is ≥ 2.5%, or	1.55%	(4,004)	10/33	AA/Aa2/AA
	54,000	10/03	3.890%	SIFMA^, when 1 mo.	1.55%	(4,651)	10/33	AA/Aaa/AA-
	54,000	10/03	3.890%	LIBOR is < 2.5%	1.55%	(4,372)	10/33	A/A1/A+
	$600,000					$ (47,219)		
Major Component Units								
IHDA								
Interest Rate Swap Contracts								
HMRB*								
Series 2001D	$ 1,790	7/01	6.130%	1 mo. LIBOR^^+30bp^^^	2.76%	$ (35)	2/10	AAA/Aa2/--
Series 2001F	10,000	1/02	6.615%	1 mo. LIBOR^^+40bp^^^	2.86%	(1,251)	8/20	A/A1/--
Series 2002B	3,520	5/02	6.145%	1 mo. LIBOR^^+41.5bp^^^	2.88%	(287)	2/23	A/A1/--
Interest Rate Cap								
HB**								
Series 2004B	7,710	3/04	5.000%	N/A	1.60%	12	4/12	AAA/Aa2/--
Series 2008A	14,170	1/08	5.750%	N/A	1.75%	24	12/12	AA/Aaa/--
Series 2008B	37,885	7/06	5.500%	N/A	1.55%	22	6/11	AA/Aaa/--
Series 2008C	5,570	6/06	4.750%	N/A	1.75%	(54)	6/21	AA/Aa2/--
	$ 80,645					$ (1,569)		
THA~								
Interest Rate Exchange Agreements								
Series 1993B	$114,800	3/93	4.920%	Cost of Funds	3.46%	$ (3,370)	12/09	AA/Aa1/--
Series 1998B	67,705	12/98	4.325%	Cost of Funds	3.40%	(5,284)	1/17	AAA/Aaa/--
Series 1998B	55,395	12/98	4.325%	Cost of Funds	3.40%	(4,323)	1/17	AAA/Aaa/--
Series 2007 A-1	175,000	11/07	3.972%	SIFMA^ 7 day Municipal Index	3.42%	(4,717)	7/30	AA+/Aa1/--
Series 2007 A-1	175,000	11/07	3.972%	SIFMA^ 7 day Municipal Index	3.42%	(4,717)	7/30	AA-/Aa3/--
Series 2007 A-2	262,500	11/07	3.9925%	SIFMA^ 7 day Municipal Index	3.42%	(7,771)	7/30	AA/Aa1/--
Series 2007 A-2	87,500	11/07	3.9925%	SIFMA^ 7 day Municipal Index	3.42%	(2,590)	7/30	AA-/Aa1/--
	$937,900					$ (32,772)		
U of I								
Interest Rate Swap Contracts								
Revenue Bonds								
Series 2006A	$ 26,850	2/06	4.292%	SIFMA^ plus .05%	5.00%	$ (2,082)	1/22	A+/Aa3/--
Series 2006A	26,850	2/06	4.292%	SIFMA^ plus .05%	5.00%	(2,082)	1/22	AA/Aa2/--
Series 2007	40,875	10/07	3.534%	68% of 1 mo. LIBOR^^	(4)	(1,527)	10/26	A/A2/--
Certificates of Participation								
Series 2004	140,800	3/04	3.855%	SIFMA^ Municipal Swap Index	1.45%	(4,954)	8/21	A+/Aa3/--
	$235,375					$ (10,645)		

~ As of 12/31/07 (THA's fiscal year-end)

* Homeowner Mortgage Revenue Bonds

** Housing Bonds

^ Securities Industry and Financial Market Association

^^ London Interbank Offered Rate

^^^ basis points

(1) All bond issues are taxable debt instruments.

(2) Includes accrued interest.

(3) Credit rating companies: Standard and Poor's (S&P)/Moody's Investors Services/Fitch Rating Services

(4) Interest rate in effect was 5.00% on $7.0 million of bank bonds and 7.00% on $33.9 million of investor bonds, respectively, at June 30, 2008.

As of June 30, 2008 (except for THA which is as of December 31, 2007), debt service requirements of outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their terms are as follows:

Table 14-2 (amounts expressed in thousands)
Swap Payments and Associated Debt
Variable Rate Debt

Primary Government

	Governmental Activities			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$ --	$ 9,600	$ 14,040	$ 23,640
2010	--	9,600	14,040	23,640
2011	--	9,600	14,040	23,640
2012	--	9,600	14,040	23,640
2013	--	9,600	14,040	23,640
2014-2018	--	48,000	70,200	118,200
2019-2023	178,300	44,473	65,041	287,814
2024-2028	183,600	26,162	38,261	248,023
2029-2033	190,200	8,110	11,861	210,171
2034-2038	47,900	383	560	48,843
Total	$ 600,000	$175,128	$ 256,123	$1,031,251

Major Component Units

	Illinois Housing Development Authority				Illinois State Toll Highway Authority			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$ 2,470	$ 1,578	$ 539	$ 4,587	$ 34,300	$ 32,101	$ 6,250	$ 72,651
2010	2,640	1,529	495	4,664	36,100	30,852	5,723	72,675
2011	2,810	1,477	466	4,753	44,400	29,315	5,074	78,789
2012	2,985	1,422	454	4,861	--	29,315	5,074	34,389
2013	2,070	1,368	442	3,880	--	29,315	5,074	34,389
2014-2018	15,965	6,121	1,926	24,012	123,100	140,559	23,735	287,394
2019-2023	19,040	3,929	362	23,331	--	125,650	19,679	145,329
2024-2028	30,300	2,209	--	32,509	325,000	106,354	16,657	448,011
2029-2033	3,030	404	--	3,434	375,000	20,194	3,163	398,357
2034-2038	1,780	166	--	1,946	--	--	--	--
2039-2043	1,090	40	--	1,130	--	--	--	--
Total	$ 84,180	$ 20,243	$ 4,684	$ 109,107	$ 937,900	$ 543,655	$ 90,429	$ 1,571,984

	University of Illinois--Revenue Bonds				University of Illinois--Certificates of Participation			
Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total	Principal	Interest	Interest Rate Swaps, Net	Total
2009	$ 94,575	$ 784	$ --	$ 95,359	$ 1,035	$ 2,040	$ 3,242	$ 6,317
2010	--	--	--	--	1,075	2,019	3,223	6,317
2011	--	--	--	--	6,570	1,964	3,134	11,668
2012	--	--	--	--	6,840	1,867	2,979	11,686
2013	--	--	--	--	7,120	1,770	2,813	11,703
2014-2018	--	--	--	--	47,470	7,110	11,335	65,915
2019-2023	--	--	--	--	70,690	2,106	3,349	76,145
Total	$ 94,575	$ 784	$ --	$ 95,359	$ 140,800	$ 18,876	$ 30,075	$ 189,751

As rates vary, variable rate bond interest payments and net swap payments will vary.

15 REFUNDINGS OF LONG-TERM OBLIGATIONS

A. Advance Refundings

During the year ended June 30, 2008, the State issued advanced refunding debt to lower interest rates. This debt was issued to refund portions of earlier issues. The principal of the refunded debt will be redeemed on various dates through 2011 at a redemption price of 100%. Proceeds from the sales, together with other funds, were placed in irrevocable trusts that are used to service the future debt requirements of the old debt. As a result, the refunded debt is considered to be defeased and the liability for this debt has been removed from the financial statements of the State. At June 30, 2008, the outstanding balance of the defeased debt was $56.3 million. Advance refunding debt issued during fiscal year 2008 was as follows:

Table 15-1 (amounts expressed in millions)

	Par Value of Refunding Issue	Refunding Issue Interest Rates	Par Value of Bonds Refunded	Interest Rates of Bonds Refunded	Debt Service (Increased) by Refunding	Refunding Economic (Loss)	Accounting (Loss)
Major Component Units							
Certificates of Participation:							
University of Illinois							
Series 2007A and B	$ 55.9	4.00% to 5.25%	$ 56.3	4.25% to 5.75%	$ (20.2)	$ (1.2)	$ (2.0)

B. Current Refundings

During the year ended June 30, 2008, the State issued current refunding bonds to defease bonds which were currently outstanding. Proceeds from the sale of these revenue bonds, together with other funds, were used to currently refund earlier issues maturing on dates ranging from October 1, 2007 through July 1, 2041 at redemption prices ranging from 100% to 102%. Current refunding bonds issued during fiscal year 2008 were as follows:

Table 15-2 (amounts expressed in millions)

	Par Value of Refunding Issue	Refunding Issue Interest Rates	Par Value of Bonds Refunded	Interest Rates of Bonds Refunded	Debt Service (Increased)/ Reduced by Refunding	Refunding Economic Gain	Accounting Gain/ (Loss)
Major Component Units							
Revenue Bonds							
Illinois Housing Development Authority							
Series 2007 D	$ 50.1	3.50% to 5.05%	$ 55.0	3.75% to 6.75%	$ (4.1)	$ 5.0	$ 1.4
Series 2008 A, B and C	57.6	Variable	57.6	Variable	--	--	(0.8)
	$ 107.7		$ 112.6		$ (4.1)	$ 5.0	$ 0.6
University of Illinois - Series 2007	$ 40.9	Variable	$ 40.7	5.35% to 5.90%	$ 6.9	$ 6.1	$ (2.7)

C. Prior Year Refundings

In prior years, the State defeased certain callable maturities of general obligation, special obligation and revenue bonds and certificates of participation by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the State's financial statements. At June 30, 2008, the outstanding balances of prior year defeased debt were as follows:

Table 15-3 (amounts expressed in thousands)

	Primary Government	Major Component Units				
	Governmental Activities	Illinois Housing Development Authority	Illinois State University	Northern Illinois University	Southern Illinois University	University of Illinois
General obligation bonds	$ 644,125	$ --	$ --	$ --	$ --	$ --
Special obligation bonds	19,500	--	--	--	--	--
Revenue bonds	--	39,355	10,330	24,515	12,090	207,010
Certificates of participation	--	--	--	--	--	182,465
	$ 663,625	$ 39,355	$ 10,330	$ 24,515	$ 12,090	$ 389,475

16 RETIREMENT SYSTEMS

Plan Descriptions. The State of Illinois sponsors five public employee retirement systems that are included in the State's financial statements as pension trust funds.

The General Assembly Retirement System ("GARS"), Judges' Retirement System ("JRS") and State Employees' Retirement System ("SERS"), are the administrators of single-employer defined benefit pension plans. The GARS, JRS and SERS are governed by articles 2, 18 and 14, respectively, of the Illinois Pension Code (40 ILCS 5/1, et. al.).

The Teachers' Retirement System ("TRS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan with a "special funding situation" as described below. It provides coverage to teachers employed by public school districts in Illinois (excluding Chicago) even though most covered employees are not State employees. There are 867 local school districts, 138 special districts, and 23 other State agencies that contribute to the TRS plan. At June 30, 2008, the TRS had outstanding receivables of $48 million for payroll deduction agreements with members for optional services, refund repayments, and upgrade balances owed to the TRS.

The State Universities Retirement System ("SURS") is the administrator of a cost-sharing multiple-employer public employee defined benefit pension plan and a defined contribution plan with a "special funding situation" as described below. The SURS provides coverage to faculty and staff of State universities, community colleges and related agencies, of which, some covered employees are not State employees. There are 9 universities, 39 community college districts, and 15 other State agencies that contribute to the SURS plan.

The State of Illinois is legally mandated to make contributions to the TRS and SURS. Because the State contributes most of the TRS and SURS employer contributions, the single employer

provisions of GASB Statement No. 27 have been followed for reporting those systems in the statewide CAFR. The TRS and SURS are governed by articles 16 and 15, respectively, of the Illinois Pension Code.

Effective January 1, 1998, legislation established an alternative defined benefit program known as the Portable Benefit Option Plan within the SURS. This option is offered in addition to the existing traditional benefit option. All members who are eligible for the traditional benefit option are eligible for the portable option. New and existing members are provided a window period in which to make an irrevocable election. The portable option provides an enhanced refund at termination for those who leave SURS with at least five years of service. Offsetting this additional cost is the elimination of the survivor benefit package. This program is designed to be cost-neutral in relation to the traditional option. Approximately 18.3 thousand of the approximately 83.1 thousand members have chosen this option.

Legislation, effective January 1, 1998, also required the SURS to offer a Self-Managed Plan. This is a defined contribution plan and is offered to employees of all SURS employers who elect to participate. All but two SURS employers participate in the Self-Managed Plan. The Self-Managed Plan is a qualified money purchase plan under Section 401(a) of the Internal Revenue Code. The assets are maintained under a trust administered by the SURS Board of Trustees in accordance with the Illinois Pension Code. 10.0 thousand of the approximately 83.1 thousand active members have chosen this option. $616 million of the $15.2 billion total net assets relate to the Self-Managed Plan. Plan member contributions were $46.0 million and the State contributions, along with employer consisting of grant reimbursements, were $39.0 million for the year ended June 30, 2008.

Each of the five State-sponsored retirement systems provide retirement, death and disability benefits to members and beneficiaries. Each plan also issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan as follows:

- General Assembly Retirement System and Judges' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 782-8500.
- State Employees' Retirement System, 2101 South Veterans Parkway, PO Box 19255, Springfield, Illinois, 62794-9255, (217) 785-2340.
- Teachers' Retirement System, 2815 West Washington Street, PO Box 19253, Springfield, Illinois, 62794-9253, (217) 753-0311.
- State Universities Retirement System, 1901 Fox Drive, Champaign, Illinois, 61820-7333, (217) 378-8800.

Funding Policy and Annual Pension Cost. Member contributions are based on fixed percentages set by statute ranging from 4.0% to 12.5%. The State's funding requirements have been established by statute (Public Act 88-593) effective July 1, 1995 and provide for a systematic 50-year funding plan with an ultimate goal to achieve "90% funding" of the systems' liabilities. In addition, the funding plan provides for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Once the 15-year phase-in period is complete, the State's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. However, Public Act 94-0004 decreased the required funding levels for fiscal years 2006 and 2007 to $938.4 million and $1.375 billion, respectively, and requires equal annual increments from fiscal years 2008 to 2010 to ensure that the fiscal year 2006 and 2007 decreases have no long-term effect on contributions. In addition, pursuant to Public Act 93-0002, the State made a contribution from general obligation bond proceeds of $7.3

billion to the retirement systems to fund a portion of the State's unfunded liability. The State met its funding requirement established by *statutory law* for the fiscal year ended June 30, 2008. Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions.

The current statutory law includes a "continuing appropriation," which means that the State must automatically provide funding to the pension systems based on actuarial cost requirements and amortization of the unfunded liability without being subject to the General Assembly's appropriation process.

This statutory funding requirement differs significantly from the annual pension cost ("APC") because the statutory plan does not conform to the GASB Statement No. 27 accounting parameters. The State's APC for the current year and related information for each plan is included in Table 16-1.

Table 16-1 (amounts expressed in thousands)

	GARS	JRS	SERS	TRS	SURS
Actuarially required contribution ("ARC")	$ 10,673	$ 75,134	$ 986,411	$ 1,949,463	$ 707,488
Plus: Interest on net pension obligation ("NPO")	3,997	27,973	96,521	847,541	474,679
Adjustment to the ARC	(2,372)	(16,538)	(76,117)	(522,602)	(300,654)
Annual pension cost ("APC")	12,298	86,569	1,006,815	2,274,402	881,513
Employer contributions	6,810	46,978	587,733	1,169,773	344,945
Increase in NPO	5,488	39,591	419,082	1,104,629	536,568
NPO at June 30, 2007	49,959	349,669	1,135,543	9,971,073	5,584,453
NPO at June 30, 2008	$ 55,447	$ 389,260	$ 1,554,625	$ 11,075,702	$ 6,121,021

The annual pension cost, the percentage of annual pension cost contributed for the year, and the net pension obligation at the end of the year for the current fiscal year and the two preceding years are presented in the following Table 16-2:

Table 16-2 (amounts expressed in thousands)

		GARS	JRS	SERS	TRS	SURS
Annual Pension Cost ("APC")						
	6/30/2006	$ 9,905	$ 71,845	$ 678,476	$ 1,926,143	$ 802,404
	6/30/2007	$ 11,296	$ 81,425	$ 835,452	$ 2,279,188	$ 861,306
	6/30/2008	$ 12,298	$ 86,569	$ 1,006,815	$ 2,274,402	$ 881,513
% of APC Contributed						
	6/30/2006	42.15%	40.84%	31.03%	31.23%	22.43%
	6/30/2007	48.42%	43.28%	42.95%	35.83%	30.32%
	6/30/2008	55.37%	54.27%	58.38%	51.43%	39.13%
Net Pension Obligation (Asset)						
	6/30/2006	$ 44,133	$ 303,481	$ 658,877	$ 8,508,555	$ 4,984,290
	6/30/2007	$ 49,959	$ 349,669	$ 1,135,543	$ 9,971,073	$ 5,584,453
	6/30/2008	$ 55,447	$ 389,260	$ 1,554,625	$ 11,075,702	$ 6,121,021

Funded Status. The funded status and funding progress of the State's retirement systems is presented in Table 16-3.

Table 16-3 (amounts expressed in thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
GARS	6/30/2008	$ 75,406	$ 235,780	$ 160,374	32.0%	$ 12,871	1246.0%
JRS	6/30/2008	$ 612,681	$ 1,457,336	$ 844,655	42.0%	$ 143,700	587.8%
SERS	6/30/2008	$ 10,995,366	$ 23,841,280	$ 12,845,914	46.1%	$ 3,967,704	323.8%
TRS	6/30/2008	$ 38,430,723	$ 68,632,367	$ 30,201,644	56.0%	$ 8,521,717	354.4%
SURS	6/30/2008	$ 14,586,325	$ 24,917,677	$ 10,331,352	58.5%	$ 3,303,220	312.8%

Actuarial Methods and Assumptions. Actual valuations of an ongoing retirement system involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the retirement systems and the annual required contributions of the State are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's retirement systems, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the retirement systems' assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and do not include the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and retirement system members in the future. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 16-4.

Table 16-4 (amounts expressed in thousands)

	GARS	JRS	SERS	TRS	SURS
Required contribution amounts/rates:					
Statutory required contribution *	$ 6,810	$ 46,873	$ 576,626	$ 1,135,127	$ 344,945
Members	11.5%	11%	4%-12.5%	9.4%	8%-9.5%
Actuarial valuation date of the ARC	6/30/2006	6/30/2006	6/30/2006	6/30/2006	6/30/2007
Actuarial valuation date of the UAAL	6/30/2008	6/30/2008	6/30/2008	6/30/2008	6/30/2008
Actuarial cost method	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit	Proj. Unit Credit
Amortization method	Level % of pay	Level % of pay	Level % of pay	Level % of pay	Level % of pay
Remaining amortization period	30 years. Open	30 years. Open	30 years. Open	30 years. Open	30 years. Open
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value
Actuarial assumptions:					
Investment rate of return **	8%	8%	8.5%	8.5%	8.5%
Projected salary increases **	5%	5%	4% - 9.1%	5.9% - 10.2% ***	5% - 10%
Postretirement benefit increases	3%	3%	3%	3%	3%
Inflation rate	4%	4%	3%	3.5%	3%

* Public Act 88-593 provides for 50-year funding including 15-year phase-in of employer contributions as a percentage of active member payroll increasing until fiscal year 2010, and remaining at that level until fiscal year 2045 when the Systems' funded ratios will be 90%. Public Act 94-004 amended Public Act 88-593 by reducing contributions for fiscal years 2006 and 2007 and requiring incremental increases for fiscal years 2008 through 2010 in order that the funded ratio in fiscal year 2011 will not be impacted.

** Includes inflation rate listed

*** Composite, approximately 6.5%

Note: The above actuarial assumptions are the actuarial assumptions used at June 30, 2006 to calculate the ARC for the year ended June 30, 2008. The actuarial assumptions used at June 30, 2008 to calculate the actuarial accrued liability as reported in the required supplementary information were the same except for the following:

	GARS	JRS	SERS	TRS	SURS
Projected salary increases	5%	5%	4% - 8.35%	6% - 11.1% ****	Same as above

**** Composite, approximately 7%

17 POSTEMPLOYMENT BENEFITS

Effective July 1, 2007, the State implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which requires reporting on an accrual basis in the government-wide financial statements the expenses associated with providing other postemployment benefits ("OPEB") and a related liability for expenses which have not 1) been paid to or on behalf of annuitants or 2) irrevocably transferred to a trust, or equivalent arrangement, dedicated to providing benefits to annuitants which is protected from the creditors of the State. As the State implemented GASB Statement No. 45 for the fiscal year ended June 30, 2008 and has implemented GASB Statement No. 45 prospectively, no initial OPEB liability has been recorded.

Plan Description. The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for postemployment benefits if they eventually become annuitants of one of the State sponsored pension plans. The Department of Healthcare and Family Services and the Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (General Assembly Retirement System, Judges Retirement System, State Employees Retirement System, Teachers Retirement System, and the State Universities Retirement System). The portions of the Act related to OPEB establishes a single-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities. The plan does not issue a stand-alone financial report.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes $5,000.

Funding Policy and Annual OPEB Cost. In accordance with the Act, the State contributes toward the cost of an annuitant's coverage under the basic program of group health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2008, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $6,071.04 ($3,702.00 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $9,478.08 ($4,735.44 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are presented in Table 17-1.

Table 17-1

Employee Annual Salary	Annual Employee Health, Dental, and Vision Contribution Requirements: Benefits Through a Health Maintenance Organization	Benefits Provided Through Other Than a Health Maintenance Organization
$29,500 and below	$540	$840
$29,501 - $44,600	$600	$900
$44,601 - $59,300	$630	$930
$59,301 - $74,300	$660	$960
$74,301 and above	$690	$990

The State's lack of funding requirement differs significantly from the annual OPEB cost ("AOPEBC") as pay-as-you-go does not conform to the GASB Statement No. 45 accounting parameters. The State's AOPEBC for the current year and related information is included in Table 17-2.

Table 17-2 (amounts expressed in thousands)

Actuarially required contribution and annual other postemployment benefits cost	$ 1,775,991
Benefits paid during the year	537,860
Increase in net other postemployment benefits obligation ("NOPEBO")	1,238,131
NOPEBO at June 30, 2007	-
NOPEBO at June 30, 2008	$ 1,238,131

The AOPEBC, the percentage of AOPEBC for the year, and the NOPEBO at the end of the year are presented in Table 17-3.

Table 17-3 (amounts expressed in thousands)

	6/30/2008
Annual Other Postemployment Benefits Cost (AOPEBC)	$ 1,775,991
% of AOPEBC Contributed	30.29%
Net Other Postemployment Benefits Obligation	$ 1,238,131

Funded Status. The funded status and funding progress of the State's OPEB is presented in Table 17-4.

Table 17-4 (amounts expressed in thousands)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability ("AAL") Projected Unit Credit	(c) Unfunded AAL ("UAAL") (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c/e)
6/30/2007	$ -	$ 23,890,383	$ 23,890,383	0.0%	$ 6,872,740	347.6%

Actuarial Methods and Assumptions. Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's OPEB plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and do not include the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Information about actuarial methods and assumptions used in the actuarial valuation of the plan is presented in Table 17-5.

Table 17-5

Actuarial valuation date of the actuarial required contribution	6/30/2007
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2007
Actuarial cost method	Proj. Unit Credit
Amortization method	Level % of pay
Remaining amortization period	30 years. Open
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return *	4.5%
Projected salary increases *	4.0%
Inflation rate	3%
Healthcare cost trend rate:	
Medical	9.0% grading down .5% per year over 8 years to 5.0%
Dental	6.0% grading down .5% per year over 2 years to 5.0%
Vision	5.0%

* Includes inflation rate listed

Plans Administered for Other Governments. The State also administers cost-sharing OPEB plans for teachers at school districts in Illinois (excluding Chicago) and for teachers at community colleges in Illinois. Financial statements for these plans may be obtained from the Department of Healthcare and Family Services ("Department"), 201 South Grand Avenue East, Springfield, Illinois 62763. The State Group Insurance Act of 1971 ("Act"), as amended, establishes the benefits provided to retirees; the rates of contribution for active employees, employers, and the State; and the process, if any, to amend rates of contribution for both plans with a funding policy of pay-as-you-go. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Teacher Health Insurance Security Fund was established to provide health insurance for retirees of school districts in Illinois (excluding Chicago) who are annuitants or dependent beneficiaries of the Teachers' Retirement System ("TRS"). As of June 30, 2008, there were 1,005 school districts participating with 53,414 retirees and 9,522 dependents receiving benefits. The Department works in conjunction with the Department of Central Management Services ("CMS") and TRS to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of TRS make contributions to the plan at a rate of .84% of salary and for every employer to contribute an amount equal to .63% of each teacher's salary. The Act also requires the State to contribute the amount of remaining funds estimated necessary to fund current expenditures as certified by the Director of the Department. At the time of the most recent amendments to the Act, this amount was expected to be approximately .84%. The Director of the Department can amend the contribution rates of employers and employees annually subject to a limitation of 5% pursuant to the Act. The amount of the State's required contribution was $68.596 and $62.839 million for fiscal years 2008 and 2007, respectively. The State contributed the entire contribution in both years and contributed an additional $13.000 million in fiscal year 2007.

The Community College Health Insurance Security Fund was established to provide health, vision, and dental insurance for Illinois community college retirees and dependent beneficiaries. As of June 30, 2008, there were 38 community college districts (all of the State's districts except the City Colleges of Chicago District) participating with 4,299 retirees and 863 dependents receiving benefits. The Department works in conjunction with the Department of CMS and the State Universities Retirement System ("SURS") to administer this cost-sharing multiple-employer defined benefit OPEB plan. The Act requires every active contributor of SURS who is a full-time employee of a community college district or an association of community college boards to make contributions to the plan at the rate of .5% of salary and every community college district or association of community college boards to contribute to the plan an amount equal to .5% of the salary paid to its full-time employees who are required to contribute to the plan. The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund to cover any expected expenditures in excess of the contributions by active employees and employers in an amount certified by the SURS Board of Trustees. The amount of the State's required contribution and the amount contributed was $4.740 and $3.707 million for fiscal years 2008 and 2007, respectively.

18 FUND DEFICITS

Primary Government - Governmental Activities

Major Governmental Funds

The State's General Fund, from which a significant portion of day to day operating expenditures are paid, has a GAAP deficit aggregating $3.9 billion at June 30, 2008. This deficit results from spending in excess of revenues recognized.

Nonmajor Governmental Funds

The Vocational Rehabilitation Fund, the DHS Special Purposes Trust Fund, and the Early Intervention Services Revolving Fund of the Department of Human Services have deficits at June 30, 2008, aggregating $1.5, $3.5, and $1.6 million, respectively, resulting from spending in excess of revenues recognized.

The Job Training Partnership Fund of the Department of Commerce and Economic Opportunity; the Low Income Home Energy Assistance Block Grant Fund of the Department of Healthcare and Family Services; the State Gaming Fund, the State and Local Sales Tax Reform Fund, the County and Mass Transit District Fund, the Local Government Tax Fund, and the Personal Property Tax Replacement Fund of the Department of Revenue; the Federal/Local Airport Fund of the Department of Transportation; the DCFS Childrens' Services Fund of the Department of Children and Family Services; the Drivers Education Fund and SBE Federal Department of Agriculture Fund of the State Board of Education; and the Federal Civil Preparedness Administrative Fund of the Emergency Management Agency have deficits at June 30, 2008, aggregating $10.1 million, $1 thousand, $9.3 million, $1.8 million, $825 thousand, $3.6 million, $15.3 million, $29.7 million, $22.3 million, $15.2 million, $62 thousand, and $703 thousand, respectively, resulting from the recognition of fund liabilities in excess of accrued revenues on the modified accrual basis.

19 RISK MANAGEMENT

Primary Government

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks except minimal commercial insurance. There were no significant reductions in insurance coverage from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years. In addition, the State is exposed to various risks of loss related to employee health and dental insurance programs as described below.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and

amount of payouts and other economic and social factors. Nonincremental claims adjustment expenses have not been included as part of the liability.

The State's risk financing of auto liability has been determined using an estimate of claims outstanding. Matured claims have been recorded as a liability in the General Fund in the amount of $528 thousand. The remaining portion of the liability is included in the government-wide financial statements and is expected to be paid from future resources of the General Fund and Road Fund in the amount of $1.7 million and $10.0 million, respectively.

The workers compensation liability has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years experience of the State. Matured claims have been recorded as a liability in the Workers' Compensation Revolving Fund, an internal service fund, in the amount of $229.7 million. Payments to the Workers' Compensation Revolving Fund are based on estimates of amounts needed to pay current year claims and are made from the applicable fund that would have paid the salaries and wages of the related employees.

The State uses the Health Insurance Reserve Fund to account for employee health and dental insurance benefit programs, which are partially self-funded. Employees may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of $156.9 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims and are made from the applicable fund that paid the salaries and wages of the related employee.

The following is a reconciliation of the State's claims liabilities for the year ended June 30, 2008:

Table 19-1 (amounts expressed in thousands)

	Changes in Claims Liability Balances			
Year Ended June 30	**Beginning Balance**	**Current Year Claims and Changes in Estimates**	**Claim Payments**	**Ending Balance**
Primary Government-Governmental Activities:				
2007				
Auto Liability	$ 9,227	$ 4,177	$ (4,096)	$ 9,308
Workers' Compensation	181,184	129,415	(109,851)	200,748
Health Insurance	112,403	531,621	(531,908)	112,116
Total	$302,814	$ 665,213	$ (645,855)	$ 322,172
2008				
Auto Liability	$ 9,308	$ 6,514	$ (3,616)	$ 12,206
Workers' Compensation	200,748	151,278	(122,343)	229,683
Health Insurance	112,116	545,252	(500,454)	156,914
Total	$322,172	$ 703,044	$ (626,413)	$ 398,803
Component Units, (Information for the Toll Highway Authority is as of December 31):				
2007				
Toll Highway Authority	$ 6,328	$ 6,474	$ (4,184)	$ 8,618
Southern Illinois University	14,521	4,912	(6,734)	12,699
University of Illinois	142,214	63,188	(49,224)	156,178
	$163,063	$ 74,574	$ (60,142)	$ 177,495
2008				
Toll Highway Authority	$ 8,618	$ 6,765	$ (4,694)	$ 10,689
Southern Illinois University	12,699	10,460	(7,471)	15,688
University of Illinois	156,178	65,165	(44,175)	177,168
	$177,495	$ 82,390	$ (56,340)	$ 203,545

The State administers a public entity risk pool offering health insurance to local governments in the Local Government Health Insurance Reserve Fund, a nonmajor enterprise fund. The financial statements of the fund can be obtained from the Department of Healthcare and Family Services, 201 South Grand Avenue, Springfield, Illinois, 62763.

Component Units

The Toll Highway Authority, a major component unit, records an accrued self-insurance liability which covers workers' compensation liability and auto liability. The Authority's accrued self-insurance liability was $10.7 million at December 31, 2007.

Southern Illinois University, a major component unit, records an accrued self-insurance liability which covers general and professional liability and limited student health care liability in excess of costs not covered by other primary provider plans. The University's accrued self-insurance liability was $15.7 million at June 30, 2008.

The University of Illinois, a major component unit, records an accrued self-insurance liability which covers hospital patient liability, hospital and medical professional liability, estimated general and contract liability, and workers' compensation liability related to employees paid by the University. The University's accrued self-insurance liability was $177.2 million at June 30, 2008.

Illinois State University, Northern Illinois University, Southern Illinois University, and the University of Illinois have contracted with commercial carriers to provide excess insurance coverage. These coverages have been considered in determining the accrued self-insurance liability where applicable. There were no settlements which exceeded insurance coverage during the last three years.

The nonmajor component unit universities carry excess general liability coverage. The deductible portion of this coverage is covered by the State University Risk Management Association, a self-insurance pool.

20 COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The Department of Transportation has outstanding construction commitments for highway improvement programs of $1.644 billion as of June 30, 2008 which will be financed through State reappropriations. Also, the Capital Development Board has outstanding construction commitments for building and building additions and improvements of $148.604 million as of June 30, 2008, which will be financed through State reappropriations. The Illinois State Toll Highway Authority, reported on a December 31st year-end, has entered into commitments for road construction of $1.084 billion as of December 31, 2007. The University of Illinois has outstanding construction commitments for various building and building improvement projects of $135.8 million as of June 30, 2008.

B. Operating Leases

The State has entered into various operating leases for land, office facilities, office and computer equipment and other assets. Although lease terms vary, certain leases are renewable subject to

appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered noncancelable leases for financial reporting purposes. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures.

Future minimum commitments for non-cancelable operating leases as of June 30, 2008 are as follows:

Table 20-1 (amounts expressed in thousands)

Operating Leases

		Major Component Units			
Year Ending June 30	**Primary Government**	**Housing Development Authority**	**Illinois State University**	**Northern Illinois University**	**University of Illinois**
2009	$ 98,497	$ 816	$ 554	$ 1,174	$ 8,324
2010	82,889	843	526	1,154	5,591
2011	73,690	869	476	1,001	3,974
2012	56,016	895	421	847	2,705
2013	38,578	922	310	824	2,235
2014-2018	87,533	2,924	122	2,846	7,209
2019-2023	6,813	--	--	--	183
2024-2028	--	--	--	--	47
Total minimum lease payments	$ 444,016	$ 7,269	$ 2,409	$ 7,846	$ 30,268

Rental payments (amounts expressed in millions) for operating leases charged to operations during the year ended June 30, 2008 aggregated $310.4 for the primary government and $30.3 for major component units.

C. Tax Litigation

At June 30, 2008, the State of Illinois has $415.1 million in payments received related to protested tax cases which have not been adjudicated. In addition, the State defends many lawsuits challenging reasons for denial of tax refunds in relation to tax payments already received. The ultimate disposition of these protested tax payments received and claims for tax refunds is not determinable at this time.

D. Federal Funding

The State receives federal grants which are subject to review and audit by federal grantor agencies. Certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At June 30, 2008, there were no material questioned costs that have not been resolved with the federal awarding agencies. However, questioned costs could still be identified during audits to be conducted in the future. Management of the State believes there will be no material adjustments to the federal grants and, accordingly, has not recorded a provision for possible repayment.

E. Tobacco Settlement

A Master Settlement Agreement ("MSA") was executed in November of 1998 between five tobacco companies and 46 states, including the State of Illinois. The MSA called for, among other things, the payment of more than $200 billion allocated to the states in installments payable

until the year 2025 with additional payments continuing thereafter in perpetuity. The payments are subject to various adjustments such as those for volume shipped, inflation, and the success of litigation by other governmental units and could amount to less than the expected amounts. Various aspects of the MSA have been challenged in court both locally and nationally. The State has received $2.660 billion in payments from the MSA through June 30, 2008. The State's share was originally expected to be $9.119 billion through 2025 before adjustments. However, the State's cumulative adjusted payments have been 15.45% less than the original estimate. Because of the novelty of the MSA, the many related claims against various aspects of the MSA, and the uncertainty inherent in the calculation of payments under the MSA, it is not possible to accurately predict the amount of money that will actually be received by the State with reasonable certainty.

F. Excess Fee Charges

There have been several cases filed that challenge the constitutionality of legislation allowing the broader use of fee proceeds that are deposited into special funds the use of which is, by law, otherwise limited to specified purposes. The lead case is Illinois State Chamber of Commerce v. Filan. In the fiscal year 2004 Budget Implementation Act, the legislature authorized the Director of the Governor's Office of Management and Budget to transfer funds from specialized or dedicated funds to the General Fund. Some of these specialized funds are funded by fees. The Chamber of Commerce, as an employer, pays a surcharge to the Department of Financial and Professional Regulation. The fee is then used by the Workers Compensation Commission ("Commission") for the Commission's operations. The stated purpose of the fee is to fund the Commission's operations to help balance the budget. However, the surcharge and fee generated more than twice the sum needed for the Commission's operating budget allowing the excess fees to be transferred to the General Fund. The Chamber of Commerce has alleged that this practice violates the tax uniformity clause of the Illinois Constitution, the due process clause of the Illinois Constitution and the United States Constitution, and the due takings clause, claiming the fee is, in effect a disproportional and unfair tax. On November 29, 2004, the Cook County Circuit Court ruled that the fee violated the Uniformity Clause and the Due Process Clause of the Illinois Constitution and ordered all monies currently held or to be collected to be placed in an escrow fund. On October 25, 2005, the circuit court allowed the Commission to withdraw operating funds from the escrow fund on a monthly basis to continue operating while the surcharge's constitutionality continues to be litigated. The State collected surcharges and fees related to the case of $30.7, $23.0, $13.6, $14.0, and $14.3 million in fiscal years 2004, 2005, 2006, 2007 and 2008, respectively. Subsequent to June 30, 2008 the State received $14.7 million for fiscal year 2009.

The other cases are on hold pending the outcome of the lead case. In the aggregate, these cases involve an amount in excess of $10 million.

G. Other Legal Proceedings

The State, its units and employees are party to numerous legal proceedings, many of which normally recur, in governmental operations. In addition, the State and its units are involved in certain other legal proceedings, which, if decided adversely to the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on future expenditures or revenue sources.

Also included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the State's Medicaid program:

- A suit (Ligas v. Maram) has been filed by nine name plaintiffs and on behalf of a class of Medicaid-eligible developmentally disabled persons seeking more public resources devoted to community services for the developmentally disabled. Plaintiffs allege that they are presently residing in Medicaid-funded institutions, or that they are at risk of institutionalization, because the State failed to provide adequate support services to enable them to live in the community. Plaintiffs claim, among other things, that the State does not have an "Olmstead Plan" in place to enable developmentally disabled persons to leave institutions for community placements. Plaintiffs claim that the State's acts and omissions violate Title II of the ADA, Section 504 of the Rehabilitation Act, the Medicaid Act and 42 U.S.C. § 1983. Class certification has been granted by the District Court.

- A similar action to Ligas (Williams v. Blagojevich) involves resources devoted to the mentally ill rather than the developmentally disabled. Class certification by the court has been granted and the matter is currently in discovery.

- Another action similar to Ligas (Colbert v. Blagojevich) involves claims that more than ten thousand persons with disabilities are being wrongfully kept in nursing facilities rather than being placed in the community. Class certification by the court has been granted and the matter is currently in discovery.

Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters and undeterminable exposure of loss, no provision for this potential exposure has been made in the accompanying basic financial statements.

H. Illinois Housing Development Authority Bonds ("IHDA")

The IHDA, a component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. In the event that the IHDA determines that funds will not be sufficient for the payment of principal and interest on these bonds, the Chairman of the IHDA shall certify to the Governor as soon as practicable the amount required by the IHDA to enable it to pay such principal and interest. The Governor shall include the amount so certified in the State budget; however, the General Assembly has no obligation to appropriate funds to the IHDA. As of June 30, 2008, the outstanding balance of bonds, which the State is morally obligated to repay is $.3 million.

I. Metropolitan Pier and Exposition Authority ("McCormick Place")

The Authority, not a part of the State of Illinois reporting entity, is authorized by the Metropolitan Pier and Exposition Authority Act to issue bonds in the principal amount of $312.5 million, excluding refunding bonds issued after January 1, 1986. These bonds were issued (1) to pay construction costs of completing the McCormick Place expansion, (2) to pay the construction costs of projects authorized by the Illinois General Assembly in the future, (3) to refund any outstanding bonds of the McCormick Place that were issued prior to July 1, 1984 and (4) to provide for the acquisition and improvement of Navy Pier in Chicago. In order to provide

funding for the debt service requirements on these bonds, the Illinois General Assembly amended tax laws to provide for 1.75% of total State sales tax revenues, 3% of 94% of total hotel room rental receipts, and $1.7 million per year out of 7% of State racing tax revenues to be deposited into the Build Illinois Fund (a nonmajor governmental fund). Within the Build Illinois Fund are credits to separate accounts, of which one is the "McCormick Place Account" and has first priority credit of the amounts collected.

The bonds are special obligations of the Authority and are payable from and secured by a pledge of revenues derived from dedicated state taxes, discussed above, imposed and collected by the State of Illinois. For State fiscal years in which these bonds are outstanding, the State shall transfer from the McCormick Place Account in the Build Illinois Fund to the Metropolitan Fair and Exposition Authority Improvement Bond Fund (a nonmajor governmental fund) an amount equal to 150% of the Authority's certified amount for that fiscal year divided by the number of months during that fiscal year in which bonds of the Authority are outstanding. The maximum amount in any fiscal year shall not exceed $33.5 million or a lesser sum as is actually necessary and required to pay the debt service requirements for that fiscal year after giving effect to net operating revenues of the Authority available for that purpose as certified by Authority. During fiscal year 2008, debt service requirements were $31.6 million. However, the amount paid to the Authority based on their annual certification was $30.4 million, which is below the authorized amount of $33.5 million.

The Authority is also authorized to issue an additional $2.107 billion of bonds (excluding refunding bonds) to finance the McCormick Place expansion and certain other improvements to its facilities and Navy Pier. These bonds are special, limited obligations of the Authority and are payable from and secured by a pledge of revenues derived from Authority taxes and State sales tax deposits. For State fiscal years when these bonds are outstanding, monthly deposits of Authority taxes to the McCormick Place Expansion Project Fund (an agency fund) are required to be made in an amount equal to 1/8 of the annual debt service as specified in the Authority's Annual Certification plus any prior months' deficiencies in transfers. To the extent that Authority taxes are not sufficient to satisfy the requirements of the Authority's Annual Certification, State sales taxes are deposited into the McCormick Place Expansion Project Fund. The maximum amount that can be deposited into the McCormick Place Expansion Project Fund from the State sales taxes shall not exceed $126 million in fiscal year 2008, $132 million in fiscal year 2009, $139 million in fiscal year 2010, $146 million in fiscal year 2011, $153 million in fiscal year 2012, and graduating to $275 million in fiscal year 2023 until fiscal year 2042. During fiscal year 2008, debt service requirements for these bonds were $126.0 million. The amount paid to the Authority based on their annual certification was $125.5 million. During fiscal year 2008, only deposits from the Authority's taxes were used to pay to the Authority for the debt service requirements; the State sales tax was not required and was transferred for deposit into the State's General Fund.

J. Regional Transportation Authority ("RTA")

The RTA, not a part of the State of Illinois reporting entity, was authorized by the Regional Transportation Authority Act to issue bonds in the principal amount of $100 million on or after January 1, 1990 with an additional $100 million per year authorized to be issued on or after January 1st of each year until January 1, 1994, for a total authorization of $500 million used for Strategic Capital Improvement Projects ("SCIP"). Effective July 1, 1999, Public Act 91-37 authorized the RTA to issue additional bonds in the principal amount of $260 million on or after January 1, 2000 with an additional $260 million per year authorized to be issued on or after January 1st of each year until January 1, 2004 for an additional authorization of $1,300 million to be used for SCIP. Public Act 91-37 also authorized the issuance of refunding SCIP bonds. The

proceeds of SCIP bonds were used to acquire, repair, or replace public transportation facilities in the metropolitan region as approved by the Governor.

The bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged. However, for State fiscal years in which the SCIP bonds are outstanding, the State's assistance shall be transferred monthly from the General Fund to the Public Transportation Fund (a nonmajor governmental fund) for payment in an amount equal to the lesser of monthly debt service on the SCIP bonds or one-twelfth of the amount of the State's assistance as provided in the authorization. The authorization currently provides for $155 million each fiscal year. During fiscal year 2008, the State provided $117.8 million to the RTA, which is below the authorized amount of $155 million. Although the amount of the State's assistance is measured by the debt service on the SCIP bonds, the assistance is not pledged for payment of, or security for, the SCIP bonds. The State's assistance is paid directly to the Authority and may be spent by the Authority at its discretion.

K. Illinois Sports Facilities Authority ("ISFA")

The ISFA, not a part of the State of Illinois reporting entity, was authorized by the Illinois Sports Facilities Act to issue bonds and notes in the principal amount not to exceed 1) $150 million in connection with facilities owned by the ISFA, 2) $399 million in connection with facilities owned by a governmental owner other than the ISFA and 3) to refund, advance refund or refinance any of its bonds then outstanding.

The bonds are secured by payments from the Illinois Sports Facilities Fund (a nonmajor governmental fund) from collections of 1) the State's Hotel Operator's Occupation Tax in an amount equal to the applicable advance amount plus $5 million and 2) the City of Chicago's share of the Local Government Distributive Fund (a nonmajor governmental fund) in the amount of $5 million. This advance amount is required to be repaid by the ISFA from collections of the ISFA's Hotel Tax to the State's General Fund by the end of the fiscal year. In the event of a deficiency in the Hotel Tax, amounts otherwise payable to the City of Chicago from the Local Government Distributive Fund should be used for the repayment.

Annually, the ISFA is required to certify to the State Comptroller and the State Treasurer their requirements for the next fiscal year. This certification shall be the lesser of 1) the advance amount plus $10 million and 2) the amount to pay principal and interest and other payments relating to its obligations issued or to be issued during the fiscal year plus the amount anticipated to pay obligations under provisions of any management agreement with respect to facilities owned by the ISFA or any assistance agreement with respect to any facility for which financial assistance is provided under the Act plus an amount to pay other capital or operating expenses of the ISFA. Pursuant to the certification, the maximum advance amount for fiscal year 2008 was $30.786 million plus $10 million for a total of $40.786 million.

The ISFA's annual certification for fiscal year 2008 was in the amount of $38.0 million, which is below the maximum amount authorized. Payments related to the annual certification, which are subject to appropriation by the General Assembly, were paid to the ISFA. The ISFA repaid the advance amount by the end of the fiscal year.

In future years, the advance amount increases by 105.615% of the preceding advance amount through fiscal year 2032. Including the additional $10 million, the maximum which could be certified each year is $42.515 million in fiscal year 2009, $44.341 million in fiscal year 2010, $46.270 million in fiscal year 2011, $48.307 million in fiscal year 2012 and graduating to

$124.252 million in fiscal year 2032. Of these amounts, only $5 million per year is the State's share.

L. Southwestern Illinois Development Authority ("SWIDA") Revenue Bonds

The SWIDA, a nonmajor component unit of the State, has issued revenue bonds. The proceeds of these bonds were loaned to several companies for the acquisition of land and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by SWIDA loan agreements with the companies. These bonds bear interest at rates ranging from 4.55% to 9.25% and mature annually through 2025. The State has accepted a moral obligation to repay the bonds in the event the SWIDA and the companies are unable to meet the bonds' repayment commitments. As of June 30, 2008 the outstanding balance of bonds, which the State is morally obligated to repay, is $41.1 million.

M. Upper Illinois River Valley Development Authority ("UIRVDA") Revenue Bonds

The UIRVDA, which is a component unit of the State, has issued revenue bonds. The proceeds of which were loaned to various companies to provide permanent financing for the acquisition and construction of various types of facilities. These companies are primarily liable for repayment of the bonds, which are secured by an assignment and a pledge of revenues derived from a separate loan agreement between the UIRVDA and these companies. These bonds mature annually through 2030 and bear interest in varying rates between 5.90% and 8.85%. The State has accepted a moral obligation to repay the bonds in the event the UIRVDA and the companies are unable to meet the bonds' repayment commitments. At June 30, 2008 the outstanding balance, which the State is morally obligated to repay, is $22.1 million.

N. Illinois Housing Development Authority Loans

The Illinois Housing Development Authority has entered into commitments aggregating $61.1 million for the purchase of various home loans as of June 30, 2008.

O. Illinois Finance Authority ("IFA") Revenue Bonds

The IFA, a nonmajor component unit of the State, has a portion of its revenue bonds that are moral obligations of the State. A portion of these bonds were issued on behalf of the Illinois Medical District Commission ("Commission"), a nonmajor component unit of the State, of which the proceeds were used to finance the costs of the acquisition, construction, renovation, reconstruction, installation and equipping of certain facilities in the City of Chicago. These bonds bear interest rates ranging from 4.125% to 5.33% and mature on various dates through 2031. The State has accepted a moral obligation to repay the bonds in the event the Commission is unable to meet the bonds' repayment commitments. As of June 30, 2008 the outstanding balance of these bonds, which the State is morally obligated to repay, is $40 million.

In addition, the IFA has issued revenue bonds of behalf of municipalities as authorized by the Illinois Financially Distressed City Law (65 ILCS 5/8-12-1 et seq.) to assist the City of East St. Louis with its debt restructuring. These bonds bear interest at rates ranging from 2.75% to 5% and mature annually through 2013. The State has accepted a moral obligation to repay the bonds in the event the City of East St. Louis is unable to meet the bonds' repayment commitments. As of June 30, 2008 the outstanding balance of these bonds, which the State is morally obligated to repay, is $10.2 million.

21 SEGMENT INFORMATION

Major Component Units

Segments are identifiable activities reported as or within a component unit for which bonds or other debt is outstanding and a revenue stream has been pledged in support of that debt. In addition, to qualify as a segment, an activity must be subject to an external requirement to separately account for the revenues, expenses, gains and losses, assets and liabilities of the activity. All of the activities reported in the condensed financial information meet these requirements. The following paragraphs describe the various component units' segments.

Southern Illinois University ("SIU")

SIU has issued revenue bonds with the net revenues from two segments pledged to pay the bond interest and principal. The Housing and Auxiliary Facilities System segment is comprised of university owned housing units, student centers, recreation and athletic facilities and similar auxiliary enterprise units. The Medical Facilities System segment is comprised of clinical facilities used to provide patient care at the School of Medicine in Springfield.

University of Illinois ("U of I")

U of I has issued revenue bonds with the net revenues from three segments pledged to pay the bond interest and principal. The Auxiliary Facilities System segment is comprised of university owned housing units, student unions, recreation and athletic facilities and similar auxiliary service units, including parking. The Health Services Facilities System segment is comprised of the U of I Hospital and associated clinical facilities providing patient care. The Willard Airport Facility segment is comprised of land, hangars, a terminal building, parking lots, runways and related apron areas.

The following are the condensed financial statements at June 30, 2008 for the segments described above:

Table 21-1 (amounts expressed in thousands)

Major Component Units

	Southern Illinois University		University of Illinois		
	Housing and Auxiliary Facilities System	**Medical Facilities System**	**Auxiliary Facilities System**	**Health Services Facilities System**	**Willard Airport Facility**
Condensed Statement of Net Assets:					
Assets					
Current assets	$ 76,554	$ 10,932	$ 244,687	$ 217,757	$ 1,643
Noncurrent assets:					
Capital assets, net of accumulated depreciation	180,892	35,183	883,986	161,507	32,666
Other noncurrent assets	10,939	419	23,090	2,684	--
Total assets	268,385	46,534	1,151,763	381,948	34,309
Liabilities					
Current liabilities	24,552	4,073	97,547	124,690	421
Noncurrent liabilities	231,552	20,729	946,331	93,478	874
Total liabilities	256,104	24,802	1,043,878	218,168	1,295
Net Assets (Deficit)					
Invested in capital assets, net of related debt	(33,728)	16,264	9,580	90,433	32,248
Restricted-other expendable purposes	33,437	1,896	21,744	2,286	528
Unrestricted	12,572	3,572	76,561	71,061	238
Total net assets (deficit)	$ 12,281	$ 21,732	$ 107,885	$ 163,780	$ 33,014
Condensed Statement of Revenues, Expenses and Changes in Net Assets:					
Operating revenues	$ 89,909	$ 36,796	$ 266,216	$ 578,475	$ 2,668
Operating expenses	(81,427)	(44,661)	(229,038)	(551,011)	(2,879)
Depreciation expense	(7,692)	(645)	(20,056)	(21,258)	(1,955)
Operating income (loss)	790	(8,510)	17,122	6,206	(2,166)
Nonoperating revenues (expenses)	4,591	8,633	(12,503)	(5,161)	585
Other revenues	182	5,871	--	--	--
Capital and endowment additions	--	--	--	--	547
Increase (decrease) in net assets	5,563	5,994	4,619	1,045	(1,034)
Net assets (deficit), July 1, 2007	6,718	15,738	103,266	162,735	34,048
Net assets (deficit), June 30, 2008	$ 12,281	$ 21,732	$ 107,885	$ 163,780	$ 33,014
Condensed Statement of Cash Flows:					
Net cash flows provided (used) by operating activities	$ 18,068	$ 1,031	$ 56,731	$ 51,528	$ (69)
Net cash flows provided (used) by noncapital financing activies	968	--	(833)	38,556	635
Net cash flows provided (used) by capital and related financing activities	546	(6,151)	(205,125)	(16,999)	(1,250)
Net cash flows provided (used) by investing activities	(8,386)	369	4,144	(2,615)	54
Net increase (decrease) in cash and cash equivalents	11,196	(4,751)	(145,083)	70,470	(630)
Cash and cash equivalents, July 1, 2007	33,154	11,940	350,042	61,732	2,158
Cash and cash equivalents, June 30, 2008	$ 44,350	$ 7,189	$ 204,959	$ 132,202	$ 1,528

22 SPECIAL ITEM

A. Sale of Student Loans

During fiscal year 2008, the Illinois Student Assistance Commission ("Commission") sold student loans receivable from the Illinois Designated Account Purchase Program Fund ("IDAPP") with a carrying amount of $2.639 billion for $2.643 billion. The loans receivable constituted 78% of IDAPP's total student loan portfolio as of the beginning of the year.

The gross premium from the sale of $77.314 million less the expenses related to the sale of $231 thousand, the corresponding write-off of unamortized premiums, origination and default fees of $75.963 million and the recovery of loan loss reserve of $3.246 million are reported as special items in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

In addition, the Commission retired $2.608 billion in revenue bonds associated with the student loan portfolio, which was sold in July and August 2008. Expenses related to the early extinguishment of $7.190 million and write-offs of unamortized bond discounts and costs of issuance of $8.031 million are reported as special items in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Details of the amount reported as a special item are as follows:

Table 22-1 (amounts expressed in thousands)

Special Item	
Sale of student loan portfolio	
Premium from sale of loans	$ 77,314
Expenses related to sale of loans	(231)
Gain from loan sale, net of direct expenses	77,083
Write-off of capitalized premiums, origination, and default fees	(72,717)
Net gain from sale of student loans	4,366
Early extinguishment of debt	
Expenses related to retirement of bonds	(7,190)
Write-off of unamortized discounts for bonds retired	(8,031)
Net loss from sale of student loans	(15,221)
Net special item	$ (10,855)

23 *SUBSEQUENT EVENTS*

A. Debt issues

Subsequent to June 30, 2008, the State of Illinois' primary government and its major component units have issued the following debt instruments:

Table 23-1 (amounts expressed in millions)

Series	Date of Issue	Amount of Issue	Interest Rates	Annual Maturity To
Primary Government:				
Governmental Activities:				
General obligation bonds:				
April, Series 2009	4/14/2009	$ 150.0	3.00% to 5.25%	2034
General obligation certificates:				
December, Series 2008	12/22/2008	$ 1,400.0	4.50%	2009
May, Series 2009	5/21/2009	$ 1,000.0	4.00%	2010
Business-type Activities:				
Designated Account Purchase Program:				
Student Loan Revenue Bonds, Series 2009 (State Guaranteed)	5/28/2009	$ 50.0	3.15%	2014
Major Component Units:				
Revenue bonds:				
Illinois Housing Development Authority				
Multi-Family Housing Bonds				
Series 2008 (Brookhaven Apartments)	8/7/2008	$ 18.3	Variable	2038
Series 2008 (Alden Gardens of Bloomingdale)	10/15/2008	$ 10.1	Variable	2043
HFA Risk Sharing Debenture (Marywood Apartment Homes)	11/14/2008	$ 14.9	5.00%	2013
Series 2008 (Foxview I & II Apartments)	12/23/2008	$ 30.3	Variable	2041
Illinois State Toll Highway Authority*				
Series 2008 A-1 (Refunding Issue)	2/7/2008	$ 383.1	Variable	2031
Series 2008 A-2 (Refunding Issue)	2/7/2008	$ 383.1	Variable	2031
Series 2008 B (Toll Highway Senior Priority)	11/18/2008	$ 350.0	5.50%	2033
Series 2009 A (Toll Highway Senior Priority-Build America Bonds)	5/21/2009	$ 500.0	5.293% to 6.184%	2034
Southern Illinois University				
Series 2009A (Housing & Auxiliary Facilities System-Build America Bonds)	5/15/2009	$ 53.7	2.5% to 6.2%	2030
University of Illinois				
Series 2008 (South Campus Development Project Refunding Bonds)	7/16/2008	$ 54.2	Variable	2022
Series 2009A (Auxiliary Facilities System)	3/19/2009	$ 84.1	2.00% to 5.75%	2038
Certificates of Participation:				
University of Illinois				
Series 2009A (Refunding)	6/12/2009	$ 38.2	3.00% to 5.25%	2027
Series 2009B (Refunding)	6/12/2009	$ 75.0	Variable	2027

* Illinois State Toll Highway Authority fiscal year-end is 12/31/07

B. American Recovery and Reinvestment Act of 2009

On February 17, 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009 which is expected to provide the State over $9 billion in additional direct funding from the federal government for infrastructure, fiscal stabilization, and other programs over the next several years.

C. Fair Value of Investments

The financial markets experienced significant reductions and increased volatility subsequent to June 30, 2008 due to concerns about a global recession, a credit market crisis, and other factors. As a result, many of the individual investments reported in the accompanying financial statements have incurred significant declines in fair value.

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Required Supplementary Information

Budgetary Comparison Schedule
Major Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Funds				Road Fund			
	Original Budget	Final Budget	Actual	Variance Over (Under)	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES:								
Income taxes	$ 11,252,000	$ 11,252,000	$ 12,179,995	$ 927,995	$ -	$ -	$ -	$ -
Sales taxes	7,577,000	7,577,000	7,214,592	(362,408)	-	-	-	-
Public utility taxes	1,105,000	1,105,000	1,157,111	52,111	-	-	-	-
Federal government	5,014,000	5,014,000	4,700,121	(313,879)	1,230,000	1,230,000	1,256,526	26,526
Other	2,215,000	2,215,000	2,394,735	179,735	994,476	994,476	977,259	(17,217)
Less:								
Refunds	-	22,038	17,610	(4,428)	-	2,021	1,982	(39)
Total revenues	27,163,000	27,140,962	27,628,944	487,982	2,224,476	2,222,455	2,231,803	9,348
EXPENDITURES:								
Current:								
Health and social services	13,848,979	13,847,258	13,752,618	(94,640)	135,608	135,608	135,608	-
Education	10,461,560	10,442,552	10,354,544	(88,008)	-	-	-	-
General government	710,502	714,535	678,160	(36,375)	129,380	128,243	127,317	(926)
Transportation	134,841	131,755	122,452	(9,303)	4,382,295	1,940,843	1,903,216	(37,627)
Public protection and justice	1,956,890	1,972,671	1,910,337	(62,334)	106,086	106,086	106,085	(1)
Employment and economic development	204,696	195,528	177,191	(18,337)	1,900	1,900	1,900	-
Environment and business regulation	122,614	122,690	114,713	(7,977)	-	-	-	-
Capital outlays	34,615	33,439	29,247	(4,192)	80,662	34,219	32,018	(2,201)
Total expenditures	27,474,697	27,460,428	27,139,262	(321,166)	4,835,931	2,346,899	2,306,144	(40,755)
Excess (deficiency) of revenues over (under) expenditures	(311,697)	(319,466)	489,682	809,148	(2,611,455)	(124,444)	(74,341)	50,103
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:								
Proceeds from short-term borrowings	-	2,400,000	2,400,000	-	-	-	-	-
Transfers-in	6,956,695	6,956,695	6,956,695	-	335,094	335,094	335,094	-
Transfers-out	(10,545,739)	(10,545,739)	(10,545,739)	-	(290,763)	(290,763)	(290,763)	-
Total other sources (uses) of financial resources	(3,589,044)	(1,189,044)	(1,189,044)	-	44,331	44,331	44,331	-
Budgetary funds-nonbudgeted accounts	-	(281)	(281)	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(3,900,741)	(1,508,791)	(699,643)	809,148	(2,567,124)	(80,113)	(30,010)	50,103
Budgetary fund balances, July 1, 2007	(134,848)	(134,848)	(134,848)	-	353,378	353,378	353,378	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (4,035,589)	$ (1,643,639)	$ (834,491)	$ 809,148	$ (2,213,746)	$ 273,265	$ 323,368	$ 50,103

State Construction Account			
Original Budget	Final Budget	Actual	Variance Over (Under)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
501,700	501,700	517,262	15,562
-	-	-	-
501,700	501,700	517,262	15,562
-	-	-	-
-	-	-	-
-	-	-	-
1,496,232	548,148	548,059	(89)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,496,232	548,148	548,059	(89)
(994,532)	(46,448)	(30,797)	15,651
-	-	-	-
243,865	243,865	243,865	-
(96)	(96)	(96)	-
243,769	243,769	243,769	-
-	-	-	-
(750,763)	197,321	212,972	15,651
201,394	201,394	201,394	-
$ (549,369)	$ 398,715	$ 414,366	$ 15,651

Notes to Budgetary Comparison Schedule – Budget and Actual – Major Governmental Funds
For the Year Ended June 30, 2008

A. Budgetary Basis of Accounting

The State Constitution requires the Governor to prepare and submit to the General Assembly an Executive Budget for the ensuing fiscal year. The budget covers most funds held by the State, but excludes all locally held funds and various treasury held funds which are not subject to appropriation pursuant to State law. The General Assembly enacts the budget through passage of specific line-item appropriations (i.e., personal services, contractual services, equipment, etc.), the sum of which must not exceed estimated revenues pursuant to the State Constitution. The Governor has the power to approve, reduce, or veto each appropriation passed by the General Assembly. Transfers-in and transfers-out contained in the Executive Budget are not a part of the General Assembly's appropriation process. The actual amounts are determined either by State law or by discretionary action available to the Governor. The Statewide Accounting Management System controls expenditures by line-item as established in approved appropriation bills and ensures that appropriated expenditure amounts are not exceeded.

The level of legal control is at the line-item appropriation level as reported in a publication titled *Illinois Detailed Annual Report of Revenues and Expenditures*. A separate document is necessary due to the State's large amount of appropriated line-items. Generally, administrative transfers between transferable appropriation line-items within the same treasury held fund cannot exceed 2% of the aggregate amount appropriated to those line-items for an agency from that fund. Examples of appropriation line-items with a 2% transfer limit are Contractual Services, Travel, Commodities, Printing, and Equipment. As an additional restriction, Personal Services appropriation line-items generally cannot be reduced. Legislative action is required for more substantial transfers. Unexpended appropriations at June 30 are available for subsequent expenditure to the extent that encumbrances have been incurred at June 30, provided the expenditure is presented for payment during the succeeding two month "lapse period." An exception to the lapse period requirements are expenditures described in Section 25 of the State Finance Act (30 ILCS 105/25). These Section 25 expenditures, mostly related to the reimbursement of hospitals, physicians, and pharmacists for Medicaid patients, are allowed to be paid in the following fiscal year. Certain appropriations referred to as "reappropriations" represent the continuation of a prior year's program that requires additional time for completion.

The original budgeted revenues represent estimates while original budgeted expenditures represent original and continuing appropriations enacted into law by appropriation bills. Generally accepted accounting principles (GAAP) require the final legal budget be reflected in the final budget column, therefore, updated revenue estimates have been reported. Final expenditure budgets represent original and continuing appropriations modified by supplemental and amendatory appropriations. The State's basis of budgeting is essentially on the cash basis, modified for expenditures during the lapse period (beginning and end of year) as described in the preceding paragraph.

The State Budget Law (15 ILCS 20) requires the budget for certain funds, called budgeted funds which include the General Revenue, Common School, and Educational Assistance subaccounts of the General Fund and the Road Fund, to be prepared:

> ". . . on the basis of revenue and expenditure measurement concepts that are in concert with generally accepted accounting principles for governments . . .

> . . . The revenue estimates used in the State budget for the budgeted funds shall include the estimated beginning fund balance, plus revenues estimated to be received during the budgeted year, plus the estimated receipts due the State as of June 30 of the budgeted year that are expected to be collected during the lapse period following the budgeted year, minus the receipts collected during the first 2 months of the budgeted year that became due to the State in the year before the budgeted year. Revenues shall also include estimated federal reimbursements associated with the recognition of Section 25 of the State Finance Act liabilities. For any budgeted fund for which current year revenues are anticipated to exceed expenditures, the surplus shall be considered to be a resource available for expenditure in the budgeted fiscal year.
>
> Expenditure estimates for the budgeted funds included in the State budget shall include the costs to be incurred by the State for the budgeted year, to be paid in the next fiscal year, excluding costs paid in the budgeted year which were carried over from the prior year, where the payment is authorized by Section 25 of the State Finance Act. For any budgeted fund for which expenditures are expected to exceed revenues in the current fiscal year, the deficit shall be considered as a use of funds in the budgeted fiscal year.
>
> Revenues and expenditures shall also include transfers between funds that are based on revenues received or costs incurred during the budget year."

The State has not presented revenue and expenditure estimates in accordance with these provisions.

The State's General Fund has a perspective difference for financial reporting as the General Fund reported for financial reporting purposes includes amounts which are reported as a part of the State's Special State Funds as classified for budgetary purposes.

The Budgetary Comparison Schedule – Major Governmental Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis for the State's major governmental funds: the General Fund, the Road Fund, and the School Construction Account.

The supplementary portion of this report includes a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for all funds of the State with annual budgets as classified for budgetary purposes. Those schedules only include the final appropriated budget.

B. Budgetary-GAAP Reporting Reconciliation

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2008 is presented below for the major governmental funds (amounts expressed in thousands):

Table 1-1 (amounts expressed in thousands)

	MAJOR GOVERNMENTAL FUNDS		
	General Fund		
	General Fund	Road Fund	State Construction Account
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (budgetary basis)	$ (699,643)	$ (30,010)	$ 212,972
Reclassifications:			
Budgetary Special State Funds reported as part of the General Fund for GAAP reporting	(167,838)	--	--
Adjustments:			
To adjust revenues, related receivables and deferred revenue	139,750	26,988	(17,296)
To adjust expenditures and related liabilities	951,287	(80,044)	(54,294)
To adjust for lapse period expenditures which were not recorded as liabilities	17,052	(32)	--
Excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources into financial resources (GAAP basis) - budgetary classifications	240,608	(83,098)	141,382
To record excess (deficiency) of revenues over (under) expenditures/expenses and other sources (uses) of financial resources for nonbudgeted accounts	(47)	--	--
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources (GAAP basis)	**$ 240,561**	**$ (83,098)**	**$ 141,382**

Required Supplementary Information
Defined Benefit Pension Plans – Schedule of Funding Progress
(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' retirement systems is provided for fiscal years ended June 30, 2006, 2007 and 2008.

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
General Assembly						
6/30/2006	$ 82,255	$ 221,713	$ 139,458	37.1%	$ 12,739	1094.7%
6/30/2007	$ 87,182	$ 231,914	$ 144,732	37.6%	$ 12,701	1139.5%
6/30/2008	$ 75,406	$ 235,780	$ 160,374	32.0%	$ 12,871	1246.0%
Judges'						
6/30/2006	$ 599,234	$ 1,291,395	$ 692,161	46.4%	$ 135,400	511.2%
6/30/2007	$ 670,091	$ 1,385,340	$ 715,249	48.4%	$ 142,900	500.5%
6/30/2008	$ 612,681	$ 1,457,336	$ 844,655	42.0%	$ 143,700	587.8%
State Employees'						
6/30/2006	$ 10,899,853	$ 20,874,542	$ 9,974,689	52.2%	$ 3,572,541	279.2%
6/30/2007	$ 12,078,909	$ 22,280,917	$ 10,202,008	54.2%	$ 3,762,777	271.1%
6/30/2008	$ 10,995,366	$ 23,841,280	$ 12,845,914	46.1%	$ 3,967,704	323.8%
Teachers'						
6/30/2006	$ 36,584,889	$ 58,996,913	$ 22,412,024	62.0%	$ 7,765,752	288.6%
6/30/2007	$ 41,909,318	$ 65,648,395	$ 23,739,077	63.8%	$ 8,149,849	291.3%
6/30/2008	$ 38,430,723	$ 68,632,367	$ 30,201,644	56.0%	$ 8,521,717	354.4%
State Universities						
6/30/2006	$ 14,175,147	$ 21,688,935	$ 7,513,788	65.4%	$ 3,054,100	246.0%
6/30/2007	$ 15,985,730	$ 23,362,079	$ 7,376,349	68.4%	$ 3,180,985	231.9%
6/30/2008	$ 14,586,325	$ 24,917,677	$ 10,331,352	58.5%	$ 3,303,220	312.8%

Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress
(Unaudited)

The following schedule of funding progress (dollar amounts in thousands) for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for fiscal year ended June 30, 2008.

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL") Projected Unit Credit	Unfunded AAL ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
6/30/2007	$ -	$ 23,890,383	$ 23,890,383	0.0%	$ 6,872,740	347.6%

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GENERAL FUND

The General Fund is maintained to account for resources obtained and used for those services traditionally provided by State government which are not required to be accounted for in another fund.

SIGNIFICANT GENERAL FUND ACCOUNT DESCRIPTIONS

General Revenue Account--to account for resources obtained and used which are not required to be accounted for in another fund or account.

Education Assistance Account--to provide funding for elementary and secondary education programs and for higher education programs.

Common School Account--to provide funding for elementary and secondary education agencies including General State Aid, School District Consolidation Incentives and operational funding of Educational Services Regions.

University of Illinois Hospital Services Account--to provide medical services at the University of Illinois Hospital.

County Hospital Services Account--to provide for medical services at Cook County hospitals.

Long-Term Care Provider Account--to provide for medical services at long-term health care centers.

Combining Schedule of Accounts
General Fund
June 30, 2008 (Expressed in Thousands)

	General Revenue Account	Education Assistance Account	Common School Account	Medicaid Provider Assessment Program	Eliminations	Total
ASSETS						
Cash equity with State Treasurer	$ 1,044,574	$ 86,440	$ 58,697	$ 52,054		$ 1,241,765
Cash and cash equivalents	2,312					2,312
Receivables, net						
Taxes	783,098	23,577	103,873	2,938		913,486
Intergovernmental	1,177,904			248,725		1,426,629
Other	159,110		49	113		159,272
Due from other funds	44,615	25,033		28	$ (12,875)	56,801
Due from component units	745		6	24,425		25,176
Inventories	27,599					27,599
Loans and notes receivable, net	12,761					12,761
Other assets	15,000					15,000
Total assets	$ 3,267,718	$ 135,050	$ 162,625	$ 328,283	$ (12,875)	$ 3,880,801
LIABILITIES						
Accounts payable and accrued liabilities	$ 3,717,927	$ 5,420	$ 52,369	$ 80,309		$ 3,856,025
Intergovernmental payables	1,918,833	4,297		188,371		2,111,501
Due to other funds	723,608	209	74,333	12,882	$ (12,875)	798,157
Due to component units	54,542	30	23	47,135		101,730
Unavailable revenue	449,481	4,176	6,073	116,742		576,472
Unearned revenue	339,100	31,609				370,709
Matured portion of long-term liabilities	528					528
Total liabilities	7,204,019	45,741	132,798	445,439	(12,875)	7,815,122
FUND BALANCES						
Reserved for:						
Encumbrances	17,386			9,553		26,939
Long-term portion of loans and notes receivable	12,597					12,597
Inventories	27,599					27,599
Unreserved	(3,993,883)	89,309	29,827	(126,709)		(4,001,456)
Total fund balances (deficits)	(3,936,301)	89,309	29,827	(117,156)		(3,934,321)
Total liabilities and fund balances	$ 3,267,718	$ 135,050	$ 162,625	$ 328,283	$ (12,875)	$ 3,880,801

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Revenue Account	Education Assistance Account	Common School Account	Medicaid Provider Assessment Program	Eliminations	Total
REVENUES						
Income taxes	$ 11,368,149	$ 891,662				$ 12,259,811
Sales taxes	5,598,443		$ 1,824,554			7,422,997
Public utility taxes	1,083,357		114,194			1,197,551
Hospital assessment taxes	1,466,910			$ 71,327		1,538,237
Other taxes	1,338,255		176,715	202,719		1,717,689
Federal government	6,203,551			1,221,626		7,425,177
Licenses and fees	274,522		648	488		275,658
Interest and other investment income	204,695		1,121	3,495		209,311
Other	394,187	1,025		801,954		1,197,166
Total revenues	27,932,069	892,687	2,117,232	2,301,609		33,243,597
EXPENDITURES						
Current:						
Health and social services	14,600,699			2,356,891		16,957,590
Education	4,987,060	1,743,813	4,107,832			10,838,705
General government	812,919					812,919
Employment and economic development	167,940					167,940
Transportation	119,858					119,858
Public protection and justice	2,200,386					2,200,386
Environment and business regulations	138,237					138,237
Debt service:						
Principal	2,025					2,025
Interest	1,089					1,089
Capital outlays	8,174					8,174
Total expenditures	23,038,387	1,743,813	4,107,832	2,356,891		31,246,923
Excess (deficiency) of revenues over (under) expenditures	4,893,682	(851,126)	(1,990,600)	(55,282)		1,996,674
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	2,781,136	586,855	3,808,916	104,700	$ (3,298,168)	3,983,439
Transfers-out	(7,185,309)		(1,826,930)	(26,710)	3,298,168	(5,740,781)
Capital lease financing	1,229					1,229
Net other sources (uses) of financial resources	(4,402,944)	586,855	1,981,986	77,990	-- --	(1,756,113)
Net change in fund balances	490,738	(264,271)	(8,614)	22,708	-- --	240,561
Fund balances (deficits), July 1, 2007, as restated	(4,423,283)	353,580	38,441	(139,864)		(4,171,126)
(Decrease) for changes in inventories	(3,756)					(3,756)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (3,936,301)	$ 89,309	$ 29,827	$ (117,156)	$ -- --	$ (3,934,321)

Combining Schedule of Accounts - General Fund
Medicaid Provider Assessment Program

June 30, 2008 (Expressed in Thousands)

	University of Illinois Hospital Services Account	County Hospital Services Account	Long-Term Care Provider Account	Other Medicaid Provider Assessment Accounts	Total
ASSETS					
Cash equity with State Treasurer	$ 926	$ 9,089	$ 38,504	$ 3,535	$ 52,054
Receivables, net					
Taxes			2,579	359	2,938
Intergovernmental	34,650	154,804	53,020	6,251	248,725
Other		19	44	50	113
Due from other funds			28		28
Due from component units	24,425				24,425
Total assets	$ 60,001	$ 163,912	$ 94,175	$ 10,195	$ 328,283
LIABILITIES					
Accounts payable and accrued liabilities			$ 69,703	$ 10,606	$ 80,309
Intergovernmental payables		$ 163,912	24,459		188,371
Due to other funds	$ 12,866		13	3	12,882
Due to component units	47,135				47,135
Unavailable revenue	21,997	89,137	148	5,460	116,742
Total liabilities	81,998	253,049	94,323	16,069	445,439
FUND BALANCES					
Reserved for encumbrances			9,553		9,553
Unreserved	(21,997)	(89,137)	(9,701)	(5,874)	(126,709)
Total fund balances (deficits)	(21,997)	(89,137)	(148)	(5,874)	(117,156)
Total liabilities and fund balances	$ 60,001	$ 163,912	$ 94,175	$ 10,195	$ 328,283

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund

Medicaid Provider Assessment Program

For the Year Ended June 30, 2008 (Expressed in Thousands)

	University of Illinois Hospital Services Account	County Hospital Services Account	Long-Term Care Provider Account	Other Medicaid Provider Assessment Accounts	Total
REVENUES					
Hospital assessment taxes			$ 51,655	$ 19,672	$ 71,327
Other taxes			202,719		202,719
Federal government	$ 154,089	$ 657,951	389,469	20,117	1,221,626
Licenses and fees				488	488
Interest and other investment income		420	2,870	205	3,495
Other	93,403	664,947	43,604		801,954
Total revenues	247,492	1,323,318	690,317	40,482	2,301,609
EXPENDITURES					
Current:					
Health and social services	263,683	1,337,666	710,017	45,525	2,356,891
Total expenditures	263,683	1,337,666	710,017	45,525	2,356,891
Excess (deficiency) of revenues over (under) expenditures	(16,191)	(14,348)	(19,700)	(5,043)	(55,282)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Transfers-in	44,700		60,000		104,700
Transfers-out	(26,710)				(26,710)
Net other sources (uses) of financial resources	17,990		60,000		77,990
Net change in fund balances	1,799	(14,348)	40,300	(5,043)	22,708
Fund balances (deficits), July 1, 2007	(23,796)	(74,789)	(40,448)	(831)	(139,864)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (21,997)	$ (89,137)	$ (148)	$ (5,874)	$ (117,156)

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2008 (Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash equity with State Treasurer	$ 2,755,393	$ 646,006	$ 92,712	$ 1,132	$ 3,495,243
Cash and cash equivalents	23,542	139,741	7,961	202	171,446
Investments	24,446	51,412		1,290	77,148
Receivables, net:					
Taxes	392,395				392,395
Intergovernmental	694,323		432		694,755
Other	296,326	2,027	9	2	298,364
Due from other funds	390,823	10,376	2,405		403,604
Due from component units	346,461				346,461
Inventories	15,702				15,702
Loans and notes receivable, net	50,207	17,061			67,268
Other assets	8,091				8,091
Total assets	$ 4,997,709	$ 866,623	$ 103,519	$ 2,626	$ 5,970,477
LIABILITIES					
Accounts payable and accrued liabilities	$ 451,168		$ 35,526		$ 486,694
Intergovernmental payables	1,586,173		10,724		1,596,897
Due to other funds	294,017	$ 149	648	$ 287	295,101
Due to component units	27,957		328		28,285
Unavailable revenue	373,878				373,878
Unearned revenue	249,190		9,907		259,097
Total liabilities	2,982,383	149	57,133	287	3,039,952
FUND BALANCES					
Reserved for:					
Encumbrances	13,346		138		13,484
Long-term portion of:					
Loans and notes receivable	44,574	15,859			60,433
Due from State of Illinois component units	345,734				345,734
Inventories	15,702				15,702
Other purposes	10,848			1,091	11,939
Unreserved:					
Designated for reappropriated accounts	35,118		47,116		82,234
Undesignated	1,550,004	850,615	(868)	1,248	2,400,999
Total fund balances	2,015,326	866,474	46,386	2,339	2,930,525
Total liabilities and fund balances	$ 4,997,709	$ 866,623	$ 103,519	$ 2,626	$ 5,970,477

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES					
Income taxes	$ 1,286,214				$ 1,286,214
Sales taxes	2,719,101				2,719,101
Motor fuel taxes	1,410,656				1,410,656
Public utility taxes	498,084				498,084
Riverboat taxes	696,835				696,835
Other taxes	383,224				383,224
Federal government	6,401,228		$ 19,038		6,420,266
Licenses and fees	523,667	$ 188			523,855
Interest and other investment income	32,914	45,130	38	$ 218	78,300
Other	866,649		7,088	2	873,739
Total revenues	14,818,572	45,318	26,164	220	14,890,274
EXPENDITURES					
Current:					
Health and social services	4,227,818			43	4,227,861
Education	2,315,245		101,578		2,416,823
General government	297,284	124	22,982		320,390
Employment and economic development	638,198	26	5,477		643,701
Transportation	1,227,807		63,701		1,291,508
Public protection and justice	358,726		3		358,729
Environment and business regulation	637,568		16,233		653,801
Debt service:					
Principal	1,174	933,900			935,074
Interest	169	1,099,180			1,099,349
Capital outlays	27,883		91,842		119,725
Intergovernmental	5,139,754				5,139,754
Total expenditures	14,871,626	2,033,230	301,816	43	17,206,715
Excess (deficiency) of revenues over (under) expenditures	(53,054)	(1,987,912)	(275,652)	177	(2,316,441)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
General obligation bonds issued			175,000		175,000
Premiums on general obligation bonds issued			6,724		6,724
Transfers-in	2,863,982	4,439,072	28,845		7,331,899
Transfers-out	(2,732,175)	(2,435,944)	(32,679)	(84)	(5,200,882)
Capital lease financing	391				391
Net other sources (uses) of financial resources	132,198	2,003,128	177,890	(84)	2,313,132
Net change in fund balances	79,144	15,216	(97,762)	93	(3,309)
Fund balances, July 1, 2007, as restated	1,947,669	851,258	144,148	2,246	2,945,321
(Decrease) for changes in inventories	(11,487)				(11,487)
FUND BALANCES, JUNE 30, 2008	$ 2,015,326	$ 866,474	$ 46,386	$ 2,339	$ 2,930,525

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SIGNIFICANT NONMAJOR GOVERNMENTAL SPECIAL REVENUE FUNDS DESCRIPTIONS

Supreme Court

Mandatory Arbitration Unclaimed Fund--to receive and record monies received from countries charging fees for the filing of the first pleading, paper, or other appearance filed by each party in all civil cases.

Attorney General

Attorney General Court Order and Voluntary Compliance Payments Project Fund--to receive and record monies obtained from payments to the Attorney General for the operations of the Office. Monies in the Fund may be expended for purposes relating to the exercise of the duties of the Attorney General and public education programs; however, any monies in the Fund that are required by the court or by an agreement to be used for a particular purpose shall be used for that purpose.

Treasurer

Unclaimed Property Trust Fund--to account for monies received as abandoned property or from the sale of abandoned property pursuant to the Uniform Disposition of Unclaimed Property Act.

Tobacco Settlement Recovery Fund--to account for monies received annually as a part of the Master Settlement Agreement in the State of Illinois vs. Philip Morris.

Department of Commerce and Economic Opportunity

Renewable Energy Resources Trust Fund--to receive and record monies obtained from charges imposed on participating municipal electric utilities and cooperatives used for grants, loans or other incentives for fostering investment in and the development and use of renewable energy resources.

Fund for Illinois' Future--to account for grants and expenditures for planning, engineering, acquisition, construction, reconstruction, development, improvement, and extension of public infrastructure in the State of Illinois.

Tourism Promotion Fund--to provide assistance for the promotion and marketing of local tourist attractions and services throughout the State.

Intra-Agency Services Fund--to account for monies received as indirect cost reimbursements from federal programs for general administration by the Department of Commerce and Economic Opportunity.

Job Training Partnership Fund--to aid the disadvantaged and dislocated workers in the development of skills to fulfill the need of local firms at no cost or reduced cost to those firms.

Build Illinois Capital Revolving Loan Fund--to finance intermediary agreements, administration, technical assistance agreements, loans, grants and investments through the Build Illinois Act.

Public Infrastructure Construction Loan Revolving Fund--to provide loans and grants to local governments to assist in financing the cost of acquisition, construction, reconstruction, replacement, repair, or improvement of public infrastructure.

Department of Natural Resources

Wildlife and Fish Fund--to manage revenues from licenses, permits, fees, fines and other income from hunting and fishing activities to be used to maintain, acquire and preserve land for wildlife and fishing activities.

Natural Areas Acquisition Fund--to receive and record 20% of the monies obtained pursuant to the Real Estate Transfer Tax Act to be used for the acquisition, preservation and stewardship of natural areas.

Open Space Lands Acquisition and Development Fund--to receive deposits from monies collected under the Real Estate Transfer Tax Act to be transferred, appropriated and used only for the purposes authorized by the Open Space Lands Acquisition and Development Act.

Department of Employment Security

Title III Social Security and Employment Services Fund--to account for monies received from the federal government for the specific purpose of administering the Unemployment Compensation Act.

Unemployment Compensation Special Administration Fund--to account for collections of interest and penalties from employers and judgment interest from claimants as provided by law for the administration of the Unemployment Compensation Act or for transfer to the Unemployment Compensation Trust Fund.

Department of Financial and Professional Regulation

General Professions Dedicated Fund--to receive and record fees and fines collected by the Department of Financial and Professional Regulation for various professions.

State Pensions Fund--to account for receipts from the sale of abandoned property. Expenditures are primarily to the various State retirement systems for the reduction of the accrued actuarial unfunded liability.

Illinois State Medical Disciplinary Fund--to deposit monies received by the Department of Financial and Professional Regulation as license renewal fees under Section 14 of the Medical Practice Act for use by the Medical Disciplinary Board and for costs of the Department of Financial and Professional Regulation in administering the Act.

Credit Union Fund--to record all fees collected under the Illinois Credit Union Act by the Department of Financial and Professional Regulation to offset the costs of administering the Act.

Savings and Residential Finance Regulatory Fund--to account for fees collected and expenditures in administering the Illinois Savings and Loan Act.

Real Estate License Administration Fund--to account for fees collected and expenditures in administering the Real Estate License Act of 2000.

Insurance Financial Regulation Fund--to account for fees collected and expenditures in administering financial regulation in accordance with the Illinois Insurance Code.

Department of Human Services

Mental Health Fund--to help finance the advancement of mental health facilities and services in the State of Illinois.

Vocational Rehabilitation Fund--to account for federal monies or grants from private or public sources for vocational rehabilitation.

DHS Special Purposes Trust Fund--to receive and disburse federal grants, gifts and legacies not elsewhere designated by statute to be deposited and disbursed.

Early Intervention Services Revolving Fund--to provide coordinated, comprehensive, inter-disciplinary services to enforce the growth and development of children from birth through 36 months of age who have disabilities and/or developmental delays.

USDA Women, Infants and Children Fund--to administer the federal Supplemental Food Program for Women, Infants and Children.

Food Stamp and Commodity Fund--to account for food stamps and commodities received from the federal government.

Department of Healthcare and Family Services

Supplemental Low Income Energy Assistance Fund--to provide assistance to low-income households in paying heating and cooling costs.

Child Support Administration Fund--to receive and record fees related to the administration of the Child Support Enforcement Program.

Low Income Home Energy Assistance Block Grant Fund--to provide assistance to low-income households in paying heating and cooling costs through the Low Income Home Energy Assistance Block Grant.

Department of Revenue

State Gaming Fund--to receive and record fees obtained from owners' license applications for riverboat gambling operations.

Rental Housing Support Program Fund--to record monies received from surcharge fees for the recording of real estate-related documents to provide subsidies to landlords to enable the charging of rent affordable to low-income tenants and to provide grants for affordable housing developments.

State and Local Sales Tax Reform Fund--to record proceeds from the 1% use tax on food and drugs and 20% of the proceeds from the 6.25% sales tax.

County and Mass Transit District Fund--to record 4% of the proceeds from a 6.25% Retailers' and Service Occupation tax.

Local Government Tax Fund--to account for 15% share of various sales taxes that will be distributed to cities and counties.

Illinois Affordable Housing Trust Fund--to account for a portion of the State real estate transfer tax used for grants and low or no interest mortgages or other loans to acquire, construct, rehabilitate, develop, operate, insure, and retain affordable single family and multi-family housing for low-income households.

Horse Racing Equity Trust Fund--to receive and record fees obtained from owners' license applications for riverboat gambling operations to be disbursed 60% for horse racing purses and 40% for horse racing promotional activities.

Local Government Distributive Fund--to receive 1/10th of the State's income tax collections to distribute to various municipalities and counties within the State.

Personal Property Tax Replacement Fund--to allocate and disburse to each taxing district within the State the net revenue received from the personal property replacement income tax.

Build Illinois Fund--to receive a percentage of sales, hotel and privilege taxes to be used for monthly allocation to various State agencies for the purpose of promoting tourism related activities.

Department of Transportation

Motor Fuel Tax Fund--to account for the activities of various transportation related program expenditures and the administrative cost of supervising the use of funds apportioned to municipalities, counties, and road districts.

Federal/Local Airport Fund--to receive and manage federal funds for airport construction.

State Rail Freight Loan Repayment Fund--to receive and record repayments of loans of State funds made by the Illinois Department of Transportation to railroads, units of local government, rail users, owners, and lessees of railroad right of ways to rehabilitate, improve or construct rail facilities.

Public Transportation Fund--to receive monthly transfers from the General Revenue Account in the General Fund representing statutory shares under various sales tax acts and distribute to the Regional Transportation Authority pursuant to a statutory formula.

Downstate Public Transportation Fund--to provide financial assistance for local governments with public transportation systems.

Department of Children and Family Services

DCFS Childrens' Services Fund--to account for revenues and expenditures related to the federal Title IV-E foster care and adoption service program.

Illinois Power Agency

Illinois Power Agency Trust Fund--to account for the operations of the Illinois Power Agency.

Department of Public Health

Public Health Services Fund--to account for funds received from the federal government for various federal project awards.

Illinois Commerce Commission

Public Utility Fund--to record a portion of taxes assessed by the Public Utility Act to be spent on the operations of the Illinois Commerce Commission.

Wireless Carrier Reimbursement Fund--to receive one-third of the wireless carrier surcharge assessed monthly to wireless telephone service subscribers to reimburse wireless telephone service carriers for the installation of the equipment necessary to provide enhanced emergency calling services to subscribers.

Environmental Protection Agency

Clean Air Act (CAA) Permit Fund--to account for fees collected and expenditures associated with the State's Clean Act Permit Program.

Illinois Clean Water Fund--to account for fees received from water quality certifications required by the Federal Clean Water Act and from National Pollutant Discharge Elimination System permits as regulated by the Federal Water Pollution Control Act and for use in the regulation of the Acts.

Hazardous Waste Fund--to receive fees collected from the owners or operators of hazardous waste disposal sites and from responsible parties for hazardous waste cleanups and for penalties assessed in cases related to hazardous waste cleanups.

State Board of Education

Drivers Education Fund--to account for monies used to reimburse school districts for each pupil completing a driver education course that meets the minimum requirements of the Driver Education Act.

SBE Federal Department of Agriculture Fund--to account for the federal share of nutrition programs which provide nutritious meals for children and aging adults.

SBE Federal Department of Education Fund--to receive and disburse federal monies to provide financial assistance for educational programs funded by the U.S. Department of Education.

Office of the State Fire Marshal

Fire Prevention Fund--to account for assessments on insurance companies offering fire insurance and fees from boiler and pressure vessel certifications to be used for fire safety and education programs.

Underground Storage Tank Fund--to record underground storage tank registration fees collected by the State Fire Marshal expended for the purposes of the Leaking Underground Storage Tank program.

Capital Development Board

School Infrastructure Fund--to receive and record one-half of monies obtained from a telecommunication tax in accordance with the Telecommunications Excise Tax Act as amended. Monies in the Fund may be expended for the purpose of discharging the principal and interest on bond indebtedness for construction of school improvements, making payments to the School Technology Revolving Loan Fund and grants for school construction projects.

Criminal Justice Information Authority

Criminal Justice Trust Fund--to account for funds received for the implementation of the Omnibus Crime Control and Safe Streets Act of 1968.

Workers' Compensation Commission

Illinois Workers' Compensation Commission Operations Fund--to receive and record surcharges on workers' compensation premiums paid by employers to be spent for operations of the Workers' Compensation Commission.

Metropolitan Fair and Exposition Authority

Metropolitan and Exposition Auditorium and Office Building Fund--to account for transfers of portions of tax monies received pursuant to the Illinois Horse Racing Act from the General Revenue Account of the General Fund which are to be disbursed or transferred to other State funds based on acceptance of qualifying grant applications.

State Board of Elections

Help Illinois Vote Fund--to account for funds received for the implementation of the Federal Help America Vote Act of 2002.

Emergency Management Agency

Federal Civil Preparedness Administrative Fund--to account for the federal grants received by the State for terrorism preparedness and training programs.

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State of Illinois

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008 (Expressed in Thousands)

	Supreme Court	Attorney General				
	Mandatory Arbitration Fund	Attorney General Court Order and Voluntary Compliance Payments Project Fund	Treasurer	Commerce and Economic Opportunity	Natural Resources	Employment Security
ASSETS						
Cash equity with State Treasurer	$ 13,605	$ 16,466	$ 116,522	$ 76,910	$ 135,158	$ 25,229
Cash and cash equivalents					36	5
Investments				2,870		
Receivables, net						
Taxes						
Intergovernmental	660		39,549	31,356	4,861	16,443
Other		191	176,053	1,165	2,303	43
Due from other funds			9	26,269		4,408
Due from component units						
Inventories					1,980	1,015
Loans and notes receivable, net				17,222		
Other assets				7,971		
Total assets	$ 14,265	$ 16,657	$ 332,133	$ 163,763	$ 144,338	$ 47,143
LIABILITIES						
Accounts payable and accrued liabilities	$ 131	$ 118	$ 49,741	$ 9,711	$ 3,920	$ 6,589
Intergovernmental payables			1,676	12,905	71	300
Due to other funds	16	36	568	11,047	725	5,962
Due to component units			63	1,087	1,424	
Unavailable revenue			156,284	10,679	4,284	
Unearned revenue				2,802	47	
Total liabilities	147	154	208,332	48,231	10,471	12,851
FUND BALANCES						
Reserved for:						
Encumbrances	3	15	243	978	1,004	2
Long-term portion of:						
Loans and notes receivable				15,976		
Due from State of Illinois component units						
Inventories					1,980	1,015
Other				7,971		
Unreserved:						
Designated for other					26,721	
Undesignated	14,115	16,488	123,558	90,607	104,162	33,275
Total fund balances (deficits)	14,118	16,503	123,801	115,532	133,867	34,292
Total liabilities and fund balances	$ 14,265	$ 16,657	$ 332,133	$ 163,763	$ 144,338	$ 47,143

Financial and Professional Regulation	Human Services	Healthcare and Family Services	Revenue	Transportation	Other Departments	Illinois Commerce Commission	Environmental Protection Agency
$ 270,905	$ 72,395	$ 65,959	$ 872,346	$ 202,681	$ 30,959	$ 39,945	$ 35,279
	1,671				326		
	179	7,295	204,743	118,100		1,031	
	29,048	19,894		40,645	92,060	274	
19,122	15,880	12,810	306	21	83	5,500	30,758
	3,901	827	251,411	50,516	1,875		9,114
			345,734		6		
					1,449		
				20,412			
	86						
$ 290,027	$ 123,160	$ 106,785	$ 1,674,540	$ 432,375	$ 126,758	$ 46,750	$ 75,151
$ 1,434	$ 53,019	$ 17,406	$ 41,496	$ 32,998	$ 80,084	$ 3,215	$ 442
59	4,103	17,015	905,671	237,605	9,654	44	25
15	4,470	6,393	102,478	96,276	814	627	285
	3,808		104		10,995		1
691	8,146	107	22,941	39,937	20,555	276	20,293
	22,416		140,047	3,394			
2,199	95,962	40,921	1,212,737	410,210	122,102	4,162	21,046
112		5	234		404	124	255
				19,531			
			345,734				
					1,449		
				4,686			
287,716	27,198	65,859	115,835	(2,052)	2,803	42,464	53,850
287,828	27,198	65,864	461,803	22,165	4,656	42,588	54,105
$ 290,027	$ 123,160	$ 106,785	$ 1,674,540	$ 432,375	$ 126,758	$ 46,750	$ 75,151

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008 (Expressed in Thousands)

(continued)

	State Board of Education	Office of the State Fire Marshal	Other Agencies, Boards and Authorities	Other	Total
ASSETS					
Cash equity with State Treasurer	$ 4,172	$ 31,961	$ 135,657	$ 609,244	$ 2,755,393
Cash and cash equivalents				21,504	23,542
Investments				21,576	24,446
Receivables, net					
Taxes		6,525	40,741	13,781	392,395
Intergovernmental	301,995	6	27,219	90,313	694,323
Other	45	716	98	31,232	296,326
Due from other funds	745	4	3,739	38,005	390,823
Due from component units	245	7		469	346,461
Inventories	444			10,814	15,702
Loans and notes receivable, net				12,573	50,207
Other assets				34	8,091
Total assets	$ 307,646	$ 39,219	$ 207,454	$ 849,545	$ 4,997,709
LIABILITIES					
Accounts payable and accrued liabilities	$ 10,492	$ 3,668	$ 9,478	$ 127,226	$ 451,168
Intergovernmental payables	295,752	2	28,244	73,047	1,586,173
Due to other funds	3,185	232	2,215	58,673	294,017
Due to component units	1,403	57	839	8,176	27,957
Unavailable revenue	11,042	567	34,474	43,602	373,878
Unearned revenue			45,739	34,745	249,190
Total liabilities	321,874	4,526	120,989	345,469	2,982,383
FUND BALANCES					
Reserved for:					
Encumbrances		329	318	9,320	13,346
Long-term portion of:					
Loans and notes receivable				9,067	44,574
Due from State of Illinois component units					345,734
Inventories	444			10,814	15,702
Other				2,877	10,848
Unreserved:					
Designated for other				3,711	35,118
Undesignated	(14,672)	34,364	86,147	468,287	1,550,004
Total fund balances (deficits)	(14,228)	34,693	86,465	504,076	2,015,326
Total liabilities and fund balances	$ 307,646	$ 39,219	$ 207,454	$ 849,545	$ 4,997,709

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Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Supreme Court	Attorney General					
	Mandatory Arbitration Fund	Attorney General Court Order and Voluntary Compliance Payments Project Fund	Treasurer	Commerce and Economic Opportunity	Natural Resources	Employment Security
REVENUES						
Income taxes						
Sales taxes						
Motor fuel taxes						
Public utility taxes						
Riverboat taxes						
Other taxes					$ 38,352	
Federal government			$ 247,960	$ 156,125	9,904	$ 177,692
Licenses and fees	$ 6,993			5,262	34,853	12
Interest and other investment income			1,605	4,384	1,277	1,026
Other		$ 9,627	476,063	835	4,182	1,913
Total revenues	6,993	9,627	725,628	166,606	88,568	180,643
EXPENDITURES						
Current:						
Health and social services			502,576			
Education						
General government		2,890	861			
Employment and economic development				200,096		194,635
Transportation						
Public protection and justice	5,318			13		
Environment and business regulations			10		59,922	
Debt service:						
Principal						
Interest						
Capital outlays			187	86	6,276	58
Intergovernmental						
Total expenditures	5,318	2,890	503,634	200,195	66,198	194,693
Excess (deficiency) of revenues over (under) expenditures	1,675	6,737	221,994	(33,589)	22,370	(14,050)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in			1,385	56,140		25,415
Transfers-out			(278,341)	(5,216)		(11,549)
Capital lease and installment purchase acquisitions						
Net other sources (uses) of financial resources			(276,956)	50,924		13,866
Net change in fund balances	1,675	6,737	(54,962)	17,335	22,370	(184)
Fund balances (deficits), July 1, 2007, as restated	12,443	9,766	178,763	98,197	111,641	34,816
(Decrease) for changes in inventories					(144)	(340)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 14,118	$ 16,503	$ 123,801	$ 115,532	$ 133,867	$ 34,292

Financial and Professional Regulation	Human Services	Healthcare and Family Services	Revenue	Transportation	Other Departments	Illinois Commerce Commission	Environmental Protection Agency
			$ 1,286,214				
			2,698,081				
				$ 1,336,736			
		$ 101,432	208,941			$ 34,903	
			696,835				
	$ 1,391		208,503				
	2,208,298	249,585		90,624	$ 550,047	485	
$ 67,563	3,278		756	715		14,267	$ 35,757
3,598	285		6,793	1,017	667		1,499
671	48,455	19,398	40,027	5,344	28,548		1,264
71,832	2,261,707	370,415	5,146,150	1,434,436	579,262	49,655	38,520
	2,335,987	397,221	12,810		563,373		
340,320							
6,542			71,183	75,273			
			30,410				
				1,152,676			
27,550						27,261	36,614
	19						
	2						
	485	271	70	81	659	473	189
			5,086,395	61			
374,412	2,336,493	397,492	5,200,868	1,228,091	564,032	27,734	36,803
(302,580)	(74,786)	(27,077)	(54,718)	206,345	15,230	21,921	1,717
263,986	72,112	31,914	1,492,668	475,468	2,250		2,000
(20,104)			(1,350,363)	(696,281)		(8,831)	(9,900)
243,882	72,112	31,914	142,305	(220,813)	2,250	(8,831)	(7,900)
(58,698)	(2,674)	4,837	87,587	(14,468)	17,480	13,090	(6,183)
346,526	29,872	61,027	374,216	36,633	(2,392)	29,498	60,288
					(10,432)		
$ 287,828	$ 27,198	$ 65,864	$ 461,803	$ 22,165	$ 4,656	$ 42,588	$ 54,105

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	State Board of Education	Office of the State Fire Marshal	Other Agencies, Boards and Authorities	Other	Total
REVENUES					
Income taxes					$ 1,286,214
Sales taxes				$ 21,020	2,719,101
Motor fuel taxes		$ 73,919		1	1,410,656
Public utility taxes			$ 101,194	51,614	498,084
Riverboat taxes					696,835
Other taxes		20,954	72,333	41,691	383,224
Federal government	$ 1,886,329	43	126,755	697,381	6,401,228
Licenses and fees	12,000	3,992		338,219	523,667
Interest and other investment income			1,868	8,895	32,914
Other	6,578	72	182	223,490	866,649
Total revenues	1,904,907	98,980	302,332	1,382,311	14,818,572
EXPENDITURES					
Current:					
Health and social services		1,110		414,741	4,227,818
Education	1,904,851	3,509	107	66,458	2,315,245
General government		1,123	2,620	136,792	297,284
Employment and economic development				213,057	638,198
Transportation			875	74,256	1,227,807
Public protection and justice		36,758	118,404	198,233	358,726
Environment and business regulations		57,972	21,254	406,985	637,568
Debt service:					
Principal	3	5	13	1,134	1,174
Interest		1	1	165	169
Capital outlays	19	381	649	17,999	27,883
Intergovernmental			4,829	48,469	5,139,754
Total expenditures	1,904,873	100,859	148,752	1,578,289	14,871,626
Excess (deficiency) of revenues over (under) expenditures	34	(1,879)	153,580	(195,978)	(53,054)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Transfers-in			105,819	334,825	2,863,982
Transfers-out	(720)	(16,211)	(250,802)	(83,857)	(2,732,175)
Capital lease and installment purchase acquisitions			23	368	391
Net other sources (uses) of financial resources	(720)	(16,211)	(144,960)	251,336	132,198
Net change in fund balances	(686)	(18,090)	8,620	55,358	79,144
Fund balances (deficits), July 1, 2007, as restated	(13,126)	52,783	77,845	448,873	1,947,669
(Decrease) for changes in inventories	(416)			(155)	(11,487)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (14,228)	$ 34,693	$ 86,465	$ 504,076	$ 2,015,326

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State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Treasurer
June 30, 2008 (Expressed in Thousands)

	Unclaimed Property Trust Fund	Tobacco Settlement Recovery Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 48,168	$ 68,354	$ 116,522
Receivables, net			
Intergovernmental		39,549	39,549
Other		176,053	176,053
Due from other funds		9	9
Total assets	$ 48,168	$ 283,965	$ 332,133
LIABILITIES			
Accounts payable and accrued liabilities	$ 2	$ 49,739	$ 49,741
Intergovernmental payables		1,676	1,676
Due to other funds		568	568
Due to component units		63	63
Unavailable revenue		156,284	156,284
Total liabilities	2	208,330	208,332
FUND BALANCES			
Reserved for encumbrances		243	243
Unreserved	48,166	75,392	123,558
Total fund balances	48,166	75,635	123,801
Total liabilities and fund balances	$ 48,168	$ 283,965	$ 332,133

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

Treasurer

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Unclaimed Property Trust Fund	Tobacco Settlement Recovery Fund	Total
REVENUES			
Federal government		$ 247,960	$ 247,960
Interest and other investment income		1,605	1,605
Other	$ 166,058	310,005	476,063
Total revenues	166,058	559,570	725,628
EXPENDITURES			
Current:			
Health and social services		502,576	502,576
General government		861	861
Environment and business regulations		10	10
Capital outlays		187	187
Total expenditures		503,634	503,634
Excess of revenues over expenditures	166,058	55,936	221,994
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfers-in	1,385		1,385
Transfers-out	(264,541)	(13,800)	(278,341)
Net other sources (uses) of financial resources	(263,156)	(13,800)	(276,956)
Net change in fund balances	(97,098)	42,136	(54,962)
Fund balances, July 1, 2007	145,264	33,499	178,763
FUND BALANCES, JUNE 30, 2008	$ 48,166	$ 75,635	$ 123,801

Combining Balance Sheet - Nonmajor Special Revenue Funds
Commerce and Economic Opportunity
June 30, 2008 (Expressed in Thousands)

	Renewable Energy Resources Trust Fund	Fund For Illinois' Future	Tourism Promotion Fund	Intra-Agency Services Fund	Job Training Partnership Fund	Build Illinois Capital Revolving Loan Fund
ASSETS						
Cash equity with State Treasurer	$ 17,912	$ 14,588	$ 28,652	$ 411	$ 318	$ 10,820
Investments						2,870
Receivables, net						
Intergovernmental					31,356	
Other	458	9				46
Due from other funds			12,336	13,933		
Loans and notes receivable, net						2,118
Other assets						7,971
Total assets	$ 18,370	$ 14,597	$ 40,988	$ 14,344	$ 31,674	$ 23,825
LIABILITIES						
Accounts payable and accrued liabilities	$ 280		$ 4,111	$ 225	$ 4,915	$ 174
Intergovernmental payables	11		515	9	12,369	1
Due to other funds	7		64	287	10,679	8
Due to component units	250		16		821	
Unavailable revenue					10,220	22
Unearned revenue					2,802	
Total liabilities	548		4,706	521	41,806	205
FUND BALANCES						
Reserved for:						
Encumbrances	46		260	50	120	502
Long-term portion of loans and notes receivable						872
Other						7,971
Unreserved	17,776	$ 14,597	36,022	13,773	(10,252)	14,275
Total fund balances (deficits)	17,822	14,597	36,282	13,823	(10,132)	23,620
Total liabilities and fund balances	$ 18,370	$ 14,597	$ 40,988	$ 14,344	$ 31,674	$ 23,825

Public Infrastructure Construction Loan Revolving Fund	Total
$ 4,209	$ 76,910
	2,870
	31,356
652	1,165
	26,269
15,104	17,222
	7,971
$ 19,965	$ 163,763
$ 6	$ 9,711
	12,905
2	11,047
	1,087
437	10,679
	2,802
445	48,231
	978
15,104	15,976
	7,971
4,416	90,607
19,520	115,532
$ 19,965	$ 163,763

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Commerce and Economic Opportunity

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Renewable Energy Resources Trust Fund	Fund For Illinois' Future	Tourism Promotion Fund	Intra-Agency Services Fund	Job Training Partnership Fund	Build Illinois Capital Revolving Loan Fund
REVENUES						
Federal government					$ 156,125	
Licenses and fees	$ 5,262					
Interest and other investment income					8	$ 3,246
Other	17	$ 733			85	
Total revenues	5,279	733			156,218	3,246
EXPENDITURES						
Current:						
Employment and economic development	3,153		$ 32,890	$ 7,414	153,059	3,391
Environment and business regulations				13		
Capital outlays			15	71		
Total expenditures	3,153		32,905	7,498	153,059	3,391
Excess (deficiency) of revenues over (under) expenditures	2,126	733	(32,905)	(7,498)	3,159	(145)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in			47,960	8,180		
Transfers-out					(5,216)	
Net other sources (uses) of financial resources			47,960	8,180	(5,216)	
Net change in fund balances	2,126	733	15,055	682	(2,057)	(145)
Fund balances (deficits), July 1, 2007	15,696	13,864	21,227	13,141	(8,075)	23,765
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 17,822	$ 14,597	$ 36,282	$ 13,823	$ (10,132)	$ 23,620

Public Infrastructure Construction Loan Revolving Fund	Total
	$ 156,125
	5,262
$ 1,130	4,384
	835
1,130	166,606
189	200,096
	13
	86
189	200,195
941	(33,589)
	56,140
	(5,216)
	50,924
941	17,335
18,579	98,197
$ 19,520	$ 115,532

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Natural Resources
June 30, 2008 (Expressed in Thousands)

	Wildlife and Fish Fund	Natural Areas Acquisition Fund	Open Space Lands Acquisition and Development Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 29,549	$ 18,024	$ 87,585	$ 135,158
Cash and cash equivalents	36			36
Receivables, net				
Intergovernmental	4,861			4,861
Other	2,303			2,303
Inventories	1,980			1,980
Total assets	$ 38,729	$ 18,024	$ 87,585	$ 144,338
LIABILITIES				
Accounts payable and accrued liabilities	$ 3,619	$ 266	$ 35	$ 3,920
Intergovernmental payables	61	8	2	71
Due to other funds	669	45	11	725
Due to component units	1,411	2	11	1,424
Unavailable revenue	4,284			4,284
Unearned revenue	47			47
Total liabilities	10,091	321	59	10,471
FUND BALANCES				
Reserved for:				
Encumbrances	339	628	37	1,004
Inventories	1,980			1,980
Unreserved:				
Designated for other	123		26,598	26,721
Undesignated	26,196	17,075	60,891	104,162
Total fund balances	28,638	17,703	87,526	133,867
Total liabilities and fund balances	$ 38,729	$ 18,024	$ 87,585	$ 144,338

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Natural Resources

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Wildlife and Fish Fund	Natural Areas Acquisition Fund	Open Space Lands Acquisition and Development Fund	Total
REVENUES				
Other taxes		$ 11,506	$ 26,846	$ 38,352
Federal government	$ 9,904			9,904
Licenses and fees	34,853			34,853
Interest and other investment income	1,277			1,277
Other	4,182			4,182
Total revenues	50,216	11,506	26,846	88,568
EXPENDITURES				
Current:				
Environment and business regulations	51,730	6,623	1,569	59,922
Capital outlays	1,867	4,409		6,276
Total expenditures	53,597	11,032	1,569	66,198
Net change in fund balances	(3,381)	474	25,277	22,370
Fund balances, July 1, 2007	32,163	17,229	62,249	111,641
(Decrease) for changes in inventories	(144)			(144)
FUND BALANCES, JUNE 30, 2008	$ 28,638	$ 17,703	$ 87,526	$ 133,867

Combining Balance Sheet - Nonmajor Special Revenue Funds
Employment Security
June 30, 2008 (Expressed in Thousands)

	Title III Social Security and Employment Service Fund	Unemployment Compensation Special Administration Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 12,660	$ 12,569	$ 25,229
Cash and cash equivalents	5		5
Receivables, net			
Intergovernmental	16,443		16,443
Other	22	21	43
Due from other funds	90	4,318	4,408
Inventories	1,015		1,015
Total assets	$ 30,235	$ 16,908	$ 47,143
LIABILITIES			
Accounts payable and accrued liabilities	$ 6,317	$ 272	$ 6,589
Intergovernmental payables	300		300
Due to other funds	5,962		5,962
Total liabilities	12,579	272	12,851
FUND BALANCES			
Reserved for:			
Encumbrances	2		2
Inventories	1,015		1,015
Unreserved	16,639	16,636	33,275
Total fund balances	17,656	16,636	34,292
Total liabilities and fund balances	$ 30,235	$ 16,908	$ 47,143

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Employment Security

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Title III Social Security and Employment Service Fund	Unemployment Compensation Special Administration Fund	Total
REVENUES			
Federal government	$ 177,692		$ 177,692
Licenses and fees	12		12
Interest and other investment income	575	$ 451	1,026
Other	1,913		1,913
Total revenues	180,192	451	180,643
EXPENDITURES			
Current:			
Employment and economic development	192,400	2,235	194,635
Capital outlays	58		58
Total expenditures	192,458	2,235	194,693
(Deficiency) of revenues (under) expenditures	(12,266)	(1,784)	(14,050)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfers-in	10,015	15,400	25,415
Transfers-out		(11,549)	(11,549)
Net other sources of financial resources	10,015	3,851	13,866
Net change in fund balances	(2,251)	2,067	(184)
Fund balances, July 1, 2007	20,247	14,569	34,816
(Decrease) for changes in inventories	(340)		(340)
FUND BALANCES, JUNE 30, 2008	$ 17,656	$ 16,636	$ 34,292

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Financial and Professional Regulation

June 30, 2008 (Expressed in Thousands)

	General Professions Dedicated Fund	State Pensions Fund	Illinois State Medical Disciplinary Fund	Credit Union Fund	Savings and Residential Finance Regulatory Fund	Real Estate License Administration Fund
ASSETS						
Cash equity with State Treasurer	$ 14,641	$ 161,359	$ 15,551	$ 13,792	$ 34,050	$ 22,712
Other receivables, net	112		89	32	777	49
Total assets	$ 14,753	$ 161,359	$ 15,640	$ 13,824	$ 34,827	$ 22,761
LIABILITIES						
Accounts payable and accrued liabilities	$ 165	$ 188	$ 229	$ 123	$ 191	$ 136
Intergovernmental payables	7	2	8	6	9	7
Due to other funds	1	14				
Unavailable revenue	61		17			
Total liabilities	234	204	254	129	200	143
FUND BALANCES						
Reserved for encumbrances	21	59	25			6
Unreserved	14,498	161,096	15,361	13,695	34,627	22,612
Total fund balances	14,519	161,155	15,386	13,695	34,627	22,618
Total liabilities and fund balances	$ 14,753	$ 161,359	$ 15,640	$ 13,824	$ 34,827	$ 22,761

Insurance Financial Regulation Fund	Total
$ 8,800	$ 270,905
18,063	19,122
$ 26,863	$ 290,027
$ 402	$ 1,434
20	59
	15
613	691
1,035	2,199
1	112
25,827	287,716
25,828	287,828
$ 26,863	$ 290,027

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Financial and Professional Regulation

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Professions Dedicated Fund	State Pensions Fund	Illinois State Medical Disciplinary Fund	Credit Union Fund	Savings and Residential Finance Regulatory Fund	Real Estate License Administration Fund
REVENUES						
Licenses and fees	$ 11,469		$ 12,429	$ 5,060	$ 8,545	$ 6,740
Interest and other investment income	556		302	481	1,358	901
Other	(39)		87	37	336	10
Total revenues	11,986		12,818	5,578	10,239	7,651
EXPENDITURES						
Current:						
Health and social services						
Education		$ 340,320				
General government		6,542				
Environment and business regulations	3,900		3,930	2,580	3,890	3,085
Total expenditures	3,900	346,862	3,930	2,580	3,890	3,085
Excess (deficiency) of revenues over (under) expenditures	8,086	(346,862)	8,888	2,998	6,349	4,566
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in		263,986				
Transfers-out	(4,107)		(2,108)	(589)	(1,317)	(545)
Net other sources (uses) of financial resources	(4,107)	263,986	(2,108)	(589)	(1,317)	(545)
Net change in fund balances	3,979	(82,876)	6,780	2,409	5,032	4,021
Fund balances, July 1, 2007	10,540	244,031	8,606	11,286	29,595	18,597
FUND BALANCES, JUNE 30, 2008	$ 14,519	$ 161,155	$ 15,386	$ 13,695	$ 34,627	$ 22,618

Insurance Financial Regulation Fund	Total
$ 23,320	$ 67,563
	3,598
240	671
23,560	71,832
	340,320
	6,542
10,165	27,550
10,165	374,412
13,395	(302,580)
	263,986
(11,438)	(20,104)
(11,438)	243,882
1,957	(58,698)
23,871	346,526
$ 25,828	$ 287,828

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Human Services
June 30, 2008 (Expressed in Thousands)

	Mental Health Fund	Vocational Rehabilitation Fund	DHS Special Purposes Trust Fund	Early Intervention Services Revolving Fund	USDA Women, Infants and Children Fund	Food Stamp and Commodity Fund	Total
ASSETS							
Cash equity with State Treasurer	$ 26,879	$ 14,390	$ 18,095	$ 6,196	$ 6,835		$ 72,395
Cash and cash equivalents					1,671		1,671
Receivables, net							
Taxes	179						179
Intergovernmental	10,382	923	10,993	6,748	2		29,048
Other	2,667	100	1	143	12,969		15,880
Due from other funds	1,879	1,671	23	278	50		3,901
Other assets						$ 86	86
Total assets	$ 41,986	$ 17,084	$ 29,112	$ 13,365	$ 21,527	$ 86	$ 123,160
LIABILITIES							
Accounts payable and accrued liabilities	$ 502	$ 8,732	$ 18,011	$ 12,010	$ 13,764		$ 53,019
Intergovernmental payables	6	135	896	55	3,011		4,103
Due to other funds	1,311	2,275	625	88	171		4,470
Due to component units		33	3,700	64	11		3,808
Unavailable revenue	6,302	402	1,439	3			8,146
Unearned revenue		7,024	7,975	2,761	4,570	$ 86	22,416
Total liabilities	8,121	18,601	32,646	14,981	21,527	86	95,962
FUND BALANCES							
Unreserved	33,865	(1,517)	(3,534)	(1,616)			27,198
Total fund balances (deficits)	33,865	(1,517)	(3,534)	(1,616)			27,198
Total liabilities and fund balances	$ 41,986	$ 17,084	$ 29,112	$ 13,365	$ 21,527	$ 86	$ 123,160

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Human Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Mental Health Fund	Vocational Rehabilitation Fund	DHS Special Purposes Trust Fund	Early Intervention Services Revolving Fund	USDA Women, Infants and Children Fund	Food Stamp and Commodity Fund	Total
REVENUES							
Other taxes	$ 1,391						$ 1,391
Federal government		$ 95,110	$ 169,885	$ 53,352	$ 207,457	$ 1,682,494	2,208,298
Licenses and fees				3,278			3,278
Interest and other investment income				281	4		285
Other	46,509	1,929	17				48,455
Total revenues	47,900	97,039	169,902	56,911	207,461	1,682,494	2,261,707
EXPENDITURES							
Current:							
Health and social services	28,068	105,296	176,020	136,648	207,461	1,682,494	2,335,987
Debt service:							
Principal		19					19
Interest		2					2
Capital outlays		427	58				485
Total expenditures	28,068	105,744	176,078	136,648	207,461	1,682,494	2,336,493
Excess (deficiency) of revenues over (under) expenditures	19,832	(8,705)	(6,176)	(79,737)	-- --	-- --	(74,786)
OTHER SOURCES OF FINANCIAL RESOURCES							
Transfers-in		185	23	71,904			72,112
Net other sources of financial resources		185	23	71,904			72,112
Net change in fund balances	19,832	(8,520)	(6,153)	(7,833)	-- --	-- --	(2,674)
Fund balances, July 1, 2007	14,033	7,003	2,619	6,217			29,872
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 33,865	$ (1,517)	$ (3,534)	$ (1,616)	$ -- --	$ -- --	$ 27,198

Combining Balance Sheet - Nonmajor Special Revenue Funds
Healthcare and Family Services
June 30, 2008 (Expressed in Thousands)

	Supplemental Low Income Energy Assistance Fund	Child Support Administration Fund	Low Income Home Energy Assistance Block Grant Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 30,551	$ 35,069	$ 339	$ 65,959
Receivables, net				
Taxes	7,295			7,295
Intergovernmental		12,446	7,448	19,894
Other		12,810		12,810
Due from other funds		827		827
Total assets	$ 37,846	$ 61,152	$ 7,787	$ 106,785
LIABILITIES				
Accounts payable and accrued liabilities	$ 3,223	$ 8,425	$ 5,758	$ 17,406
Intergovernmental payables	1,572	13,447	1,996	17,015
Due to other funds	51	6,309	33	6,393
Unavailable revenue		106	1	107
Total liabilities	4,846	28,287	7,788	40,921
FUND BALANCES				
Reserved for encumbrances		5		5
Unreserved	33,000	32,860	(1)	65,859
Total fund balances (deficits)	33,000	32,865	(1)	65,864
Total liabilities and fund balances	$ 37,846	$ 61,152	$ 7,787	$ 106,785

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Healthcare and Family Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Supplemental Low Income Energy Assistance Fund	Child Support Administration Fund	Low Income Home Energy Assistance Block Grant Fund	Total
REVENUES				
Public utility taxes	$ 101,432			$ 101,432
Federal government		$ 113,124	$ 136,461	249,585
Other		19,398		19,398
Total revenues	101,432	132,522	136,461	370,415
EXPENDITURES				
Current:				
Health and social services	90,267	170,822	136,132	397,221
Capital outlays		271		271
Total expenditures	90,267	171,093	136,132	397,492
Excess (deficiency) of revenues over (under) expenditures	11,165	(38,571)	329	(27,077)
OTHER SOURCES OF FINANCIAL RESOURCES				
Transfers-in	79	31,835		31,914
Net other sources of financial resources	79	31,835		31,914
Net change in fund balances	11,244	(6,736)	329	4,837
Fund balances (deficits), July 1, 2007	21,756	39,601	(330)	61,027
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 33,000	$ 32,865	$ (1)	$ 65,864

Combining Balance Sheet - Nonmajor Special Revenue Funds
Revenue

June 30, 2008 (Expressed in Thousands)

	State Gaming Fund	Rental Housing Support Program Fund	State and Local Sales Tax Reform Fund	County and Mass Transit District Fund	Local Government Tax Fund	Illinois Affordable Housing Trust Fund
ASSETS						
Cash equity with State Treasurer	$ 23,839	$ 38,378	$ 51,092	$ 68,445	$ 287,591	$ 7,717
Receivables, net						
Taxes	2,458		14,817	19,238	76,982	
Other	10					14
Due from other funds	426					93
Due from component units						345,734
Total assets	$ 26,733	$ 38,378	$ 65,909	$ 87,683	$ 364,573	$ 353,558
LIABILITIES						
Accounts payable and accrued liabilities	$ 445	$ 17,590				$ 6,483
Intergovernmental payables	10,296		$ 20,328	$ 56,746	$ 364,573	
Due to other funds	25,228		45,581	30,937		
Due to component units	104					
Unavailable revenue			1,789	825	3,575	
Unearned revenue						
Total liabilities	36,073	17,590	67,698	88,508	368,148	6,483
FUND BALANCES						
Reserved for:	138	96				
Encumbrances						
Long-term portion of due from State of Illinois component units						345,734
Unreserved	(9,478)	20,692	(1,789)	(825)	(3,575)	1,341
Total fund balances (deficits)	(9,340)	20,788	(1,789)	(825)	(3,575)	347,075
Total liabilities and fund balances	$ 26,733	$ 38,378	$ 65,909	$ 87,683	$ 364,573	$ 353,558

Horse Racing Equity Trust Fund	Local Government Distributive Fund	Personal Property Tax Replacement Fund	Build Illinois Fund	Total
$ 76,489	$ 748	$ 301,650	$ 16,397	$ 872,346
		55,733	35,515	204,743
		240	42	306
	146,112	95,330	9,450	251,411
				345,734
$ 76,489	$ 146,860	$ 452,953	$ 61,404	$ 1,674,540
		$ 5,306	$ 11,672	$ 41,496
	$ 146,235	307,493		905,671
	625	107		102,478
				104
		15,303	1,449	22,941
		140,047		140,047
	146,860	468,256	13,121	1,212,737
				234
				345,734
$ 76,489		(15,303)	48,283	115,835
76,489		(15,303)	48,283	461,803
$ 76,489	$ 146,860	$ 452,953	$ 61,404	$ 1,674,540

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Revenue

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Gaming Fund	Rental Housing Support Program Fund	State and Local Sales Tax Reform Fund	County and Mass Transit District Fund	Local Government Tax Fund	Illinois Affordable Housing Trust Fund
REVENUES						
Income taxes						
Sales taxes			$ 262,981	$ 358,415	$ 1,646,613	
Public utility taxes						
Riverboat taxes	$ 696,835					
Other taxes		$ 21,826				$ 38,350
Licenses and fees	720					36
Interest and other investment income						2,278
Other						40,027
Total revenues	697,555	21,826	262,981	358,415	1,646,613	80,691
EXPENDITURES						
Current:						
Health and social services	336					12,474
General government		29,342	1			41,726
Employment and economic development						
Capital outlays	63					
Intergovernmental	123,443		58,955	359,240	1,646,665	
Total expenditures	123,842	29,342	58,956	359,240	1,646,665	54,200
Excess (deficiency) of revenues over (under) expenditures	573,713	(7,516)	204,025	(825)	(52)	26,491
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in						
Transfers-out	(586,855)		(204,647)			(3,775)
Net other sources (uses) of financial resources	(586,855)		(204,647)			(3,775)
Net change in fund balances	(13,142)	(7,516)	(622)	(825)	(52)	22,716
Fund balances (deficits), July 1, 2007	3,802	28,304	(1,167)		(3,523)	324,359
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (9,340)	$ 20,788	$ (1,789)	$ (825)	$ (3,575)	$ 347,075

Horse Racing Equity Trust Fund	Local Government Distributive Fund	Personal Property Tax Replacement Fund	Build Illinois Fund	Total
		$ 1,286,214		$ 1,286,214
			$ 430,072	2,698,081
		208,941		208,941
				696,835
$ 33,004			115,323	208,503
				756
		3,585	930	6,793
				40,027
33,004		1,498,740	546,325	5,146,150
				12,810
		114		71,183
			30,410	30,410
		7		70
	$ 1,352,872	1,545,220		5,086,395
	1,352,872	1,545,341	30,410	5,200,868
33,004	(1,352,872)	(46,601)	515,915	(54,718)
	1,357,872	95,330	39,466	1,492,668
	(5,000)		(550,086)	(1,350,363)
	1,352,872	95,330	(510,620)	142,305
33,004	-- --	48,729	5,295	87,587
43,485		(64,032)	42,988	374,216
$ 76,489	$ -- --	$ (15,303)	$ 48,283	$ 461,803

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Transportation

June 30, 2008 (Expressed in Thousands)

	Motor Fuel Tax Fund	Federal/Local Airport Fund	State Rail Freight Loan Repayment Fund	Public Transportation Fund	Downstate Public Transportation Fund	Total
ASSETS						
Cash equity with State Treasurer	$ 114,035	$ 3,928	$ 11,540	$ 47,711	$ 25,467	$ 202,681
Receivables, net						
Taxes	118,100					118,100
Intergovernmental	25	40,620				40,645
Other			21			21
Due from other funds		718		49,798		50,516
Loans and notes receivable, net			20,412			20,412
Total assets	$ 232,160	$ 45,266	$ 31,973	$ 97,509	$ 25,467	$ 432,375
LIABILITIES						
Accounts payable and accrued liabilities	$ 17,356	$ 15,642				$ 32,998
Intergovernmental payables	108,275	26,230		$ 97,509	$ 5,591	237,605
Due to other funds	96,276					96,276
Unavailable revenue	10,253	29,684				39,937
Unearned revenue		3,394				3,394
Total liabilities	232,160	74,950		97,509	5,591	410,210
FUND BALANCES						
Reserved for long-term portion of loans and notes receivable			$ 19,531			19,531
Unreserved:						
Designated for other			4,686			4,686
Undesignated		(29,684)	7,756		19,876	(2,052)
Total fund balances (deficits)		(29,684)	31,973		19,876	22,165
Total liabilities and fund balances	$ 232,160	$ 45,266	$ 31,973	$ 97,509	$ 25,467	$ 432,375

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Transportation

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Motor Fuel Tax Fund	Federal/Local Airport Fund	State Rail Freight Loan Repayment Fund	Public Transportation Fund	Downstate Public Transportation Fund	Total
REVENUES						
Motor fuel taxes	$ 1,336,736					$ 1,336,736
Federal government	90	$ 90,534				90,624
Licenses and fees	715					715
Interest and other investment income			$ 1,017			1,017
Other		5,344				5,344
Total revenues	1,337,541	95,878	1,017			1,434,436
EXPENDITURES						
Current:						
General government	75,273					75,273
Transportation	631,439	111,537	687	$ 323,676	$ 85,337	1,152,676
Capital outlays	81					81
Intergovernmental	61					61
Total expenditures	706,854	111,537	687	323,676	85,337	1,228,091
Excess (deficiency) of revenues over (under) expenditures	630,687	(15,659)	330	(323,676)	(85,337)	206,345
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Transfers-in	65,594			323,676	86,198	475,468
Transfers-out	(696,281)					(696,281)
Net other sources (uses) of financial resources	(630,687)			323,676	86,198	(220,813)
Net change in fund balances	-- --	(15,659)	330	-- --	861	(14,468)
Fund balances (deficits), July 1, 2007, as restated		(14,025)	31,643		19,015	36,633
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ -- --	$ (29,684)	$ 31,973	$ -- --	$ 19,876	$ 22,165

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Other Departments

June 30, 2008 (Expressed in Thousands)

	Children and Family Services	Illinois Power	Public Health	
	DCFS Childrens' Services Fund	Illinois Power Agency Trust Fund	Public Health Services Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 2,787	$ 25,616	$ 2,556	$ 30,959
Cash and cash equivalents	326			326
Receivables, net				
Intergovernmental	73,433		18,627	92,060
Other		51	32	83
Due from other funds	50		1,825	1,875
Due from component units			6	6
Inventories			1,449	1,449
Total assets	$ 76,596	$ 25,667	$ 24,495	$ 126,758
LIABILITIES				
Accounts payable and accrued liabilities	$ 68,165		$ 11,919	$ 80,084
Intergovernmental payables	1,456		8,198	9,654
Due to other funds	2		812	814
Due to component units	9,621		1,374	10,995
Unavailable revenue	19,649		906	20,555
Total liabilities	98,893		23,209	122,102
FUND BALANCES				
Reserved for:				
Encumbrances			404	404
Inventories			1,449	1,449
Unreserved	(22,297)	$ 25,667	(567)	2,803
Total fund balances (deficits)	(22,297)	25,667	1,286	4,656
Total liabilities and fund balances	$ 76,596	$ 25,667	$ 24,495	$ 126,758

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Other Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Children and Family Services	Illinois Power	Public Health	
	DCFS Childrens' Services Fund	Illinois Power Agency Trust Fund	Public Health Services Fund	Total
REVENUES				
Federal government	$ 358,438		$ 191,609	$ 550,047
Interest and other investment income		$ 667		667
Other	2,397	25,000	1,151	28,548
Total revenues	360,835	25,667	192,760	579,262
EXPENDITURES				
Current:				
Health and social services	378,721		184,652	563,373
Capital outlays	502		157	659
Total expenditures	379,223		184,809	564,032
Excess (deficiency) of revenues over (under) expenditures	(18,388)	25,667	7,951	15,230
OTHER SOURCES OF FINANCIAL RESOURCES				
Transfers-in	2,250			2,250
Net other sources of financial resources	2,250			2,250
Net change in fund balances	(16,138)	25,667	7,951	17,480
Fund balances (deficits), July 1, 2007	(6,159)		3,767	(2,392)
(Decrease) for changes in inventories			(10,432)	(10,432)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (22,297)	$ 25,667	$ 1,286	$ 4,656

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Illinois Commerce Commission
June 30, 2008 (Expressed in Thousands)

	Public Utility Fund	Wireless Carrier Reimbursement Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 13,708	$ 26,237	$ 39,945
Receivables, net			
Taxes	2	1,029	1,031
Intergovernmental	274		274
Other	5,500		5,500
Total assets	$ 19,484	$ 27,266	$ 46,750
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,420	$ 795	$ 3,215
Intergovernmental payables	44		44
Due to other funds	627		627
Unavailable revenue	276		276
Total liabilities	3,367	795	4,162
FUND BALANCES			
Reserved for encumbrances	124		124
Unreserved	15,993	26,471	42,464
Total fund balances	16,117	26,471	42,588
Total liabilities and fund balances	$ 19,484	$ 27,266	$ 46,750

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Illinois Commerce Commission

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Utility Fund	Wireless Carrier Reimbursement Fund	Total
REVENUES			
Public utility taxes	$ 16,344	$ 18,559	$ 34,903
Federal government	485		485
Licenses and fees	14,267		14,267
Total revenues	31,096	18,559	49,655
EXPENDITURES			
Current:			
Environment and business regulations	22,488	4,773	27,261
Capital outlays	473		473
Total expenditures	22,961	4,773	27,734
Excess of revenues over expenditures	8,135	13,786	21,921
OTHER (USES) OF FINANCIAL RESOURCES			
Transfers-out	(831)	(8,000)	(8,831)
Net other (uses) of financial resources	(831)	(8,000)	(8,831)
Net change in fund balances	7,304	5,786	13,090
Fund balances, July 1, 2007	8,813	20,685	29,498
FUND BALANCES, JUNE 30, 2008	$ 16,117	$ 26,471	$ 42,588

Combining Balance Sheet - Nonmajor Special Revenue Funds
Environmental Protection Agency
June 30, 2008 (Expressed in Thousands)

	Clean Air Act (CAA) Permit Fund	Illinois Clean Water Fund	Hazardous Waste Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 14,559	$ 16,271	$ 4,449	$ 35,279
Other receivables, net	3,974	13,679	13,105	30,758
Due from other funds	41		9,073	9,114
Total assets	$ 18,574	$ 29,950	$ 26,627	$ 75,151
LIABILITIES				
Accounts payable and accrued liabilities	$ 99	$ 10	$ 333	$ 442
Intergovernmental payables		15	10	25
Due to other funds	38	171	76	285
Due to component units		1		1
Unavailable revenue	3,930	4,640	11,723	20,293
Total liabilities	4,067	4,837	12,142	21,046
FUND BALANCES				
Reserved for encumbrances	130	33	92	255
Unreserved	14,377	25,080	14,393	53,850
Total fund balances	14,507	25,113	14,485	54,105
Total liabilities and fund balances	$ 18,574	$ 29,950	$ 26,627	$ 75,151

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Environmental Protection Agency

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Clean Air Act (CAA) Permit Fund	Illinois Clean Water Fund	Hazardous Waste Fund	Total
REVENUES				
Licenses and fees	$ 14,741	$ 19,481	$ 1,535	$ 35,757
Interest and other investment income	576	923		1,499
Other		26	1,238	1,264
Total revenues	15,317	20,430	2,773	38,520
EXPENDITURES				
Current:				
Environment and business regulations	17,553	8,096	10,965	36,614
Capital outlays	148		41	189
Total expenditures	17,701	8,096	11,006	36,803
Excess (deficiency) of revenues over (under) expenditures	(2,384)	12,334	(8,233)	1,717
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Transfers-in			2,000	2,000
Transfers-out		(9,900)		(9,900)
Net other sources (uses) of financial resources		(9,900)	2,000	(7,900)
Net change in fund balances	(2,384)	2,434	(6,233)	(6,183)
Fund balances, July 1, 2007	16,891	22,679	20,718	60,288
FUND BALANCES, JUNE 30, 2008	$ 14,507	$ 25,113	$ 14,485	$ 54,105

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
State Board of Education
June 30, 2008 (Expressed in Thousands)

	Drivers Education Fund	SBE Federal Department of Agriculture Fund	SBE Federal Department of Education Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 2,365	$ 262	$ 1,545	$ 4,172
Receivables, net				
Intergovernmental	333	20,703	280,959	301,995
Other	12	33		45
Due from other funds	5		740	745
Due from component units			245	245
Inventories		444		444
Total assets	$ 2,715	$ 21,442	$ 283,489	$ 307,646
LIABILITIES				
Accounts payable and accrued liabilities		$ 311	$ 10,181	$ 10,492
Intergovernmental payables	$ 17,930	16,628	261,194	295,752
Due to other funds		346	2,839	3,185
Due to component units		91	1,312	1,403
Unavailable revenue		4,128	6,914	11,042
Total liabilities	17,930	21,504	282,440	321,874
FUND BALANCES				
Reserved for inventories		444		444
Unreserved	(15,215)	(506)	1,049	(14,672)
Total fund balances (deficits)	(15,215)	(62)	1,049	(14,228)
Total liabilities and fund balances	$ 2,715	$ 21,442	$ 283,489	$ 307,646

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds State Board of Education

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Drivers Education Fund	SBE Federal Department of Agriculture Fund	SBE Federal Department of Education Fund	Total
REVENUES				
Federal government		$ 517,034	$ 1,369,295	$ 1,886,329
Licenses and fees	$ 12,000			12,000
Other	6,271	174	133	6,578
Total revenues	18,271	517,208	1,369,428	1,904,907
EXPENDITURES				
Current:				
Education	18,002	517,575	1,369,274	1,904,851
Debt service:				
Principal			3	3
Capital outlays		19		19
Total expenditures	18,002	517,594	1,369,277	1,904,873
Excess (deficiency) of revenues over (under) expenditures	269	(386)	151	34
OTHER (USES) OF FINANCIAL RESOURCES				
Transfers-out		(568)	(152)	(720)
Net other (uses) of financial resources		(568)	(152)	(720)
Net change in fund balances	269	(954)	(1)	(686)
Fund balances, July 1, 2007	(15,484)	1,308	1,050	(13,126)
(Decrease) for changes in inventories		(416)		(416)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (15,215)	$ (62)	$ 1,049	$ (14,228)

State of Illinois

Combining Balance Sheet - Nonmajor Special Revenue Funds
Office of the State Fire Marshal

June 30, 2008 (Expressed in Thousands)

	Fire Prevention Fund	Underground Storage Tank Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 21,817	$ 10,144	$ 31,961
Receivables, net			
Taxes	5	6,520	6,525
Intergovernmental	6		6
Other	684	32	716
Due from other funds	4		4
Due from component units	7		7
Total assets	$ 22,523	$ 16,696	$ 39,219
LIABILITIES			
Accounts payable and accrued liabilities	$ 3,172	$ 496	$ 3,668
Intergovernmental payables		2	2
Due to other funds	189	43	232
Due to component units	57		57
Unavailable revenue	86	481	567
Total liabilities	3,504	1,022	4,526
FUND BALANCES			
Reserved for encumbrances	175	154	329
Unreserved	18,844	15,520	34,364
Total fund balances	19,019	15,674	34,693
Total liabilities and fund balances	$ 22,523	$ 16,696	$ 39,219

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Office of the State Fire Marshal

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Fire Prevention Fund	Underground Storage Tank Fund	Total
REVENUES			
Motor fuel taxes		$ 73,919	$ 73,919
Other taxes	$ 20,954		20,954
Federal government		43	43
Licenses and fees	3,944	48	3,992
Other	72		72
Total revenues	24,970	74,010	98,980
EXPENDITURES			
Current:			
Health and social services	1,110		1,110
Education	3,509		3,509
General government	154	969	1,123
Public protection and justice	33,629	3,129	36,758
Environment and business regulations		57,972	57,972
Debt service:			
Principal		5	5
Interest		1	1
Capital outlays	381		381
Total expenditures	38,783	62,076	100,859
Excess (deficiency) of revenues over (under) expenditures	(13,813)	11,934	(1,879)
OTHER (USES) OF FINANCIAL RESOURCES			
Transfers-out	(2,218)	(13,993)	(16,211)
Net other (uses) of financial resources	(2,218)	(13,993)	(16,211)
Net change in fund balances	(16,031)	(2,059)	(18,090)
Fund balances, July 1, 2007	35,050	17,733	52,783
FUND BALANCES, JUNE 30, 2008	$ 19,019	$ 15,674	$ 34,693

Combining Balance Sheet - Nonmajor Special Revenue Funds
Other Agencies, Boards and Authorities
June 30, 2008 (Expressed in Thousands)

	Capital Development Board	Criminal Justice Information Authority	Workers' Compensation Commission	Metropolitan Pier and Exposition Authority	State Board of Elections	Emergency Management Agency	
	School Infrastructure Fund	Criminal Justice Trust Fund	Illinois Workers' Compensation Commission Operations Fund	Metropolitan and Exposition Auditorium and Office Building Fund	Help Illinois Vote Fund	Federal Civil Preparedness Administrative Fund	Total
ASSETS							
Cash equity with State Treasurer	$ 12,436	$ 24,820	$ 52,004	$ 18,196	$ 22,587	$ 5,614	$ 135,657
Receivables, net							
Taxes	642		40,099				40,741
Intergovernmental		2,608			16	24,595	27,219
Other		49	4		45		98
Due from other funds	3,321	403				15	3,739
Total assets	$ 16,399	$ 27,880	$ 92,107	$ 18,196	$ 22,648	$ 30,224	$ 207,454
LIABILITIES							
Accounts payable and accrued liabilities	$ 4,191	$ 112	$ 752		$ 215	$ 4,208	$ 9,478
Intergovernmental payables		3,162	55		772	24,255	28,244
Due to other funds	20	462	1,055			678	2,215
Due to component units		66				773	839
Unavailable revenue	69		33,392			1,013	34,474
Unearned revenue		24,078			21,661		45,739
Total liabilities	4,280	27,880	35,254		22,648	30,927	120,989
FUND BALANCES							
Reserved for encumbrances		41	86			191	318
Unreserved	12,119	(41)	56,767	$ 18,196		(894)	86,147
Total fund balances (deficits)	12,119	-- --	56,853	18,196		(703)	86,465
Total liabilities and fund balances	$ 16,399	$ 27,880	$ 92,107	$ 18,196	$ 22,648	$ 30,224	$ 207,454

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Other Agencies, Boards and Authorities

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Capital Development Board	Criminal Justice Information Authority	Workers' Compensation Commission	Metropolitan Pier and Exposition Authority	State Board of Elections	Emergency Management Agency	
	School Infrastructure Fund	Criminal Justice Trust Fund	Illinois Workers' Compensation Commission Operations Fund	Metropolitan and Exposition Auditorium and Office Building Fund	Help Illinois Vote Fund	Federal Civil Preparedness Administrative Fund	Total
REVENUES							
Public utility taxes	$ 101,194						$ 101,194
Other taxes	60,000		$ 12,333				72,333
Federal government		$ 34,243			$ 5,698	$ 86,814	126,755
Interest and other investment income		644			1,224		1,868
Other		7				175	182
Total revenues	161,194	34,894	12,333		6,922	86,989	302,332
EXPENDITURES							
Current:							
Education	107						107
General government	646				1,974		2,620
Transportation						875	875
Public protection and justice		34,894				83,510	118,404
Environment and business regulations			18,722			2,532	21,254
Debt service:							
Principal			13				13
Interest			1				1
Capital outlays	18		23		119	489	649
Intergovernmental					4,829		4,829
Total expenditures	771	34,894	18,759		6,922	87,406	148,752
Excess (deficiency) of revenues over (under) expenditures	160,423	-- --	(6,426)		-- --	(417)	153,580
OTHER SOURCES (USES) OF FINANCIAL RESOURCES							
Transfers-in	67,896			$ 37,923			105,819
Transfers-out	(214,203)			(36,599)			(250,802)
Capital lease and installment purchase acquisitions			23				23
Net other sources (uses) of financial resources	(146,307)		23	1,324			(144,960)
Net change in fund balances	14,116	-- --	(6,403)	1,324	-- --	(417)	8,620
Fund balances (deficits), July 1, 2007	(1,997)		63,256	16,872		(286)	77,845
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 12,119	$ -- --	$ 56,853	$ 18,196	$ -- --	$ (703)	$ 86,465

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DEBT SERVICE FUNDS

The Debt Service Funds are maintained to account for resources obtained and accumulated to pay interest and principal on general long-term obligations.

SIGNIFICANT NONMAJOR GOVERNMENTAL DEBT SERVICE FUNDS DESCRIPTIONS

Treasurer

General Obligation Bond Retirement and Interest Fund--to account for payments of principal and interest related to general obligation bonds. These bonds provide financing for the protection of the environment within the State; the acquisition, construction, reconstruction, extension, and improvement of highways; the acquisition, construction, reconstruction, and improvement of capital projects; the construction of facilities leased back to the State; and the development of mass transportation and aviation systems within the State.

Governor's Office of Management and Budget

Illinois Civic Center Bond Retirement and Interest Fund--to account for the payment of principal and interest upon bonds issued to finance the construction of local civic centers. Funding consists of transfers from the Metropolitan Exposition Auditorium and Office Building Fund and investment income.

Build Illinois Bond Retirement and Interest Fund--to account for the payment of principal and interest upon bonds issued to finance improvements related to existing or planned scientific research, manufacturing, or industrial development or expansion in Illinois. Funding consists of transfers from the Build Illinois Fund and investment income.

State of Illinois

Combining Balance Sheet
Nonmajor Debt Service Funds

June 30, 2008 (Expressed in Thousands)

	Treasurer			
	General Obligation Bond Retirement and Interest Fund	Governor's Office of Management and Budget	Other	Total
ASSETS				
Cash equity with State Treasurer	$ 634,916	$ 11,090		$ 646,006
Cash and cash equivalents	6,184	128,239	$ 5,318	139,741
Investments		51,412		51,412
Other receivables, net	1,127	896	4	2,027
Due from other funds	10,376			10,376
Loans and notes receivable, net	17,061			17,061
Total assets	$ 669,664	$ 191,637	$ 5,322	$ 866,623
LIABILITIES				
Due to other funds	$ 149			$ 149
Total liabilities	149			149
FUND BALANCES				
Reserved for long-term portion of loans and notes receivable	$ 15,859			$ 15,859
Unreserved	653,656	$ 191,637	$ 5,322	850,615
Total fund balances	669,515	191,637	5,322	866,474
Total liabilities and fund balances	$ 669,664	$ 191,637	$ 5,322	$ 866,623

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Treasurer General Obligation Bond Retirement and Interest Fund	Governor's Office of Management and Budget	Other	Total
REVENUES				
Licenses and fees	$ 188			$ 188
Interest and other investment income	30,260	$ 14,829	$ 41	45,130
Total revenues	30,448	14,829	41	45,318
EXPENDITURES				
Current:				
General government		124		124
Employment and economic development		26		26
Debt service:				
Principal	776,145	153,115	4,640	933,900
Interest	969,121	126,653	3,406	1,099,180
Total expenditures	1,745,266	279,918	8,046	2,033,230
Excess (deficiency) of revenues over (under) expenditures	(1,714,818)	(265,089)	(8,005)	(1,987,912)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Transfers-in	4,125,519	305,421	8,132	4,439,072
Transfers-out	(2,401,409)	(34,535)		(2,435,944)
Net other sources (uses) of financial resources	1,724,110	270,886	8,132	2,003,128
Net change in fund balances	9,292	5,797	127	15,216
Fund balances, July 1, 2007	660,223	185,840	5,195	851,258
FUND BALANCES, JUNE 30, 2008	$ 669,515	$ 191,637	$ 5,322	$ 866,474

State of Illinois

Combining Balance Sheet - Nonmajor Debt Service Funds
Governor's Office of Management and Budget

June 30, 2008 (Expressed in Thousands)

	Illinois Civic Center Bond Retirement and Interest Fund	Build Illinois Bond Retirement and Interest Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 8,211	$ 2,879	$ 11,090
Cash and cash equivalents	16,699	111,540	128,239
Investments		51,412	51,412
Other receivables, net	23	873	896
Total assets	$ 24,933	$ 166,704	$ 191,637
FUND BALANCES			
Unreserved	$ 24,933	$ 166,704	$ 191,637
Total fund balances	24,933	166,704	191,637
Total liabilities and fund balances	$ 24,933	$ 166,704	$ 191,637

State of Illinois

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds

Governor's Office of Management and Budget

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Illinois Civic Center Bond Retirement and Interest Fund	Build Illinois Bond Retirement and Interest Fund	Total
REVENUES			
Interest and other investment income	$ 640	$ 14,189	$ 14,829
Total revenues	640	14,189	14,829
EXPENDITURES			
Current:			
General government		124	124
Employment and economic development	26		26
Debt service:			
Principal	7,610	145,505	153,115
Interest	6,236	120,417	126,653
Total expenditures	13,872	266,046	279,918
Excess (deficiency) of revenues over (under) expenditures	(13,232)	(251,857)	(265,089)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfers-in	14,094	291,327	305,421
Transfers-out		(34,535)	(34,535)
Net other sources (uses) of financial resources	14,094	256,792	270,886
Net change in fund balances	862	4,935	5,797
Fund balances, July 1, 2007	24,071	161,769	185,840
FUND BALANCES, JUNE 30, 2008	$ 24,933	$ 166,704	$ 191,637

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CAPITAL PROJECTS FUNDS

The Capital Projects Funds are maintained to account for the acquisition and/or construction of major capital facilities.

SIGNIFICANT NONMAJOR GOVERNMENTAL CAPITAL PROJECTS FUNDS DESCRIPTIONS

Department of Commerce and Economic Opportunity

Build Illinois Bond Fund--to account for the proceeds from bond issues of the Build Illinois Bond Program to finance improvements related to scientific research, manufacturing, and industrial development or expansion.

Department of Natural Resources

Conservation 2000 Projects Fund--to account for the proceeds from bond issues to finance natural resources programs.

Department of Transportation

Transportation Bond Series A Fund--to account for the proceeds from bond issues to finance State highway acquisition, construction, reconstruction, extension, and improvements.

Transportation Bond Series B Fund--to account for the proceeds from bond issues used to finance mass transportation and aviation infrastructure including, but not limited to, the acquisition of mass transportation equipment, including rail and bus, and other equipment for counties under the Regional Transportation Authority.

Capital Development Board

Capital Development Fund--to account for the proceeds from bond issues to finance capital development projects within the State.

School Construction Fund--to account for the proceeds from bond issues to finance school construction building projects.

CDB Contributory Trust Fund--to account for local, state, and federal funding for the construction and remodeling of buildings and the purchase of land and equipment in connection with the various contributing educational institutions, State departments, and agencies as authorized by law.

State of Illinois

Combining Balance Sheet
Nonmajor Capital Projects Funds

June 30, 2008 (Expressed in Thousands)

	Commerce and Economic Opportunity	Natural Resources				
	Build Illinois Bond	Conservation 2000 Projects Fund	Transportation	Capital Development Board	Other	Total
ASSETS						
Cash equity with State Treasurer	$ 21,108	$ 2,473	$ 12,695	$ 55,576	$ 860	$ 92,712
Cash and cash equivalents	621		2,130	5,199	11	7,961
Receivables, net						
Intergovernmental				432		432
Other			9			9
Due from other funds	209		5	2,081	110	2,405
Total assets	$ 21,938	$ 2,473	$ 14,839	$ 63,288	$ 981	$ 103,519
LIABILITIES						
Accounts payable and accrued liabilities	$ 4,889	$ 7	$ 4,376	$ 26,254		$ 35,526
Intergovernmental payables			10,724			10,724
Due to other funds			569	74	$ 5	648
Due to component units				328		328
Unearned revenue				9,907		9,907
Total liabilities	4,889	7	15,669	36,563	5	57,133
FUND BALANCES						
Reserved for encumbrances				138		138
Unreserved:						
Designated for reappropriated accounts	17,049	5	4,933	25,129		47,116
Undesignated		2,461	(5,763)	1,458	976	(868)
Total fund balances (deficits)	17,049	2,466	(830)	26,725	976	46,386
Total liabilities and fund balances	$ 21,938	$ 2,473	$ 14,839	$ 63,288	$ 981	$ 103,519

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Commerce and Economic Opportunity	Natural Resources				
	Build Illinois Bond	Conservation 2000 Projects Fund	Transportation	Capital Development Board	Other	Total
REVENUES						
Federal government				$ 19,038		$ 19,038
Interest and other investment income					$ 38	38
Other			$ 9	7,079		7,088
Total revenues			9	26,117	38	26,164
EXPENDITURES						
Current:						
Education	$ 26,492			75,086		101,578
General government	500			22,482		22,982
Employment and economic development	936			4,541		5,477
Transportation			62,366		1,335	63,701
Public protection and justice				3		3
Environment and business regulations	5,230	$ 820		10,138	45	16,233
Capital outlays	1,910	99	13,023	76,810		91,842
Total expenditures	35,068	919	75,389	189,060	1,380	301,816
Excess (deficiency) of revenues over (under) expenditures	(35,068)	(919)	(75,380)	(162,943)	(1,342)	(275,652)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
General and special obligation bonds issued	50,000		25,000	100,000		175,000
Premiums on general and special obligation bonds issued	1,876		970	3,878		6,724
Transfers-in			22,454	5,051	1,340	28,845
Transfers-out			(7,421)	(15,049)	(10,209)	(32,679)
Net other sources (uses) of financial resources	51,876		41,003	93,880	(8,869)	177,890
Net change in fund balances	16,808	(919)	(34,377)	(69,063)	(10,211)	(97,762)
Fund balances, July 1, 2007	241	3,385	33,547	95,788	11,187	144,148
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 17,049	$ 2,466	$ (830)	$ 26,725	$ 976	$ 46,386

State of Illinois

Combining Balance Sheet - Nonmajor Capital Projects Funds
Transportation
June 30, 2008 (Expressed in Thousands)

	Transportation Bond Series A Fund	Transportation Bond Series B Fund	Total
ASSETS			
Cash equity with State Treasurer	$ 12,382	$ 313	$ 12,695
Cash and cash equivalents	2,130		2,130
Other receivables, net	9		9
Due from other funds		5	5
Total assets	$ 14,521	$ 318	$ 14,839
LIABILITIES			
Accounts payable and accrued liabilities	$ 2,504	$ 1,872	$ 4,376
Intergovernmental payables		10,724	10,724
Due to other funds		569	569
Total liabilities	2,504	13,165	15,669
FUND BALANCES			
Unreserved:			
Designated for reappropriated accounts	4,933		4,933
Undesignated	7,084	(12,847)	(5,763)
Total fund balances (deficits)	12,017	(12,847)	(830)
Total liabilities and fund balances	$ 14,521	$ 318	$ 14,839

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds

Transportation

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Transportation Bond Series A Fund	Transportation Bond Series B Fund	Total
REVENUES			
Other	$ 9		$ 9
Total revenues	9		9
EXPENDITURES			
Current:			
Transportation	324	$ 62,042	62,366
Capital outlays	11,577	1,446	13,023
Total expenditures	11,901	63,488	75,389
Excess (deficiency) of revenues over (under) expenditures	(11,892)	(63,488)	(75,380)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
General obligation bonds issued	10,000	15,000	25,000
Premiums on general obligation bonds issued	388	582	970
Transfers-in		22,454	22,454
Transfers-out	(7,421)		(7,421)
Net other sources (uses) of financial resources	2,967	38,036	41,003
Net change in fund balances	(8,925)	(25,452)	(34,377)
Fund balances, July 1, 2007	20,942	12,605	33,547
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 12,017	$ (12,847)	$ (830)

State of Illinois

Combining Balance Sheet - Nonmajor Capital Projects Funds
Capital Development Board

June 30, 2008 (Expressed in Thousands)

	Capital Development Fund	School Construction Fund	CDB Contributory Trust Fund	Total
ASSETS				
Cash equity with State Treasurer	$ 37,586	$ 5,287	$ 12,703	$ 55,576
Cash and cash equivalents	4,615		584	5,199
Intergovernmental receivables, net			432	432
Due from other funds			2,081	2,081
Total assets	$ 42,201	$ 5,287	$ 15,800	$ 63,288
LIABILITIES				
Accounts payable and accrued liabilities	$ 22,814		$ 3,440	$ 26,254
Due to other funds	74			74
Due to component units	328			328
Unearned revenue			9,907	9,907
Total liabilities	23,216		13,347	36,563
FUND BALANCES				
Reserved for encumbrances	138			138
Unreserved:				
Designated for reappropriated accounts	18,847	$ 3,829	2,453	25,129
Undesignated		1,458		1,458
Total fund balances	18,985	5,287	2,453	26,725
Total liabilities and fund balances	$ 42,201	$ 5,287	$ 15,800	$ 63,288

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds

Capital Development Board

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Capital Development Fund	School Construction Fund	CDB Contributory Trust Fund	Total
REVENUES				
Federal government			$ 19,038	$ 19,038
Other			7,079	7,079
Total revenues			26,117	26,117
EXPENDITURES				
Current:				
Education	$ 38,691	$ 29,306	7,089	75,086
General government	22,482			22,482
Employment and economic development	4,541			4,541
Public protection and justice	3			3
Environment and business regulations	10,138			10,138
Capital outlays	57,711		19,099	76,810
Total expenditures	133,566	29,306	26,188	189,060
Excess (deficiency) of revenues over (under) expenditures	(133,566)	(29,306)	(71)	(162,943)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
General obligation bonds issued	100,000			100,000
Premiums on general obligation bonds issued	3,878			3,878
Transfers-in	5,051			5,051
Transfers-out	(9,207)	(5,051)	(791)	(15,049)
Net other sources (uses) of financial resources	99,722	(5,051)	(791)	93,880
Net change in fund balances	(33,844)	(34,357)	(862)	(69,063)
Fund balances, July 1, 2007	52,829	39,644	3,315	95,788
FUND BALANCES, JUNE 30, 2008	$ 18,985	$ 5,287	$ 2,453	$ 26,725

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ENTERPRISE FUNDS

Enterprise Funds are maintained to account for the operations where the intent of the State is to provide services to the general public in a manner similar to private business enterprises.

SIGNIFICANT NONMAJOR ENTERPRISE FUNDS DESCRIPTIONS

Department of Revenue

State Lottery Fund--to account for all receipts and expenses from the operation of the State Lottery. The net proceeds are transferred to the Common School Account in the General Fund.

Student Assistance Commission

Federal Student Loan Fund--to account for the Federal Family Education Loan Program which funds the repayment of guaranteed loans that have gone into default to lenders.

State of Illinois

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008 (Expressed in Thousands)

	Revenue	Student Assistance Commission		
	State Lottery Fund	Federal Student Loan Fund	Other	Total
ASSETS				
Cash equity with State Treasurer	$ 10,047	$ 50,034	$ 104,478	$ 164,559
Cash and cash equivalents	4,562		4,366	8,928
Investments	107		20,811	20,918
Receivables, net:				
Intergovernmental		31,910	1,844	33,754
Other	16,868	187	9,085	26,140
Due from other funds	74,669	3,697	1,457	79,823
Due from component units				
Inventories	262			262
Prepaid expenses	104		147	251
Total current assets	106,619	85,828	142,188	334,635
Investments	903		7,396	8,299
Capital assets not being depreciated			190	190
Capital assets being depreciated, net	380		2,213	2,593
Total noncurrent assets	1,283		9,799	11,082
Total assets	107,902	85,828	151,987	345,717
LIABILITIES				
Accounts payable and accrued liabilities	71,048	20,289	44,244	135,581
Intergovernmental payables		6,725	3	6,728
Due to other funds	428	2,247	4,320	6,995
Due to component units			37	37
Unearned revenue	2,948		12,400	15,348
Current portion of long-term obligations	173		9,947	10,120
Total current liabilities	74,597	29,261	70,951	174,809
Noncurrent portion of long-term obligations	2,111		5,471	7,582
Total liabilities	76,708	29,261	76,422	182,391
NET ASSETS				
Invested in capital assets, net of related debt	380		2,403	2,783
Net assets restricted for education	30,814	56,567		87,381
Unrestricted			73,162	73,162
Total net assets	$ 31,194	$ 56,567	$ 75,565	$ 163,326

Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Enterprise Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Revenue	Student Assistance Commission		
	State Lottery Fund	Federal Student Loan Fund	Other	Total
OPERATING REVENUES				
Charges for sales and services	$ 2,057,270	$ 25,629	$ 136,921	$ 2,219,820
Interest and other investment income			54	54
Other	4,778			4,778
Total operating revenues	2,062,048	25,629	136,975	2,224,652
OPERATING EXPENSES				
Cost of sales and services	153,104	192,771	32,009	377,884
Benefit payments and refunds			64,140	64,140
Prizes and claims	1,199,026			1,199,026
General and administrative	59,647		40,376	100,023
Depreciation	174		372	546
Other			11,343	11,343
Total operating expenses	1,411,951	192,771	148,240	1,752,962
Operating income (loss)	650,097	(167,142)	(11,265)	471,690
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	401	1,712	5,918	8,031
Federal government		185,003		185,003
Other revenues			145	145
Other expenses			(33)	(33)
Income (loss) before transfers	650,498	19,573	(5,235)	664,836
Transfers-in		13,868	27,336	41,204
Transfers-out	(648,456)	(24,836)	(20,316)	(693,608)
Net income	2,042	8,605	1,785	12,432
Net assets, July 1, 2007, as restated	29,152	47,962	73,780	150,894
NET ASSETS, JUNE 30, 2008	$ 31,194	$ 56,567	$ 75,565	$ 163,326

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Revenue	Student Assistance Commission		
	State Lottery Fund	Federal Student Loan Fund	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from sales and services		$ 92,703	$ 147,615	$ 240,318
Cash received from lottery sales (net of $887,785 cash prizes paid by agents and $100,871 commissions retained by agents)	$ 1,046,496			1,046,496
Cash payments to suppliers for goods and services			(67,679)	(67,679)
Cash payments to employees for services	(107,106)		(60,475)	(167,581)
Cash payments for lottery prizes	(301,255)			(301,255)
Cash receipts from other operating activities	4,778		1,070	5,848
Cash payments for other operating activities	(53)	(253,465)	(45,889)	(299,407)
Net cash provided (used) by operating activities	642,860	(160,762)	(25,358)	456,740
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants received		179,884	160	180,044
Transfers-in to other funds		14,248	53,853	68,101
Transfers-out to other funds	(661,702)	(24,353)	(20,699)	(706,754)
Net cash provided (used) by noncapital financing activities	(661,702)	169,779	33,314	(458,609)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets			(625)	(625)
Net cash (used) by capital and related financing activities			(625)	(625)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities			(22,423)	(22,423)
Proceeds from sales and maturities of investment securities			20,774	20,774
Interest and dividends on investments	401	1,785	5,745	7,931
Net cash provided by investing activities	401	1,785	4,096	6,282
Net increase (decrease) in cash and cash equivalents	(18,441)	10,802	11,427	3,788
Cash and cash equivalents, July 1, 2007, as restated	33,050	39,232	97,417	169,699
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 14,609	$ 50,034	$ 108,844	$ 173,487
Reconciliation of cash and cash equivalents to the statement of net assets:				
Total cash and cash equivalents per statement of net assets	$ 4,562		$ 4,366	$ 8,928
Add: cash equity with State Treasurer	10,047	$ 50,034	104,478	164,559
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 14,609	$ 50,034	$ 108,844	$ 173,487

(continued)

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)
(continued)

	Revenue	Student Assistance Commission		
	State Lottery Fund	Federal Student Loan Fund	Other	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
OPERATING INCOME (LOSS)	$ 650,097	$ (167,142)	$ (11,265)	$ 471,690
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	174		372	546
Provision for uncollectible accounts	396			396
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	3,364	(103)	(292)	2,969
(Increase) decrease in intergovernmental receivables			745	745
(Increase) decrease in due from other funds	107	33	(10)	130
(Increase) decrease in due from component units			21	21
(Increase) decrease in inventory	27			27
(Increase) decrease in prepaid expenses	237		21	258
Increase (decrease) in accounts payable and accrued liabilities	(4,639)	8,158	(8,446)	(4,927)
Increase (decrease) in intergovernmental payables		(2,087)	(2)	(2,089)
Increase (decrease) in due to other funds	(3,445)	379	(43)	(3,109)
Increase (decrease) in due to component units	(1)		(6,616)	(6,617)
Increase (decrease) in unearned revenue	(3,490)		416	(3,074)
Increase (decrease) in other liabilities	33		(259)	(226)
Total adjustments	(7,237)	6,380	(14,093)	(14,950)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 642,860	$ (160,762)	$ (25,358)	$ 456,740
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Loss on disposal of assets			$ (33)	$ (33)

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INTERNAL SERVICE FUNDS

Internal Service Funds are maintained to account for the operations of State agencies which render services to other State agencies or governmental units on a cost-reimbursement basis.

SIGNIFICANT INTERNAL SERVICE FUNDS DESCRIPTIONS

Office of the Auditor General

Audit Expense Fund--to account for the costs in association with conducting audits in accordance with State Auditing Act .

Department of Central Management Services

Statistical Services Revolving Fund--to account for the purchase, maintenance, and operation of electronic data processing and information devices used by State agencies. Revenues consist of charges from the user agencies.

Communications Revolving Fund--to account for the expenses related to telecommunications services for State agencies. Revenues consist of charges from user agencies.

Facilities Management Fund--to account for rental, maintenance, and other expenses related to the use of buildings by State agencies. Revenues consist of charges from user agencies.

Professional Services--to account for the cost of professional services rendered by the Department of Central Management Services on behalf of other agencies. Revenues consist of charges from user agencies.

Workers' Compensation Revolving Fund--to account for workers' compensation expenses of State employees. Revenues consist of charges from the funds which paid the employees during the employees' active service.

Group Insurance Fund--to account for the self-insurance portion of the life insurance plan for State employees, retirees and qualified dependents. This fund records all contributions, appropriations, interest, dividends, and expenses related to the plan.

Department of Corrections

Working Capital Revolving Fund--to account for the income and expenses associated with the production by factories, farms and service programs at several State correctional facilities for use by other State agencies.

Department of Healthcare and Family Services

Health Insurance Reserve Fund--to account for the self-insurance medical and dental plan for State employees, retirees and qualified dependents. This fund records all contributions, appropriations, interest, dividends, and expenses related to the plan.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008 (Expressed in Thousands)

	Auditor General		Corrections	Healthcare and Family Services		
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total
ASSETS						
Cash equity with State Treasurer	$ 13,468	$ 67,131	$ 3,233	$ 51,095	$ 3,537	$ 138,464
Cash and cash equivalents		3,594		31,927		35,521
Receivables, net:						
Intergovernmental		951		8,347	73	9,371
Other		6,169	443	10,556	16	17,184
Due from other funds	303	332,846	4,628	171,094	9,978	518,849
Due from component units	1,170	1,805	29	7,848	30	10,882
Inventories			10,515		2,161	12,676
Prepaid expenses		494	6			500
Total current assets	14,941	412,990	18,854	280,867	15,795	743,447
Capital assets not being depreciated		38,369				38,369
Capital assets being depreciated, net		247,746	3,514	12	709	251,981
Total noncurrent assets		286,115	3,514	12	709	290,350
Total assets	14,941	699,105	22,368	280,879	16,504	1,033,797
LIABILITIES						
Accounts payable and accrued liabilities	4,037	44,221	2,863	279,960	6,987	338,068
Intergovernmental payables		14,864		6	5	14,875
Due to other funds	2	15,858	359	547	1,472	18,238
Due to component units		2,464	10			2,474
Unearned revenue		1,755			2	1,757
Current portion of long-term liabilities		117,414	129	20	304	117,867
Total current liabilities	4,039	196,576	3,361	280,533	8,770	493,279
Noncurrent portion of long-term liabilities		162,652	1,367	346	2,080	166,445
Total liabilities	4,039	359,228	4,728	280,879	10,850	659,724
NET ASSETS						
Invested in capital assets, net of related debt		246,983	3,485	12	(109)	250,371
Restricted for debt service		3,594				3,594
Unrestricted	10,902	89,300	14,155	(12)	5,763	120,108
Total net assets	$ 10,902	$ 339,877	$ 17,640	$ -- --	$ 5,654	$ 374,073

Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Auditor General		Corrections	Healthcare and Family Services		
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total
OPERATING REVENUES						
Charges for sales and services	$ 21,745	$ 639,123	$ 40,800	$ 1,756,113	$ 45,633	$ 2,503,414
Other			2,153		112	2,265
Total operating revenues	21,745	639,123	42,953	1,756,113	45,745	2,505,679
OPERATING EXPENSES						
Cost of sales and services	15,738	432,342	24,880		38,555	511,515
Benefit payments and refunds		143,360		1,777,992		1,921,352
Interest				2,493		2,493
General and administrative		22,446	15,543	12,203	6,305	56,497
Depreciation		30,356	1,305	4	289	31,954
Other		13,124			381	13,505
Total operating expenses	15,738	641,628	41,728	1,792,692	45,530	2,537,316
Operating income (loss)	6,007	(2,505)	1,225	(36,579)	215	(31,637)
NONOPERATING REVENUES (EXPENSES)						
Interest and investment income		2,092		4,118		6,210
Interest expense		(2,245)	(2)			(2,247)
Federal government				32,461		32,461
Other expenses		(45)			(8)	(53)
Income (loss) before contributions and transfers	6,007	(2,703)	1,223	-- --	207	4,734
Contributions of capital assets		6,880				6,880
Transfers-out		(1,408)				(1,408)
Net income	6,007	2,769	1,223	-- --	207	10,206
Net assets, July 1, 2007	4,895	337,108	16,417		5,447	363,867
NET ASSETS, JUNE 30, 2008	$ 10,902	$ 339,877	$ 17,640	$ -- --	$ 5,654	$ 374,073

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Auditor General		Corrections	Healthcare and Family Services		
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sales and services	$ 3,418	$ 17,671	$ 12,436	$ 350,265	$ 699	$ 384,489
Cash received from transactions with other funds	18,178	594,773	29,737	1,327,177	46,236	2,016,101
Cash payments to suppliers for goods and services	(16,194)	(358,986)	(25,425)	(1,757,456)	(32,601)	(2,190,662)
Cash payments to employees for services	(177)	(114,882)	(14,576)	(6,840)	(12,429)	(148,904)
Cash payments for workers compensation		(111,867)				(111,867)
Cash receipts from other operating activities			348	36,381	112	36,841
Net cash provided (used) by operating activities	5,225	26,709	2,520	(50,473)	2,017	(14,002)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grants received				33,182		33,182
Transfers-out to other funds		(1,212)				(1,212)
Net cash provided (used) by noncapital financing activities		(1,212)		33,182		31,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES						
Acquisition and construction of capital assets		(15,022)	(187)	(16)	(16)	(15,241)
Principal paid on capital debt		(6,246)	(23)		(211)	(6,480)
Interest paid on capital debt		(2,310)	(2)			(2,312)
Net cash (used) by capital and related financing activities		(23,578)	(212)	(16)	(227)	(24,033)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends on investments		2,129		4,282		6,411
Net cash provided by investing activities		2,129		4,282		6,411
Net increase (decrease) in cash and cash equivalents	5,225	4,048	2,308	(13,025)	1,790	346
Cash and cash equivalents, July 1, 2007	8,243	66,677	925	96,047	1,747	173,639
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 13,468	$ 70,725	$ 3,233	$ 83,022	$ 3,537	$ 173,985
Reconciliation of cash and cash equivalents to the statement of net assets:						
Total cash and cash equivalents per statement of net assets		$ 3,594		$ 31,927		$ 35,521
Add: cash equity with State Treasurer	$ 13,468	67,131	$ 3,233	51,095	$ 3,537	138,464
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 13,468	$ 70,725	$ 3,233	$ 83,022	$ 3,537	$ 173,985

(continued)

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)
(continued)

	Auditor General		Corrections	Healthcare and Family Services		
	Audit Expense Fund	Central Management Services	Working Capital Revolving Fund	Health Insurance Reserve Fund	Other	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
OPERATING INCOME (LOSS)	$ 6,007	$ (2,505)	$ 1,225	$ (36,579)	$ 215	$ (31,637)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation		30,356	1,305	4	289	31,954
Provision for uncollectible accounts		80				80
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable		2,381	(133)	201	2	2,451
(Increase) decrease in intergovernmental receivables		(387)	14		(18)	(391)
(Increase) decrease in due from other funds	47	(26,209)	(286)	(77,312)	1,353	(102,407)
(Increase) decrease in due from component units	(196)	(671)	(27)	(715)	(26)	(1,635)
(Increase) decrease in inventories			80		(436)	(356)
(Increase) decrease in prepaid expenses		117	10			127
Increase (decrease) in accounts payable and accrued liabilities	(634)	(142)	49	64,574	30	63,877
Increase (decrease) in intergovernmental payables		(10,899)		2	4	(10,893)
Increase (decrease) in due to other funds	1	3,160	352	(693)	596	3,416
Increase (decrease) in due to component units		(326)	10			(316)
Increase (decrease) in unearned revenue		1,583			(9)	1,574
Increase (decrease) in other liabilities		30,171	(79)	45	17	30,154
Total adjustments	(782)	29,214	1,295	(13,894)	1,802	17,635
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 5,225	$ 26,709	$ 2,520	$ (50,473)	$ 2,017	$ (14,002)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES						
Cost of capital asset acquisitions financed by capital leases			$ 52			$ 52
Cost of installment purchases		$ 421			$ 254	$ 675
Loss on disposal of capital assets		$ (45)			$ (8)	$ (53)
Transfer of assets from other state funds		$ 6,684				$ 6,684

Combining Statement of Net Assets - Internal Service Funds
Central Management Services
June 30, 2008 (Expressed in Thousands)

	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Group Insurance Fund	Total
ASSETS							
Cash equity with State Treasurer	$ 9,203	$ 7,729	$ 16,338	$ 9,398	$ 15,723	$ 8,740	$ 67,131
Cash and cash equivalents			3,594				3,594
Receivables, net:							
Intergovernmental		951					951
Other		1,614	48	16	28	4,463	6,169
Due from other funds	40,997	30,233	45,821	1,574	214,215	6	332,846
Due from component units	23	1,450	5			327	1,805
Prepaid expenses	494						494
Total current assets	50,717	41,977	65,806	10,988	229,966	13,536	412,990
Capital assets not being depreciated			38,369				38,369
Capital assets being depreciated, net	10,583	22,112	215,051				247,746
Total noncurrent assets	10,583	22,112	253,420				286,115
Total assets	61,300	64,089	319,226	10,988	229,966	13,536	699,105
LIABILITIES							
Accounts payable and accrued liabilities	7,001	15,074	15,635	1,261	45	5,205	44,221
Intergovernmental payables	9,815	3,545	1,492	4	8		14,864
Due to other funds	6,316	627	471	77	36	8,331	15,858
Due to component units		88	2,375		1		2,464
Unearned revenue	32		1,723				1,755
Current portion of long-term liabilities	1,506	2,144	2,684	49	111,031		117,414
Total current liabilities	24,670	21,478	24,380	1,391	111,121	13,536	196,576
Noncurrent portion of long-term liabilities	6,770	2,907	33,454	676	118,845		162,652
Total liabilities	31,440	24,385	57,834	2,067	229,966	13,536	359,228
NET ASSETS							
Invested in capital assets, net of related debt	8,484	18,462	220,037				246,983
Restricted for debt service			3,594				3,594
Unrestricted	21,376	21,242	37,761	8,921			89,300
Total net assets	$ 29,860	$ 39,704	$ 261,392	$ 8,921	$ -- --	$ -- --	$ 339,877

State of Illinois

Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds
Central Management Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Group Insurance Fund	Total
OPERATING REVENUES							
Charges for sales and services	$ 125,651	$ 128,491	$ 205,175	$ 11,721	$ 142,872	$ 25,213	$ 639,123
Total operating revenues	125,651	128,491	205,175	11,721	142,872	25,213	639,123
OPERATING EXPENSES							
Cost of sales and services	119,571	87,528	190,611	9,492	8	25,132	432,342
Benefit payments and refunds					143,360		143,360
General and administrative	2,088	10,854	6,888	1,858		758	22,446
Depreciation	6,353	11,439	12,564				30,356
Other		13,124					13,124
Total operating expenses	128,012	122,945	210,063	11,350	143,368	25,890	641,628
Operating income (loss)	(2,361)	5,546	(4,888)	371	(496)	(677)	(2,505)
NONOPERATING REVENUES (EXPENSES)							
Interest and investment income			571	348	496	677	2,092
Interest expense	(106)	(166)	(1,973)				(2,245)
Other expenses	(17)	(28)					(45)
Income (loss) before contributions and transfers	(2,484)	5,352	(6,290)	719	-- --	-- --	(2,703)
Contributions of capital assets	1,212	319	5,349				6,880
Transfers-out	(1,216)	(192)					(1,408)
Net income (loss)	(2,488)	5,479	(941)	719	-- --	-- --	2,769
Net assets, July 1, 2007	32,348	34,225	262,333	8,202			337,108
NET ASSETS, JUNE 30, 2008	$ 29,860	$ 39,704	$ 261,392	$ 8,921	$ -- --	$ -- --	$ 339,877

Combining Statement of Cash Flows - Internal Service Funds
Central Management Services
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Statistical Services Revolving Fund	Communications Revolving Fund	Facilities Management Fund	Professional Services Fund	Workers' Compensation Revolving Fund	Group Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from sales and services		$ 16,743	$ 928				$ 17,671
Cash received from transactions with other funds	$ 115,332	97,278	211,429	$ 10,147	$ 124,426	$ 36,161	594,773
Cash payments to suppliers for goods and services	(58,960)	(93,483)	(171,746)	(3,339)	(369)	(31,089)	(358,986)
Cash payments to employees for services	(61,000)	(16,327)	(28,457)	(7,491)	(1,607)		(114,882)
Cash payments for workers compensation					(111,867)		(111,867)
Net cash provided (used) by operating activities	(4,628)	4,211	12,154	(683)	10,583	5,072	26,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers-out to other funds	(1,212)						(1,212)
Net cash (used) by noncapital financing activities	(1,212)						(1,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(6,366)	(8,621)	(35)				(15,022)
Principal paid on bond maturities and equipment contracts	(1,772)	(2,021)	(2,453)				(6,246)
Interest paid on bond maturities and equipment contracts	(106)	(166)	(2,038)				(2,310)
Net cash (used) by capital and related financing activities	(8,244)	(10,808)	(4,526)				(23,578)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends on investments			581	373	489	686	2,129
Net cash provided by investing activities			581	373	489	686	2,129
Net increase (decrease) in cash and cash equivalents	(14,084)	(6,597)	8,209	(310)	11,072	5,758	4,048
Cash and cash equivalents, July 1, 2007	23,287	14,326	11,723	9,708	4,651	2,982	66,677
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 9,203	$ 7,729	$ 19,932	$ 9,398	$ 15,723	$ 8,740	$ 70,725
Reconciliation of cash and cash equivalents to the statement of net assets:							
Total cash and cash equivalents per statement of net assets			$ 3,594				$ 3,594
Add: cash equity with State Treasurer	$ 9,203	$ 7,729	16,338	$ 9,398	$ 15,723	$ 8,740	67,131
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 9,203	$ 7,729	$ 19,932	$ 9,398	$ 15,723	$ 8,740	$ 70,725
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
OPERATING INCOME (LOSS)	$ (2,361)	$ 5,546	$ (4,888)	$ 371	$ (496)	$ (677)	$ (2,505)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	6,353	11,439	12,564				30,356
Provision for uncollectible accounts		80					80
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable		(1,384)	6			3,759	2,381
(Increase) decrease in intergovernmental receivables		(387)					(387)
(Increase) decrease in due from other funds	(5,591)	(5,896)	5,280	(1,574)	(18,446)	18	(26,209)
(Increase) decrease in due from component units	(8)	(735)	178			(106)	(671)
(Increase) decrease in prepaid expenses	117						117
Increase (decrease) in accounts payable and accrued liabilities	(1,673)	3,466	(2,513)	396	(24)	206	(142)
Increase (decrease) in intergovernmental payables	(4,708)	(6,153)	(49)	3	8		(10,899)
Increase (decrease) in due to other funds	3,175	(1,917)	51	(4)	(17)	1,872	3,160
Increase (decrease) in due to component units		83	(410)		1		(326)
Increase (decrease) in unearned revenue	(128)	(7)	1,718				1,583
Increase (decrease) in other liabilities	196	76	217	125	29,557		30,171
Total adjustments	(2,267)	(1,335)	17,042	(1,054)	11,079	5,749	29,214
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (4,628)	$ 4,211	$ 12,154	$ (683)	$ 10,583	$ 5,072	$ 26,709
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES							
Cost of installment purchases	$ 421						$ 421
Loss on disposal of capital assets	$ (17)	$ (28)					$ (45)
Transfer of assets from other state funds	$ 1,208	$ 127	$ 5,349				$ 6,684

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS

The Pension (and Other Employee Benefit) Trust Funds are maintained to account for the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans and other employee benefit plans.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTIONS

Department of Central Management Services

Deferred Compensation Plan--to account for the assets held in the State's Internal Revenue Code Section 457 Plan. All employees of the State are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deductions.

Department of Healthcare and Family Services

Teacher Health Insurance Security-- to provide health benefits for the Teachers' Retirement System recipient and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

Community College Health Insurance Security--to provide health benefits for the retirees of community colleges in the State of Illinois and dependent beneficiaries. Premiums are collected from retired and active teachers and the insurance plan is administered by private companies.

General Assembly Retirement System, Judges' Retirement System, State Employees' Retirement System, Teachers' Retirement System and State Universities Retirement System

See Note 16 on page 120 for description of retirement systems.

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2008 (Expressed in Thousands)

	Central Management Services	Healthcare and Family Services				
	Deferred Compensation Plan	Teacher Health Insurance Security	Community College Health Insurance Security	General Assembly Retirement System	Judges' Retirement System	State Employees' Retirement System
ASSETS						
Cash equity with State Treasurer	$ 4,710	$ 68,634	$ 7,661	$ 2,823	$ 19,411	$ 306,528
Cash and cash equivalents	5,936	10,994	1,268			
Investments:						
Equities	2,165,010					
Fixed income	618,640					
Private equity						
Real estate						
Other						
Equity in Illinois State Board of Investments				71,924	589,156	10,653,974
Securities lending collateral						
Receivables, net:						
Members		4,598	170	159	176	8,609
Employers		3,449	169	568	3,906	
Investment income	445	125	15	6	39	627
Intergovernmental		5,137	450			
Pending investment sales						
Other	693	5,756	495		14	12,744
Due from other funds					52	
Due from primary government funds						26,481
Due from component units						
Prepaid expenses						
Capital assets not being depreciated						905
Capital assets being depreciated, net				2	4	1,816
Total assets	2,795,434	98,693	10,228	75,482	612,758	11,011,684
LIABILITIES						
Accounts payable and accrued liabilities	2,202	35,680	2,837	6	35	5,123
Intergovernmental payables		1				
Due to other funds				52		
Due to primary government funds	50	697	54		1	10,410
Security lending collateral						
Payable to brokers for unsettled trades						
Long term obligations:						
Due within one year		2				12
Due subsequent to one year	138	68	5	18	41	773
Total liabilities	2,390	36,448	2,896	76	77	16,318
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS	$ 2,793,044	$ 62,245	$ 7,332	$ 75,406	$ 612,681	$ 10,995,366

	State Universities Retirement System		
Teachers' Retirement System	Defined Benefit	Defined Contribution	Total
$ 3,294			$ 413,061
357,762	$ 797,620		1,173,580
19,343,733	8,697,596	$ 353,325	30,559,664
8,796,493	5,610,497	88,251	15,113,881
2,399,224			2,399,224
4,794,916	351,998	1,144	5,148,058
3,517,293	432,417	170,696	4,120,406
			11,315,054
4,445,553	2,046,537		6,492,090
97,120	8,025	1,883	120,740
15,509	2,107	1,086	26,794
286,809	39,705		327,771
			5,587
2,275,686	841,132		3,116,818
	542		20,244
			52
	30		26,511
	2,953		2,953
4,672	8		4,680
238	532		1,675
2,311	6,399		10,532
46,340,613	18,838,098	616,385	80,399,375
151,382	19,720		216,985
			1
			52
25			11,237
4,445,553	2,046,537		6,492,090
3,311,533	2,184,482		5,496,015
	30		44
1,397	1,004		3,444
7,909,890	4,251,773		12,219,868
$ 38,430,723	$ 14,586,325	$ 616,385	$ 68,179,507

State of Illinois

Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Central Management Services	Healthcare and Family Services				
	Deferred Compensation Plan	Teacher Health Insurance Security	Community College Health Insurance Security	General Assembly Retirement System	Judges' Retirement System	State Employees' Retirement System
ADDITIONS						
Contributions:						
Employer		$ 63,458	$ 3,716	$ 6,810	$ 46,978	$ 587,733
State		68,596	4,740			
Members:						
Employees	$ 175,579	84,611	3,716	1,773	15,443	249,955
Retirees		140,248	11,482			
Federal Medicare Part D		19,930	1,737			
Other	3,985	209	12			
Total contributions	179,564	377,052	25,403	8,583	62,421	837,688
Investment income:						
Interest and other investment income	212,632	3,122	434	2,297	18,023	327,328
Net (decrease) in fair value of investments	(503,141)			(6,735)	(53,819)	(968,688)
Reimbursements of expenses not separable from investment income	3,083					
Less investment expense	(580)			(270)	(2,180)	(39,400)
Net investment income	(288,006)	3,122	434	(4,708)	(37,976)	(680,760)
Total additions	(108,442)	380,174	25,837	3,875	24,445	156,928
DEDUCTIONS						
Benefit payments	161,415	380,852	27,610	15,259	80,513	1,214,116
Refunds	36			148	842	16,818
Depreciation				1	1	212
General and administration	3,427	2,867	457	243	499	9,325
Total deductions	164,878	383,719	28,067	15,651	81,855	1,240,471
Net additions (deductions)	(273,320)	(3,545)	(2,230)	(11,776)	(57,410)	(1,083,543)
Net assets held in trust for pension and other employee benefits, July 1, 2007	3,066,364	65,790	9,562	87,182	670,091	12,078,909
NET ASSETS HELD IN TRUST FOR PENSION AND OTHER EMPLOYEE BENEFITS, JUNE 30, 2008	$ 2,793,044	$ 62,245	$ 7,332	$ 75,406	$ 612,681	$ 10,995,366

	State Universities Retirement System		
Teachers' Retirement System	Defined Benefit	Defined Contribution	Total
$ 129,858	$ 38,030	$ 5,548	$ 882,131
1,039,195	306,914	33,406	1,452,851
865,400	264,150	45,952	1,706,579
			151,730
			21,667
2,736			6,942
2,037,189	609,094	84,906	4,221,900
1,575,602	262,471		2,401,909
(3,235,739)	(899,180)	(39,127)	(5,706,429)
			3,083
(354,766)	(39,013)		(436,209)
(2,014,903)	(675,722)	(39,127)	(3,737,646)
22,286	(66,628)	45,779	484,254
3,423,982	1,275,714	3,459	6,582,920
60,286	44,984	9,955	133,069
386	870		1,470
16,227	11,209		44,254
3,500,881	1,332,777	13,414	6,761,713
(3,478,595)	(1,399,405)	32,365	(6,277,459)
41,909,318	15,985,730	584,020	74,456,966
$ 38,430,723	$ 14,586,325	$ 616,385	$ 68,179,507

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INVESTMENT TRUST FUNDS

Investment Trust Funds are maintained to account for the external portion of investment pools (the portion that belongs to legally separate entities that are not part of the sponsoring government's financial reporting entity).

INVESTMENT TRUST FUNDS DESCRIPTIONS

Treasurer

Public Treasurers' External Investment Pool Fund--to enhance the investment opportunities available to custodians of public agency funds throughout the State of Illinois. The pool operates as an open-ended mutual fund.

Department of Revenue

Deferred Prize Winners' Trust Fund--to hold the proceeds of investments that will be paid to Illinois State Lottery prize winners. Investment contracts are executed by the State Treasurer with the Director of the Department of Revenue's approval in a manner which ensures the timely payment to prize winners.

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2008 (Expressed in Thousands)

	Treasurer	Revenue	
	Public Treasurers' External Investment Pool Fund	Deferred Prize Winners' Trust Fund	Total
ASSETS			
Cash equity with State Treasurer		$ 1,684	$ 1,684
Cash and cash equivalents	$ 5,005,376		5,005,376
Fixed income investments	656,232	569,503	1,225,735
Investment income receivables, net	1,512		1,512
Total assets	5,663,120	571,187	6,234,307
LIABILITIES			
Accounts payable and accrued liabilities	185		185
Due to primary government funds	359	336	695
Other liabilities		1,348	1,348
Total liabilities	544	1,684	2,228
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS	$ 5,662,576	$ 569,503	$ 6,232,079

State of Illinois

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Treasurer	Revenue	
	Public Treasurers' External Investment Pool Fund	Deferred Prize Winners' Trust Fund	Total
ADDITIONS			
Investment income:			
Interest and other investment income	$ 201,062	$ 39,345	$ 240,407
Net increase in fair value of investments		18,574	18,574
Less investment expense	(5,084)		(5,084)
Net investment income	195,978	57,919	253,897
Capital share and individual account transactions:			
Shares sold	10,026,250	76,072	10,102,322
Reinvested distributions	195,978		195,978
Shares redeemed	(9,947,165)	(189,016)	(10,136,181)
Net capital share and individual account transactions	275,063	(112,944)	162,119
Total additions	471,041	(55,025)	416,016
DEDUCTIONS			
Distribution to pool investors	195,978		195,978
Total deductions	195,978		195,978
Net additions (deductions)	275,063	(55,025)	220,038
Net assets held in trust for pool participants, July 1, 2007	5,387,513	624,528	6,012,041
NET ASSETS HELD IN TRUST FOR POOL PARTICIPANTS, JUNE 30, 2008	$ 5,662,576	$ 569,503	$ 6,232,079

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PRIVATE-PURPOSE TRUST FUNDS

Private-Purpose Trust Funds are maintained to account for resources legally held in trust for use by individuals, private organizations and other governments. There is no requirement that any portion of these resources be preserved as capital.

SIGNIFICANT PRIVATE-PURPOSE TRUST FUND DESCRIPTIONS

Treasurer

College Savings Pool Fund--to account for assets held by the Bright Start College Savings Program, a qualified State tuition program under Section 529 of the Internal Revenue Code. The program provides an opportunity for investors to invest on a tax-favored basis toward the qualified higher education expenses of a designated beneficiary associated with attending an institution of higher education.

State of Illinois

Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds

June 30, 2008 (Expressed in Thousands)

	Treasurer		
	College Savings Pool Fund	Other	Total
ASSETS			
Cash equity with State Treasurer		$ 1,169	$ 1,169
Cash and cash equivalents	$ 81,605	50	81,655
Investments:			
Equities	2,709,545	245	2,709,790
Fixed income		111	111
Receivables, net			
Investment income	7,218	2	7,220
Other		5	5
Loans and notes receivable, net		84	84
Total assets	2,798,368	1,666	2,800,034
LIABILITIES			
Accounts payable and accrued liabilities	677	5	682
Other liabilities	6,873		6,873
Total liabilities	7,550	5	7,555
NET ASSETS			
Net assets held in trust for other purposes	$ 2,790,818	$ 1,661	$ 2,792,479

State of Illinois

Combining Statement of Changes in Net Fiduciary Assets
Private-Purpose Trust Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Treasurer		
	College Savings Pool Fund	Other	Total
ADDITIONS			
Contributions:			
Participants	$ 1,399,821		$ 1,399,821
Other		$ 22	22
Total contributions	1,399,821	22	1,399,843
Investment income:			
Interest and other investment income	73,053	55	73,108
Net (decrease) in fair value of investments	(287,125)	(12)	(287,137)
Net investment income	(214,072)	43	(214,029)
Total additions	1,185,749	65	1,185,814
DEDUCTIONS			
Payments in accordance with trust agreements	910,879		910,879
General and administrative	9,624	19	9,643
Total deductions	920,503	19	920,522
Net additions	265,246	46	265,292
Net assets held in trust for other purposes, July 1, 2007	2,525,572	1,615	2,527,187
NET ASSETS HELD IN TRUST FOR OTHER PURPOSES, JUNE 30, 2008	$ 2,790,818	$ 1,661	$ 2,792,479

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AGENCY FUNDS

Agency funds are maintained to account for resources held by the State in a purely custodial capacity.

SIGNIFICANT AGENCY FUNDS DESCRIPTIONS

Department of Financial and Professional Regulation

Security Deposit Fund--to hold securities on deposit by domestic and certain foreign domiciled insurance companies in the State for protection of all policyholders, policy obligations, and creditors of the companies.

Department of Healthcare and Family Services

Child Support Enforcement Trust Administrative Fund--to account for collections for child support payments on behalf of non-TANF child support clients to the appropriate non-TANF recipient.

Department of Revenue

Home Rule Municipal Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such municipality, in the business of selling tangible personal property.

Home Rule County Retailers Occupation Tax Fund--to receive and record monies collected from a tax imposed upon all persons, in such county, in the business of selling tangible personal property.

Municipal Telecommunications Fund--to receive monies collected under the Simplified Municipal Telecommunications Act to be paid to the municipalities who imposed the tax under the Act.

RTA Sales Tax Trust Fund--to receive and record deposits of the RTA Sales Tax.

State of Illinois

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008 (Expressed in Thousands)

	Financial and Professional Regulation	Healthcare and Family Services			
	Security Deposit Fund	Child Support Enforcement Trust Administrative Fund	Revenue	Other	Total
ASSETS					
Cash equity with State Treasurer		$ 16,445	$ 353,578	$ 93,231	$ 463,254
Cash and cash equivalents	$ 730	274		23,997	25,001
Investments	851,865			36,085	887,950
Receivables, net					
Taxes			115,881	26,460	142,341
Intergovernmental				431	431
Other		199,758	424	1,236	201,418
Due from primary government funds			30,937	1,467	32,404
Due from component units				935	935
Other assets				249	249
Total assets	$ 852,595	$ 216,477	$ 500,820	$ 184,091	$ 1,753,983
LIABILITIES					
Accounts payable and accrued liabilities		$ 17,294	$ 1,556	$ 20,987	$ 39,837
Intergovernmental payables			499,264	100,856	600,120
Due to component units				72	72
Depository and other liabilities	$ 852,595	199,183		62,176	1,113,954
Total liabilities	$ 852,595	$ 216,477	$ 500,820	$ 184,091	$ 1,753,983

Combining Statement of Fiduciary Net Assets - Agency Funds
Revenue
June 30, 2008 (Expressed in Thousands)

	Home Rule Municipal Retailers Occupation Tax Fund	Home Rule County Retailers Occupation Tax Fund	Municipal Telecommunications Fund	RTA Sales Tax Trust Fund	Total
ASSETS					
Cash equity with State Treasurer	$ 106,776	$ 42,913	$ 49,034	$ 154,855	$ 353,578
Receivables, net					
Taxes	39,661	17,163	24,780	34,277	115,881
Other	155	65		204	424
Due from primary government funds				30,937	30,937
Total assets	$ 146,592	$ 60,141	$ 73,814	$ 220,273	$ 500,820
LIABILITIES					
Accounts payable and accrued liabilities	$ 1,556				$ 1,556
Intergovernmental payables	145,036	$ 60,141	$ 73,814	$ 220,273	499,264
Total liabilities	$ 146,592	$ 60,141	$ 73,814	$ 220,273	$ 500,820

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008 (Expressed in Thousands)

	Assets						
				Receivables, net			
	Cash equity with State Treasurer	Cash and cash equivalents	Investments	Taxes	Intergovernmental	Other	Due from primary government funds
AGENCY/FUND							
Financial and Professional Regulation:							
Security Deposit Fund							
Balance July 1, 2007		$ 1,119	$ 830,515				
Additions		19,062	355,862				
Deductions		19,451	334,512				
Balance June 30, 2008		730	851,865				
Healthcare and Family Services:							
Child Support Enforcement Trust							
Administrative Fund							
Balance July 1, 2007	$ 10,189	183				$ 171,903	
Additions	154,525	63,101				182,380	
Deductions	148,269	63,010				154,525	
Balance June 30, 2008	16,445	274				199,758	
Revenue:							
Home Rule Municipal Retailers							
Occupation Tax Fund							
Balance July 1, 2007	75,799			$ 43,681		179	$ 20,485
Additions	769,930			742,636		2,765	
Deductions	738,953			746,656		2,789	20,485
Balance June 30, 2008	106,776			39,661		155	-- --
Home Rule County Retailers							
Occupation Tax Fund							
Balance July 1, 2007	36,365			17,337		94	
Additions	325,494			323,980		1,311	
Deductions	318,946			324,154		1,340	
Balance June 30, 2008	42,913			17,163		65	
Municipal Telecommunications Fund							
Balance July 1, 2007	41,903			8,493			20,807
Additions	295,722			312,009			
Deductions	288,591			295,722			20,807
Balance June 30, 2008	49,034			24,780			-- --
RTA Sales Tax Trust Fund							
Balance July 1, 2007	66,334			32,543		180	25,524
Additions	822,078			696,069		2,333	130,847
Deductions	733,557			694,335		2,309	125,434
Balance June 30, 2008	154,855			34,277		204	30,937
Other:							
Balance July 1, 2007*	76,008	30,460	36,817	31,135	$ 288	1,316	2,064
Additions	1,776,502	1,205,723	9,754	420,514	15,830	1,107,822	9,148
Deductions	1,759,279	1,212,186	10,486	425,189	15,687	1,107,902	9,745
Balance June 30, 2008	93,231	23,997	36,085	26,460	431	1,236	1,467
Total-All Agency Funds:							
Balance July 1, 2007*	306,598	31,762	867,332	133,189	288	173,672	68,880
Additions	4,144,251	1,287,886	365,616	2,495,208	15,830	1,296,611	139,995
Deductions	3,987,595	1,294,647	344,998	2,486,056	15,687	1,268,865	176,471
Balance June 30, 2008	$ 463,254	$ 25,001	$ 887,950	$ 142,341	$ 431	$ 201,418	$ 32,404

* Amounts have been modified due to prior year reclassifications.

			Liabilities				
Due from component units	Other assets	Total assets	Accounts payable and accrued liabilities	Intergovernmental payables	Due to component units	Depository and other liabilities	Total liabilities
		$ 831,634				$ 831,634	$ 831,634
		374,924				374,924	374,924
		353,963				353,963	353,963
		852,595				852,595	852,595
		182,275	$ 11,218			171,057	182,275
		400,006	32,676			212,805	245,481
		365,804	26,600			184,679	211,279
		216,477	17,294			199,183	216,477
		140,144	1,549	$ 138,595			140,144
		1,515,331	608	744,793			745,401
		1,508,883	601	738,352			738,953
		146,592	1,556	145,036			146,592
		53,796		53,796			53,796
		650,785		325,291			325,291
		644,440		318,946			318,946
		60,141		60,141			60,141
		71,203		71,203			71,203
		607,731		312,009			312,009
		605,120		309,398			309,398
		73,814		73,814			73,814
		124,581		124,581			124,581
		1,651,327		829,249			829,249
		1,555,635		733,557			733,557
		220,273		220,273			220,273
	$ 27,657	205,745	24,398	92,991	$ 61	88,295	205,745
$ 935		4,546,228	1,213,473	1,379,725	323	369,621	2,963,142
	27,408	4,567,882	1,216,884	1,371,860	312	395,740	2,984,796
935	249	184,091	20,987	100,856	72	62,176	184,091
	27,657	1,609,378	37,165	481,166	61	1,090,986	1,609,378
935		9,746,332	1,246,757	3,591,067	323	957,350	5,795,497
	27,408	9,601,727	1,244,085	3,472,113	312	934,382	5,650,892
$ 935	$ 249	$ 1,753,983	$ 39,837	$ 600,120	$ 72	$ 1,113,954	$ 1,753,983

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COMPONENT UNITS

Component Units are legally separate organizations for which the elected officials of the primary government are financially accountable. Component Units also include certain other organizations because of the nature and significance of their relationship with the primary government.

NONMAJOR COMPONENT UNITS DESCRIPTIONS

NONMAJOR AUTHORITIES

Illinois Literacy Foundation--to account for supplemental funds raised from the private sector to promote the Illinois Literacy Foundation.

Illinois Grain Insurance Corporation--to account for monies held to compensate grain producers for losses from the failure of a grain dealer.

Illinois Conservation Foundation--to provide additional funding for the Illinois Department of Natural Resources' conservation programs that either are not receiving adequate State funding or else cannot be implemented because State funding is not available.

Illinois Arts Council Foundation--to further charitable, literary and educational art awareness programs.

The Comprehensive Health Insurance Plan Board--to provide an alternate market for health insurance for eligible Illinois residents having a preexisting health condition.

East St. Louis Financial Advisory Authority--to provide a secure financial basis for and to furnish assistance to the City of East St. Louis.

Illinois Finance Authority--to provide economic development to the public and private institutions in Illinois that create and retain jobs and to improve the quality of life in Illinois by providing access to capital.

Illinois Medical District Commission--to combine the resources of diverse medical institutions to promote low cost medical care in the City of Chicago, accelerate scientific research, improve diagnostic methods and train health care professionals.

Quad Cities Regional Economic Development Authority--to promote and enhance economic development in Rock Island, Henry, Knox, and Mercer counties in northwestern Illinois.

Southwestern Illinois Development Authority--to promote and enhance economic development in St. Clair and Madison counties in southwestern Illinois.

Southeastern Illinois Economic Development Authority--to promote and enhance economic development in Fayette, Cumberland, Clark, Effingham, Jasper, Crawford, Marion, Clay, Richland, Lawrence, Jefferson, Wayne, Edwards, Wabash, Hamilton, and White counties and Irvington Township in Washington County in southeastern Illinois.

Upper Illinois River Valley Development Authority--to promote and enhance economic development within the State's Upper Illinois River Valley.

Will-Kankakee Regional Development Authority--to promote and enhance economic development in the counties of Will and Kankakee.

IMSA Fund for Advancement of Education--to benefit, perform the function of and carry out certain charitable, educational, literary and scientific purposes of the Illinois Mathematics and Science Academy.

NONMAJOR UNIVERSITIES

Board of Trustees of Chicago State University--to operate, manage, control and maintain Chicago State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Eastern Illinois University--to operate, manage, control and maintain Eastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Governors State University--to operate, manage, control and maintain Governors State University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Northeastern Illinois University--to operate, manage, control and maintain Northeastern Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

Board of Trustees of Western Illinois University--to operate, manage, control and maintain Western Illinois University. The Board was created on January 1, 1996 with the dissolution of the Board of Governors of State Colleges and Universities.

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State of Illinois

Combining Statement of Net Assets
Component Units - Other Authorities

June 30, 2008 (Expressed in Thousands)

	Illinois Literacy Foundation	Illinois Grain Insurance Corporation	Illinois Conservation Foundation	Illinois Arts Council Foundation	Comprehensive Health Insurance Plan Board	East St. Louis Financial Advisory Authority
ASSETS						
Cash and cash equivalents	$ 35	$ 5,178	$ 1,008	$ 3	$ 45,661	$ 6,516
Investments			2,912	75		
Receivables, net:						
Intergovernmental			238			
Other		374	36		2,131	2
Due from component units						
Due from primary government		48				2
Inventories			4			
Prepaid expenses			8		3	
Unamortized bond issuance costs						
Loans and notes receivable, net						
Restricted assets:						
Cash equity with State Treasurer						
Cash and cash equivalents						
Investments						
Other receivables, net						
Loans and notes receivable, net						
Other assets						
Capital assets not being depreciated						
Capital assets being depreciated, net					27	
Total assets	35	5,600	4,206	78	47,822	6,520
LIABILITIES						
Accounts payable and accrued liabilities			$ 323		$ 2,255	$ 2
Due to component units						
Due to primary government		935			6	
Unearned revenue		212			15,746	
Short-term notes payable						
Other liabilities					25,396	
Long-term obligations:						
Due within one year					17	1
Due subsequent to one year					257	8
Total liabilities		1,147	323		43,677	11
NET ASSETS						
Invested in capital assets, net of related debt					27	
Restricted for:						
Debt service						
Nonexpendable purposes			65			
Other purposes			2,229	78	4,118	
Unrestricted	35	4,453	1,589			6,509
Total net assets	$ 35	$ 4,453	$ 3,883	$ 78	$ 4,145	$ 6,509

Illinois Finance Authority	Illinois Medical District Commission	Quad Cities Regional Economic Development Authority	Southwestern Illinois Development Authority	Southeastern Illinois Economic Development Authority	Upper Illinois River Valley Development Authority	Will-Kankakee Regional Development Authority	IMSA Fund for Advancement of Education	Total
$ 26,226	$ 146	$ 132	$ 2,906	$ 198	$ 222	$ 47	$ 764	$ 89,042
6,325					386		3,150	12,848
								238
459	2,058		3,243				233	8,536
46,718	33,363							80,081
97,028							91	97,169
								4
174	50		7				5	247
674	739							1,413
30,125			3,041					33,166
33,539								33,539
15,911	1,257							17,168
129,846	3,035		192					133,073
3,053								3,053
61,862								61,862
	41,851		100					41,951
159	15,181		337					15,704
452,099	97,680	132	9,826	198	608	47	4,243	629,094
$ 6,360	$ 2,072		$ 18				$ 7	11,037
	24,202							24,202
550							36	1,527
713			3,200					19,871
	2,593							2,593
								25,396
25,065	674		1					25,758
306,593	27,423							334,281
339,281	56,964		3,219				43	444,665
159	28,267		437					28,890
3,109								3,109
							32	97
47,151	2,374		3,928	175			2,330	62,383
62,399	10,075	132	2,242	23	608	47	1,838	89,950
$ 112,818	$ 40,716	$ 132	$ 6,607	$ 198	$ 608	$ 47	$ 4,200	$ 184,429

Combining Statement of Activities
Component Units - Other Authorities

For the Year Ended June 30, 2008 (Expressed in Thousands)

		Program revenues		
Functions/Programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**
Illinois Literacy Foundation	$ 218		$ 75	
Illinois Grain Insurance Corporation	3,715	$ 1,245	2	
Illinois Conservation Foundation	2,438	63	1,479	$ 64
Illinois Arts Council Foundation	3		1	
Comprehensive Health Insurance Plan Board	165,011	113,094		
East St. Louis Financial Advisory Authority	231			
Illinois Finance Authority	21,860	18,725	2,000	
Illinois Medical District Commission	12,882	3,235	683	
Quad Cities Regional Economic Development Authority	61	76		
Southwestern Illinois Development Authority	403	519	400	
Southeastern Illinois Economic Development Authority	385			
Upper Illinois River Valley Development Authority	284	455		
Will-Kankakee Regional Development Authority	92	130		
IMSA Fund for Advancement of Education	983	13	943	
Total	$ 208,566	$ 137,555	$ 5,583	$ 64

	General revenues						
Net (expense) revenue	State appropriations	Interest and investment income	Other	Additions to permanent endowments	Change in net assets	Net assets, July 1, 2007	Net assets, June 30, 2008
$ (143)	$ 139				$ (4)	$ 39	$ 35
(2,468)		$ 236			(2,232)	6,685	4,453
(832)	75	(87)			(844)	4,727	3,883
(2)		2	$ 1		1	77	78
(51,917)	19,212	2,060	19,817		(10,828)	14,973	4,145
(231)	215	227			211	6,298	6,509
(1,135)	13,000	8,889	25		20,779	92,039	112,818
(8,964)	66	1,635	2,658		(4,605)	45,321	40,716
15		12			27	105	132
516		156	78		750	5,857	6,607
(385)		18			(367)	565	198
171		16			187	421	608
38					38	9	47
(27)	272	95	30	$ 27	397	3,803	4,200
$ (65,364)	$ 32,979	$ 13,259	$ 22,609	$ 27	$ 3,510	$ 180,919	$ 184,429

State of Illinois

Combining Statement of Net Assets
Component Units - Other Universities

June 30, 2008 (Expressed in Thousands)

	Chicago State University	Eastern Illinois University	Governors State University	Northeastern Illinois University	Western Illinois University
ASSETS					
Cash and cash equivalents	$ 13,390	$ 16,826	$ 18,613	$ 15,643	$ 44,894
Investments		2,477	742	1,669	19,932
Receivables, net:					
Intergovernmental			577	7,250	409
Other	21,490	11,453	3,372	2,711	5,703
Due from component units					10
Due from primary government	453	998	977	164	751
Inventories	47	1,712	21	57	1,811
Prepaid expenses	315	279		474	63
Unamortized bond issuance costs		460	427	756	906
Loans and notes receivable, net	992	6,148	3,565	2,498	1,894
Restricted assets:					
Cash and cash equivalents	935	21,467	13,822	9,009	86
Investments	2,565	56,244		6,371	23,316
Other assets		707		21	
Capital assets not being depreciated	11,197	67,084	6,494	10,699	22,706
Capital assets being depreciated, net	134,151	141,639	51,031	93,691	124,781
Total assets	185,535	327,494	99,641	151,013	247,262
LIABILITIES					
Accounts payable and accrued liabilities	18,922	13,020	3,664	6,451	19,686
Intergovernmental payables			3,339		37
Due to component units	20				
Due to primary government	159	2		29	50
Unearned revenue	864	2,626	3,191	5,253	4,826
Assets held for others		7,424		108	
Short-term notes payable		1,437			
Other liabilities		5,726			239
Long-term obligations:					
Due within one year	5,634	6,621	1,940	2,008	6,660
Due subsequent to one year	27,142	66,506	23,226	43,933	65,575
Total liabilities	52,741	103,362	35,360	57,782	97,073
NET ASSETS					
Invested in capital assets, net of related debt	123,204	150,880	50,990	81,505	96,464
Restricted for:					
Debt service	3,811	1,038	469	2,467	
Nonexpendable purposes	2,055	32,772	1,025	2,538	22,293
Other expendable purposes	10,604	34,950	1,076	6,310	4,498
Unrestricted	(6,880)	4,492	10,721	411	26,934
Total net assets	$ 132,794	$ 224,132	$ 64,281	$ 93,231	$ 150,189

Total
$ 109,366
24,820
8,236
44,729
10
3,343
3,648
1,131
2,549
15,097
45,319
88,496
728
118,180
545,293
1,010,945
61,743
3,376
20
240
16,760
7,532
1,437
5,965
22,863
226,382
346,318
503,043
7,785
60,683
57,438
35,678
$ 664,627

Combining Statement of Activities
Component Units - Other Universities

For the Year Ended June 30, 2008 (Expressed in Thousands)

		Program revenues			
Functions/Programs	**Expenses**	**Charges for service**	**Operating grants and contributions**	**Capital grants and contributions**	**Net (expense) revenue**
Chicago State University	$ 129,993	$ 32,360	$ 31,744	$ 2,439	$ (63,450)
Eastern Illinois University	208,668	112,859	17,366	306	(78,137)
Governors State University	81,999	33,080	10,473		(38,446)
Northeastern Illinois University	137,494	47,232	29,112		(61,150)
Western Illinois University	243,851	127,326	24,413		(92,112)
Total	$ 802,005	$ 352,857	$ 113,108	$ 2,745	$ (333,295)

General revenues						
State appropriations	Interest and investment income	Other	Additions to permanent endowments	Change in net assets	Net assets, July 1, 2007, as restated	Net assets, June 30, 2008
$ 64,568	$ 60	$ 1	$ 3	$ 1,182	$ 131,612	$ 132,794
85,954	1,081	1,647	5,259	15,804	208,328	224,132
39,080	782	40	183	1,639	62,642	64,281
64,514	153	440	265	4,222	89,009	93,231
94,810	2,696	916	1,148	7,458	142,731	150,189
$ 348,926	$ 4,772	$ 3,044	$ 6,858	$ 30,305	$ 634,322	$ 664,627

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Budgetary Schedules

The following budgetary schedules for the State have been prepared in accordance with the terminology and classifications of funds used by the State in the Statewide Accounting Management System ("SAMS") budgetary purposes. SAMS establishes the following budgetary fund groups to account for the State's budgetary activities:

General – funds established to account for those services traditionally provided by a state government which are not required to be accounted for in other funds;
Highway – funds established to receive and distribute assessments related to transportation, and to support the construction and maintenance of transportation facilities and activities of the State;
Special State – funds designated by statute as special funds in the State Treasury and not elsewhere classified;
Bond Financed – funds established to receive and administer the proceeds of various bond issues of the State;
Debt Service – funds established to finance and account for the payment of principal and interest generally associated with the general and special obligation bond issues of the State;
Federal Trust – funds established pursuant to grants and contracts or under statutory authority between State agencies and the federal government;
Revolving – funds established to finance and account for intra-governmental services; and
State Trust – funds established by statute or under statutory authority for nonfederal programs which are not deemed to be a traditional governmental activity or elsewhere classified.

As the attached schedules are presented on the budgetary basis and not the GAAP basis of accounting, all budgeted funds of the State, including those presented as required supplemental information, are presented. The schedules presented as required supplemental information classify certain major governmental funds differently for GAAP reporting purposes than the following budgetary presentation. Below is a summary of those differences:

GAAP Basis	Budgetary Basis Includes
General Fund	All General Funds
	Special State Funds:
	Budget Stabilization Fund
	Community Mental Health Medical Fund
	University of Illinois Hospital Services Fund
	County Provider Fund
	Care Provider Fund for Persons with Developmental Disabilities Fund
	Long Term Care Provider Fund
	Hospital Provider Fund
	Special Education Medicaid Matching Fund
	Family Care Fund
	Drug Rebate Fund
	Income Tax Refund Fund
	and 19 funds included as other special state funds
	State Trust Funds
	Public Aid Recoveries Trust Fund

Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP) All Budgeted Fund Groups

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Funds			Highway Funds		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	$ 11,252,000	$ 12,179,995	$ 927,995			
Sales taxes	7,577,000	7,214,592	(362,408)			
Motor fuel taxes				$ 1,349,700	$ 1,263,584	$ (86,116)
Public utility taxes	1,105,000	1,157,111	52,111			
Federal government	5,014,000	4,700,121	(313,879)	1,230,000	1,256,616	26,616
Other	2,215,000	2,394,735	179,735	1,496,176	1,495,234	(942)
Less:						
Refunds	22,038	17,610	(4,428)	18,037	17,991	(46)
Total revenues	27,140,962	27,628,944	487,982	4,057,839	3,997,443	(60,396)
EXPENDITURES:						
Current:						
Health and social services	13,847,258	13,752,618	(94,640)	135,608	135,608	-
Education	10,442,552	10,354,544	(88,008)			
General government	714,535	678,160	(36,375)	204,683	202,694	(1,989)
Transportation	131,755	122,452	(9,303)	3,204,559	3,126,323	(78,236)
Public protection and justice	1,972,671	1,910,337	(62,334)	106,086	106,085	(1)
Employment and economic development	195,528	177,191	(18,337)	1,900	1,900	-
Environment and business regulation	122,690	114,713	(7,977)			
Debt service:						
Principal						
Interest						
Capital outlays	33,439	29,247	(4,192)	34,258	32,043	(2,215)
Total expenditures	27,460,428	27,139,262	(321,166)	3,687,094	3,604,653	(82,441)
Excess (deficiency) of revenues over (under) expenditures	(319,466)	489,682	809,148	370,745	392,790	22,045
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues	2,400,000	2,400,000	-			
Operating transfers-in	6,956,695	6,956,695	-	1,240,490	1,240,490	-
Operating transfers-out	(10,545,739)	(10,545,739)	-	(1,568,854)	(1,568,854)	-
Total other sources (uses) of financial resources	(1,189,044)	(1,189,044)	-	(328,364)	(328,364)	-
Budgetary funds-nonbudgeted accounts	(281)	(281)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(1,508,791)	(699,643)	809,148	42,381	64,426	22,045
Budgetary fund balances (deficits), July 1, 2007, as previously reported	(134,848)	(134,848)	-	620,390	620,390	-
Reclassifications between budgetary/nonbudgetary funds-net						
Budgetary fund balances (deficits), July 1, 2007, as reclassified	(134,848)	(134,848)	-	620,390	620,390	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (1,643,639)	$ (834,491)	$ 809,148	$ 662,771	$ 684,816	$ 22,045

Special State Funds			Bond Financed Funds			Debt Service Funds		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 2,694,362	$ 2,694,362	$ -						
856,805	876,064	19,259						
75,106	71,081	(4,025)						
455,508	474,371	18,863						
3,578,441	3,830,796	252,355				$ -	$ 4,383	$ 4,383
7,122,452	7,681,376	558,924				481,294	114,097	(367,197)
1,410,629	1,394,149	(16,480)						
13,372,045	14,233,901	861,856				481,294	118,480	(362,814)
10,029,456	8,530,369	(1,499,087)						
436,776	415,965	(20,811)	$ 10,577	$ 10,577	$ -			
3,949,802	3,771,100	(178,702)	179,556	41,453	(138,103)			
456,181	413,964	(42,217)	72,386	72,287	(99)			
211,600	130,893	(80,707)	14,045	3	(14,042)			
676,278	496,218	(180,060)	81,098	4,905	(76,193)			
834,928	710,949	(123,979)	14,090	14,084	(6)			
						3,384,614	3,342,992	(41,622)
						1,143,784	1,109,036	(34,748)
57,651	40,585	(17,066)	143,114	142,903	(211)			
16,652,672	14,510,043	(2,142,629)	514,866	286,212	(228,654)	4,528,398	4,452,028	(76,370)
(3,280,627)	(276,142)	3,004,485	(514,866)	(286,212)	228,654	(4,047,104)	(4,333,548)	(286,444)
			1,012,255	180,924	(831,331)			
5,761,647	5,761,647	-	27,500	27,500	-	4,344,512	4,344,512	-
(5,604,699)	(5,604,699)	-	(27,500)	(27,500)	-			
156,948	156,948	-	1,012,255	180,924	(831,331)	4,344,512	4,344,512	-
(3,526)	(3,526)	-						
(3,127,205)	(122,720)	3,004,485	497,389	(105,288)	(602,677)	297,408	10,964	(286,444)
2,036,747	2,036,747	-	179,071	179,071	-	638,379	638,379	-
2,036,747	2,036,747	-	179,071	179,071	-	638,379	638,379	-
$ (1,090,458)	$ 1,914,027	$ 3,004,485	$ 676,460	$ 73,783	$ (602,677)	$ 935,787	$ 649,343	$ (286,444)

(continued)

Combined Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
All Budgeted Fund Groups

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Federal Trust Funds			Revolving Funds		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes						
Sales taxes						
Motor fuel taxes						
Public utility taxes						
Federal government	$ 3,616,142	$ 3,655,854	$ 39,712	$ 377	$ 4,474	$ 4,097
Other	267,182	308,282	41,100	586,962	558,422	(28,540)
Less:						
Refunds	2,840	12	(2,828)	11,914	4,357	(7,557)
Total revenues	3,880,484	3,964,124	83,640	575,425	558,539	(16,886)
EXPENDITURES:						
Current:						
Health and social services	1,678,860	1,154,159	(524,701)			
Education	2,604,354	2,128,220	(476,134)			
General government	12,093	9,474	(2,619)	755,989	620,789	(135,200)
Transportation	115,707	114,016	(1,691)	800	719	(81)
Public protection and justice	487,315	176,869	(310,446)	41,272	39,975	(1,297)
Employment and economic development	433,433	280,620	(152,813)			
Environment and business regulation	184,965	95,049	(89,916)			
Debt service:						
Principal						
Interest						
Capital outlays	12,642	1,973	(10,669)	1,596	835	(761)
Total expenditures	5,529,369	3,960,380	(1,568,989)	799,657	662,318	(137,339)
Excess (deficiency) of revenues over (under) expenditures	(1,648,885)	3,744	1,652,629	(224,232)	(103,779)	120,453
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues						
Operating transfers-in	37,653	37,653	-	119,714	119,714	-
Operating transfers-out	(40,941)	(40,941)	-	(6,588)	(6,588)	-
Total other sources (uses) of financial resources	(3,288)	(3,288)	-	113,126	113,126	-
Budgetary funds-nonbudgeted accounts	(21,089)	(21,089)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(1,673,262)	(20,633)	1,652,629	(111,106)	9,347	120,453
Budgetary fund balances (deficits), July 1, 2007, as previously reported	(269,839)	(269,839)	-	(13,951)	(13,951)	-
Reclassifications between budgetary/nonbudgetary funds-net						
Budgetary fund balances (deficits), July 1, 2007, as reclassified	(269,839)	(269,839)	-	(13,951)	(13,951)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (1,943,101)	$ (290,472)	$ 1,652,629	$ (125,057)	$ (4,604)	$ 120,453

State Trust Funds			Total (Memorandum Only)		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 13,946,362	$ 14,874,357	$ 927,995
$ 765,323	$ 765,323	$ -	9,199,128	8,855,979	(343,149)
30,965	34,103	3,138	1,455,771	1,368,768	(87,003)
288,232	288,238	6	1,848,740	1,919,720	70,980
87,868	105,304	17,436	13,526,828	13,557,548	30,720
2,251,044	2,464,638	213,594	14,420,110	15,016,784	596,674
312	274	(38)	1,465,770	1,434,393	(31,377)
3,423,120	3,657,332	234,212	52,931,169	54,158,763	1,227,594
194,495	172,033	(22,462)	25,885,677	23,744,787	(2,140,890)
17,009	4,803	(12,206)	13,511,268	12,914,109	(597,159)
334,701	185,721	(148,980)	6,151,359	5,509,391	(641,968)
			3,981,388	3,849,761	(131,627)
2,950	1,466	(1,484)	2,835,939	2,365,628	(470,311)
25	20	(5)	1,388,262	960,854	(427,408)
29,391	10,212	(19,179)	1,186,064	945,007	(241,057)
			3,384,614	3,342,992	(41,622)
			1,143,784	1,109,036	(34,748)
2,304	749	(1,555)	285,004	248,335	(36,669)
580,875	375,004	(205,871)	59,753,359	54,989,900	(4,763,459)
2,842,245	3,282,328	440,083	(6,822,190)	(831,137)	5,991,053
			3,412,255	2,580,924	(831,331)
760	760	-	18,488,971	18,488,971	-
(238,947)	(238,947)	-	(18,033,268)	(18,033,268)	-
(238,187)	(238,187)	-	3,867,958	3,036,627	(831,331)
(2,954,342)	(2,954,342)	-	(2,979,238)	(2,979,238)	-
(350,284)	89,799	440,083	(5,933,470)	(773,748)	5,159,722
414,240	414,240	-	3,470,189	3,470,189	-
70,077	70,077	-	70,077	70,077	-
484,317	484,317	-	3,540,266	3,540,266	-
$ 134,033	$ 574,116	$ 440,083	$ (2,393,204)	$ 2,766,518	$ 5,159,722

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
General Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Revenue			GR-CS Special Account		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	$ 10,431,000	$ 11,290,855	$ 859,855			
Sales taxes	5,683,000	5,409,516	(273,484)	$ 1,894,000	$ 1,805,076	$ (88,924)
Public utility taxes	1,000,000	1,046,942	46,942			
Federal government	5,014,000	4,700,121	(313,879)			
Other	2,036,000	2,216,011	180,011			
Less:						
Refunds	22,038	17,610	(4,428)			
Total revenues	24,141,962	24,645,835	503,873	1,894,000	1,805,076	(88,924)
EXPENDITURES:						
Current:						
Health and social services	13,847,258	13,752,618	(94,640)			
Education	4,555,311	4,504,423	(50,888)			
General government	714,535	678,160	(36,375)			
Transportation	131,755	122,452	(9,303)			
Public protection and justice	1,972,671	1,910,337	(62,334)			
Employment and economic development	195,528	177,191	(18,337)			
Environment and business regulation	122,690	114,713	(7,977)			
Capital outlays	33,439	29,247	(4,192)			
Total expenditures	21,573,187	21,289,141	(284,046)			
Excess (deficiency) of revenues over (under) expenditures	2,568,775	3,356,694	787,919	1,894,000	1,805,076	(88,924)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general and special obligation bond issues	2,400,000	2,400,000	-			
Operating transfers-in	2,570,126	2,570,126	-			
Operating transfers-out	(8,718,471)	(8,718,471)	-	(1,826,930)	(1,826,930)	-
Total other sources (uses) of financial resources	(3,748,345)	(3,748,345)	-	(1,826,930)	(1,826,930)	-
Budgetary funds-nonbudgeted accounts	(281)	(281)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(1,179,851)	(391,932)	787,919	67,070	(21,854)	(88,924)
Budgetary fund balances (deficits), July 1, 2007	(524,744)	(524,744)	-	35,863	35,863	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (1,704,595)	$ (916,676)	$ 787,919	$ 102,933	$ 14,009	$ (88,924)

Education Assistance			Common School			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 821,000	$ 889,140	$ 68,140				$ 11,252,000	$ 12,179,995	$ 927,995
						7,577,000	7,214,592	(362,408)
			$ 105,000	$ 110,169	$ 5,169	1,105,000	1,157,111	52,111
						5,014,000	4,700,121	(313,879)
1,000	1,025	25	178,000	177,699	(301)	2,215,000	2,394,735	179,735
						22,038	17,610	(4,428)
822,000	890,165	68,165	283,000	287,868	4,868	27,140,962	27,628,944	487,982
						13,847,258	13,752,618	(94,640)
1,749,409	1,743,347	(6,062)	4,137,832	4,106,774	(31,058)	10,442,552	10,354,544	(88,008)
						714,535	678,160	(36,375)
						131,755	122,452	(9,303)
						1,972,671	1,910,337	(62,334)
						195,528	177,191	(18,337)
						122,690	114,713	(7,977)
						33,439	29,247	(4,192)
1,749,409	1,743,347	(6,062)	4,137,832	4,106,774	(31,058)	27,460,428	27,139,262	(321,166)
(927,409)	(853,182)	74,227	(3,854,832)	(3,818,906)	35,926	(319,466)	489,682	809,148
						2,400,000	2,400,000	-
564,126	564,126	-	3,822,443	3,822,443	-	6,956,695	6,956,695	-
(137)	(137)	-	(201)	(201)	-	(10,545,739)	(10,545,739)	-
563,989	563,989	-	3,822,242	3,822,242	-	(1,189,044)	(1,189,044)	-
						(281)	(281)	-
(363,420)	(289,193)	74,227	(32,590)	3,336	35,926	(1,508,791)	(699,643)	809,148
351,171	351,171	-	2,862	2,862	-	(134,848)	(134,848)	-
$ (12,249)	$ 61,978	$ 74,227	$ (29,728)	$ 6,198	$ 35,926	$ (1,643,639)	$ (834,491)	$ 809,148

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Highway Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Road			Motor Fuel Tax-State		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Motor fuel taxes				$ 1,349,700	$ 1,263,584	$ (86,116)
Federal government	$ 1,230,000	$ 1,256,526	$ 26,526	-	90	90
Other	994,476	977,259	(17,217)	-	712	712
Less:						
Refunds	2,021	1,982	(39)	16,016	16,009	(7)
Total revenues	2,222,455	2,231,803	9,348	1,333,684	1,248,377	(85,307)
EXPENDITURES:						
Current:						
Health and social services	135,608	135,608	-			
General government	128,243	127,317	(926)	76,440	75,377	(1,063)
Transportation	1,940,843	1,903,216	(37,627)	10,542	8,977	(1,565)
Public protection and justice	106,086	106,085	(1)			
Employment and economic development	1,900	1,900	-			
Capital outlays	34,219	32,018	(2,201)	39	25	(14)
Total expenditures	2,346,899	2,306,144	(40,755)	87,021	84,379	(2,642)
Excess (deficiency) of revenues over (under) expenditures	(124,444)	(74,341)	50,103	1,246,663	1,163,998	(82,665)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	335,094	335,094	-			
Operating transfers-out	(290,763)	(290,763)	-	(1,275,743)	(1,275,743)	-
Total other sources (uses) of financial resources	44,331	44,331	-	(1,275,743)	(1,275,743)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(80,113)	(30,010)	50,103	(29,080)	(111,745)	(82,665)
Budgetary fund balances (deficits), July 1, 2007	353,378	353,378	-	103,964	103,964	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 273,265	$ 323,368	$ 50,103	$ 74,884	$ (7,781)	$ (82,665)

Grade Crossing Protection			Motor Fuel Tax-Counties			Motor Fuel Tax-Municipalities		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ -	$ 1	$ 1						
-	1	1						
40,526	34,364	(6,162)	$ 232,600	$ 221,161	$ (11,439)	$ 326,300	$ 310,168	$ (16,132)
40,526	34,364	(6,162)	232,600	221,161	(11,439)	326,300	310,168	(16,132)
(40,526)	(34,363)	6,163	(232,600)	(221,161)	11,439	(326,300)	(310,168)	16,132
27,000	27,000	-	222,149	222,149	-	311,555	311,555	-
(2,252)	(2,252)	-						
24,748	24,748	-	222,149	222,149	-	311,555	311,555	-
(15,778)	(9,615)	6,163	(10,451)	988	11,439	(14,745)	1,387	16,132
9,616	9,616	-	(16,791)	(16,791)	-	(23,550)	(23,550)	-
$ (6,162)	$ 1	$ 6,163	$ (27,242)	$ (15,803)	$ 11,439	$ (38,295)	$ (22,163)	$ 16,132

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Highway Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Motor Fuel Tax-Township			State Construction Account		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Motor fuel taxes						
Federal government						
Other				$ 501,700	$ 517,262	$ 15,562
Less:						
Refunds						
Total revenues				501,700	517,262	15,562
EXPENDITURES:						
Current:						
Health and social services						
General government						
Transportation	$ 105,600	$ 100,378	$ (5,222)	548,148	548,059	(89)
Public protection and justice						
Employment and economic development						
Capital outlays						
Total expenditures	105,600	100,378	(5,222)	548,148	548,059	(89)
Excess (deficiency) of revenues over (under) expenditures	(105,600)	(100,378)	5,222	(46,448)	(30,797)	15,651
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	100,827	100,827	-	243,865	243,865	-
Operating transfers-out				(96)	(96)	-
Total other sources (uses) of financial resources	100,827	100,827	-	243,769	243,769	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(4,773)	449	5,222	197,321	212,972	15,651
Budgetary fund balances (deficits), July 1, 2007	(7,621)	(7,621)	-	201,394	201,394	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (12,394)	$ (7,172)	$ 5,222	$ 398,715	$ 414,366	$ 15,651

Total		
Final Budget	Actual	Variance Over (Under)
$ 1,349,700	$ 1,263,584	$ (86,116)
1,230,000	1,256,616	26,616
1,496,176	1,495,234	(942)
18,037	17,991	(46)
4,057,839	3,997,443	(60,396)
135,608	135,608	-
204,683	202,694	(1,989)
3,204,559	3,126,323	(78,236)
106,086	106,085	(1)
1,900	1,900	-
34,258	32,043	(2,215)
3,687,094	3,604,653	(82,441)
370,745	392,790	22,045
1,240,490	1,240,490	-
(1,568,854)	(1,568,854)	-
(328,364)	(328,364)	-
42,381	64,426	22,045
620,390	620,390	-
$ 662,771	$ 684,816	$ 22,045

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Elected Officials			Code Departments		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes				$ 2,694,362	$ 2,694,362	$ -
Sales taxes				835,506	855,314	19,808
Motor fuel taxes						
Public utility taxes				277,008	291,490	14,482
Federal government	$ 221,995	$ 229,245	$ 7,250	3,234,176	3,487,330	253,154
Other	291,688	312,004	20,316	5,822,458	6,315,258	492,800
Less:						
Refunds				1,406,800	1,391,623	(15,177)
Total revenues	513,683	541,249	27,566	11,456,710	12,252,131	795,421
EXPENDITURES:						
Current:						
Health and social services	538,159	537,070	(1,089)	9,281,730	7,833,948	(1,447,782)
Education	340,320	340,320	-			
General government	9,293	7,446	(1,847)	3,571,030	3,516,099	(54,931)
Transportation				430,211	389,716	(40,495)
Public protection and justice				56,000	26,181	(29,819)
Employment and economic development				475,329	354,868	(120,461)
Environment and business regulation	4	4	-	133,264	113,821	(19,443)
Capital outlays	40	38	(2)	26,188	22,581	(3,607)
Total expenditures	887,816	884,878	(2,938)	13,973,752	12,257,214	(1,716,538)
Excess (deficiency) of revenues over (under) expenditures	(374,133)	(343,629)	30,504	(2,517,042)	(5,083)	2,511,959
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	539,693	539,693	-	4,778,142	4,778,142	-
Operating transfers-out	(275,736)	(275,736)	-	(4,962,963)	(4,962,963)	-
Total other sources (uses) of financial resources	263,957	263,957	-	(184,821)	(184,821)	-
Budgetary funds-nonbudgeted accounts						
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(110,176)	(79,672)	30,504	(2,701,863)	(189,904)	2,511,959
Budgetary fund balances, July 1, 2007	532,535	532,535	-	484,967	484,967	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 422,359	$ 452,863	$ 30,504	$ (2,216,896)	$ 295,063	$ 2,511,959

Agencies, Boards, and Commissions			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						$ 2,694,362	$ 2,694,362	$ -
			$ 21,299	$ 20,750	$ (549)	856,805	876,064	19,259
$ 75,106	$ 71,081	$ (4,025)				75,106	71,081	(4,025)
155,242	162,129	6,887	23,258	20,752	(2,506)	455,508	474,371	18,863
38,713	28,790	(9,923)	83,557	85,431	1,874	3,578,441	3,830,796	252,355
327,168	322,915	(4,253)	681,138	731,199	50,061	7,122,452	7,681,376	558,924
42	41	(1)	3,787	2,485	(1,302)	1,410,629	1,394,149	(16,480)
596,187	584,874	(11,313)	805,465	855,647	50,182	13,372,045	14,233,901	861,856
13,946	13,582	(364)	195,621	145,769	(49,852)	10,029,456	8,530,369	(1,499,087)
3,619	3,585	(34)	92,837	72,060	(20,777)	436,776	415,965	(20,811)
60,523	44,326	(16,197)	308,956	203,229	(105,727)	3,949,802	3,771,100	(178,702)
			25,970	24,248	(1,722)	456,181	413,964	(42,217)
32,258	29,223	(3,035)	123,342	75,489	(47,853)	211,600	130,893	(80,707)
31,623	30,410	(1,213)	169,326	110,940	(58,386)	676,278	496,218	(180,060)
362,448	342,317	(20,131)	339,212	254,807	(84,405)	834,928	710,949	(123,979)
1,986	1,452	(534)	29,437	16,514	(12,923)	57,651	40,585	(17,066)
506,403	464,895	(41,508)	1,284,701	903,056	(381,645)	16,652,672	14,510,043	(2,142,629)
89,784	119,979	30,195	(479,236)	(47,409)	431,827	(3,280,627)	(276,142)	3,004,485
132,996	132,996	-	310,816	310,816	-	5,761,647	5,761,647	-
(248,473)	(248,473)	-	(117,527)	(117,527)	-	(5,604,699)	(5,604,699)	-
(115,477)	(115,477)	-	193,289	193,289	-	156,948	156,948	-
			(3,526)	(3,526)	-	(3,526)	(3,526)	-
(25,693)	4,502	30,195	(289,473)	142,354	431,827	(3,127,205)	(122,720)	3,004,485
482,882	482,882	-	536,363	536,363	-	2,036,747	2,036,747	-
$ 457,189	$ 487,384	$ 30,195	$ 246,890	$ 678,717	$ 431,827	$ (1,090,458)	$ 1,914,027	$ 3,004,485

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Special State Funds - Elected Officials

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Comptroller Budget Stabilization			Treasurer		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government				$ 221,995	$ 229,245	$ 7,250
Other				291,688	312,004	20,316
Total revenues				513,683	541,249	27,566
EXPENDITURES:						
Current:						
Health and social services				538,159	537,070	(1,089)
Education				340,320	340,320	-
General government				9,293	7,446	(1,847)
Environment and business regulation				4	4	-
Capital outlays				40	38	(2)
Total expenditures				887,816	884,878	(2,938)
Excess (deficiency) of revenues over (under) expenditures				(374,133)	(343,629)	30,504
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	$ 275,704	$ 275,704	$ -	263,989	263,989	-
Operating transfers-out	(275,704)	(275,704)	-	(32)	(32)	-
Total other sources (uses) of financial resources	-	-	-	263,957	263,957	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources				(110,176)	(79,672)	30,504
Budgetary fund balances, July 1, 2007	275,704	275,704	-	256,831	256,831	-
BUDGETARY FUND BALANCES, JUNE 30, 2008	$ 275,704	$ 275,704	$ -	$ 146,655	$ 177,159	$ 30,504

Total		
Final Budget	Actual	Variance Over (Under)
$ 221,995	$ 229,245	$ 7,250
291,688	312,004	20,316
513,683	541,249	27,566
538,159	537,070	(1,089)
340,320	340,320	-
9,293	7,446	(1,847)
4	4	-
40	38	(2)
887,816	884,878	(2,938)
(374,133)	(343,629)	30,504
539,693	539,693	-
(275,736)	(275,736)	-
263,957	263,957	-
(110,176)	(79,672)	30,504
532,535	532,535	-
$ 422,359	$ 452,863	$ 30,504

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Special State Funds - State Treasurer

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Pensions			Tobacco Settlement Recovery		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government				$ 221,995	$ 229,245	$ 7,250
Other				291,688	312,004	20,316
Total revenues				513,683	541,249	27,566
EXPENDITURES:						
Current:						
Health and social services				538,159	537,070	(1,089)
Education	$ 340,320	$ 340,320	$ -			
General government	8,318	6,565	(1,753)	975	881	(94)
Environment and business regulation				4	4	-
Capital outlays	40	38	(2)			
Total expenditures	348,678	346,923	(1,755)	539,138	537,955	(1,183)
Excess (deficiency) of revenues over (under) expenditures	(348,678)	(346,923)	1,755	(25,455)	3,294	28,749
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	263,986	263,986	-	3	3	-
Operating transfers-out				(32)	(32)	-
Total other sources (uses) of financial resources	263,986	263,986	-	(29)	(29)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(84,692)	(82,937)	1,755	(25,484)	3,265	28,749
Budgetary fund balances, July 1, 2007	244,032	244,032	-	12,799	12,799	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 159,340	$ 161,095	$ 1,755	$ (12,685)	$ 16,064	$ 28,749

Total		
Final Budget	Actual	Variance Over (Under)
$ 221,995	$ 229,245	$ 7,250
291,688	312,004	20,316
513,683	541,249	27,566
538,159	537,070	(1,089)
340,320	340,320	-
9,293	7,446	(1,847)
4	4	-
40	38	(2)
887,816	884,878	(2,938)
(374,133)	(343,629)	30,504
263,989	263,989	-
(32)	(32)	-
263,957	263,957	-
(110,176)	(79,672)	30,504
256,831	256,831	-
$ 146,655	$ 177,159	$ 30,504

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Commerce and Economic Opportunity			Natural Resources		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes						
Sales taxes						
Public utility taxes						
Federal government	$ 154,589	$ 159,079	$ 4,490	$ 6,896	$ 9,620	$ 2,724
Other	3	2,463	2,460	77,381	66,802	(10,579)
Less:						
Refunds				1,150	719	(431)
Total revenues	154,592	161,542	6,950	83,127	75,703	(7,424)
EXPENDITURES:						
Current:						
Health and social services						
General government	51	51	-	80	80	-
Transportation						
Public protection and justice						
Employment and economic development	308,459	191,387	(117,072)			
Environment and business regulation				83,105	68,928	(14,177)
Capital outlays	95	25	(70)	2,547	2,088	(459)
Total expenditures	308,605	191,463	(117,142)	85,732	71,096	(14,636)
Excess (deficiency) of revenues over (under) expenditures	(154,013)	(29,921)	124,092	(2,605)	4,607	7,212
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	84,184	84,184	-			
Operating transfers-out	(40,784)	(40,784)	-	(80)	(80)	-
Total other sources (uses) of financial resources	43,400	43,400	-	(80)	(80)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(110,613)	13,479	124,092	(2,685)	4,527	7,212
Budgetary fund balances (deficits), July 1, 2007	10,061	10,061	-	105,262	105,262	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (100,552)	$ 23,540	$ 124,092	$ 102,577	$ 109,789	$ 7,212

Financial and Professional Regulation			Human Services			Healthcare and Family Services		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						$ 70,155	$ 84,637	$ 14,482
			$ 87,819	$ 103,790	$ 15,971	2,544,432	2,792,007	247,575
$ 23,674	$ 31,299	$ 7,625	27,776	32,388	4,612	3,708,736	4,301,174	592,438
3	1	(2)	100	7	(93)	9,750	16	(9,734)
23,671	31,298	7,627	115,495	136,171	20,676	6,313,573	7,177,802	864,229
			122,565	98,747	(23,818)	8,727,066	7,357,684	(1,369,382)
192	190	(2)				15,410	10,596	(4,814)
50,159	44,893	(5,266)						
276	136	(140)				830	353	(477)
50,627	45,219	(5,408)	122,565	98,747	(23,818)	8,743,306	7,368,633	(1,374,673)
(26,956)	(13,921)	13,035	(7,070)	37,424	44,494	(2,429,733)	(190,831)	2,238,902
26,986	26,986	-	2	2	-	2,753,334	2,753,334	-
(4,007)	(4,007)	-	(13,942)	(13,942)	-	(2,699,479)	(2,699,479)	-
22,979	22,979	-	(13,940)	(13,940)	-	53,855	53,855	-
(3,977)	9,058	13,035	(21,010)	23,484	44,494	(2,375,878)	(136,976)	2,238,902
31,283	31,283	-	9,237	9,237	-	(76,458)	(76,458)	-
$ 27,306	$ 40,341	$ 13,035	$ (11,773)	$ 32,721	$ 44,494	$ (2,452,336)	$ (213,434)	$ 2,238,902

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Revenue			Transportation		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	$ 2,694,362	$ 2,694,362	$ -			
Sales taxes	835,506	855,314	19,808			
Public utility taxes	206,853	206,853	-			
Federal government	17,654	17,654	-			
Other	1,964,358	1,859,123	(105,235)			
Less:						
Refunds	1,395,797	1,390,880	(4,917)			
Total revenues	4,322,936	4,242,426	(80,510)			
EXPENDITURES:						
Current:						
Health and social services	960	794	(166)			
General government	3,553,794	3,504,056	(49,738)			
Transportation				$ 430,211	$ 389,716	$ (40,495)
Public protection and justice						
Employment and economic development	166,870	163,481	(3,389)			
Environment and business regulation						
Capital outlays	440	178	(262)			
Total expenditures	3,722,064	3,668,509	(53,555)	430,211	389,716	(40,495)
Excess (deficiency) of revenues over (under) expenditures	600,872	573,917	(26,955)	(430,211)	(389,716)	40,495
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	1,502,412	1,502,412	-	407,521	407,521	-
Operating transfers-out	(2,201,475)	(2,201,475)	-	(852)	(852)	-
Total other sources (uses) of financial resources	(699,063)	(699,063)	-	406,669	406,669	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(98,191)	(125,146)	(26,955)	(23,542)	16,953	40,495
Budgetary fund balances (deficits), July 1, 2007	462,195	462,195	-	21,190	21,190	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 364,004	$ 337,049	$ (26,955)	$ (2,352)	$ 38,143	$ 40,495

Other Code Departments			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 2,694,362	$ 2,694,362	$ -
			835,506	855,314	19,808
			277,008	291,490	14,482
$ 422,786	$ 405,180	$ (17,606)	3,234,176	3,487,330	253,154
20,530	22,009	1,479	5,822,458	6,315,258	492,800
			1,406,800	1,391,623	(15,177)
443,316	427,189	(16,127)	11,456,710	12,252,131	795,421
431,139	376,723	(54,416)	9,281,730	7,833,948	(1,447,782)
1,503	1,126	(377)	3,571,030	3,516,099	(54,931)
			430,211	389,716	(40,495)
56,000	26,181	(29,819)	56,000	26,181	(29,819)
			475,329	354,868	(120,461)
			133,264	113,821	(19,443)
22,000	19,801	(2,199)	26,188	22,581	(3,607)
510,642	423,831	(86,811)	13,973,752	12,257,214	(1,716,538)
(67,326)	3,358	70,684	(2,517,042)	(5,083)	2,511,959
3,703	3,703	-	4,778,142	4,778,142	-
(2,344)	(2,344)	-	(4,962,963)	(4,962,963)	-
1,359	1,359	-	(184,821)	(184,821)	-
(65,967)	4,717	70,684	(2,701,863)	(189,904)	2,511,959
(77,803)	(77,803)	-	484,967	484,967	-
$ (143,770)	$ (73,086)	$ 70,684	$ (2,216,896)	$ 295,063	$ 2,511,959

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Commerce and Economic Opportunity

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Metropolitan Exposition Auditorium and Office Building			Tourism Promotion		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government						
Other						
Total revenues						
EXPENDITURES:						
Current:						
General government				$ 50	$ 50	$ -
Employment and economic development				33,459	32,445	(1,014)
Capital outlays				95	25	(70)
Total expenditures				33,604	32,520	(1,084)
Excess (deficiency) of revenues over (under) expenditures				(33,604)	(32,520)	1,084
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	$ 37,923	$ 37,923	$ -	46,261	46,261	-
Operating transfers-out	(36,599)	(36,599)	-	(146)	(146)	-
Total other sources (uses) of financial resources	1,324	1,324	-	46,115	46,115	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	1,324	1,324	-	12,511	13,595	1,084
Budgetary fund balances (deficits), July 1, 2007	16,870	16,870	-	10,095	10,095	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 18,194	$ 18,194	$ -	$ 22,606	$ 23,690	$ 1,084

Federal Workforce Training			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 154,589	$ 159,079	$ 4,490	$ 154,589	$ 159,079	$ 4,490
3	2,463	2,460	3	2,463	2,460
154,592	161,542	6,950	154,592	161,542	6,950
1	1	-	51	51	-
275,000	158,942	(116,058)	308,459	191,387	(117,072)
			95	25	(70)
275,001	158,943	(116,058)	308,605	191,463	(117,142)
(120,409)	2,599	123,008	(154,013)	(29,921)	124,092
			84,184	84,184	-
(4,039)	(4,039)	-	(40,784)	(40,784)	-
(4,039)	(4,039)	-	43,400	43,400	-
(124,448)	(1,440)	123,008	(110,613)	13,479	124,092
(16,904)	(16,904)	-	10,061	10,061	-
$ (141,352)	$ (18,344)	$ 123,008	$ (100,552)	$ 23,540	$ 124,092

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Special State Funds - Department of Natural Resources

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Wildlife and Fish			Open Space Lands Acquisition and Development		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 6,896	$ 9,620	$ 2,724			
Other	42,230	39,908	(2,322)	$ 35,151	$ 26,894	$ (8,257)
Less:						
Refunds	1,150	719	(431)			
Total revenues	47,976	48,809	833	35,151	26,894	(8,257)
EXPENDITURES:						
Current:						
General government	80	80	-			
Environment and business regulation	53,609	49,625	(3,984)	29,496	19,303	(10,193)
Capital outlays	2,547	2,088	(459)			
Total expenditures	56,236	51,793	(4,443)	29,496	19,303	(10,193)
Excess (deficiency) of revenues over (under) expenditures	(8,260)	(2,984)	5,276	5,655	7,591	1,936
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(4)	(4)	-	(76)	(76)	-
Total other sources (uses) of financial resources	(4)	(4)	-	(76)	(76)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(8,264)	(2,988)	5,276	5,579	7,515	1,936
Budgetary fund balances, July 1, 2007	25,992	25,992	-	79,270	79,270	-
BUDGETARY FUND BALANCES, JUNE 30, 2008	$ 17,728	$ 23,004	$ 5,276	$ 84,849	$ 86,785	$ 1,936

Total		
Final Budget	Actual	Variance Over (Under)
$ 6,896	$ 9,620	$ 2,724
77,381	66,802	(10,579)
1,150	719	(431)
83,127	75,703	(7,424)
80	80	-
83,105	68,928	(14,177)
2,547	2,088	(459)
85,732	71,096	(14,636)
(2,605)	4,607	7,212
(80)	(80)	-
(80)	(80)	-
(2,685)	4,527	7,212
105,262	105,262	-
$ 102,577	$ 109,789	$ 7,212

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Financial and Professional Regulation

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Professions Indirect Cost			Bank and Trust Company		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Other	$ 74	$ 249	$ 175	$ 23,600	$ 31,050	$ 7,450
Less:						
Refunds				3	1	(2)
Total revenues	74	249	175	23,597	31,049	7,452
EXPENDITURES:						
Current:						
General government	10	8	(2)	182	182	-
Environment and business regulation	35,447	30,806	(4,641)	14,712	14,087	(625)
Capital outlays	276	136	(140)			
Total expenditures	35,733	30,950	(4,783)	14,894	14,269	(625)
Excess (deficiency) of revenues over (under) expenditures	(35,659)	(30,701)	4,958	8,703	16,780	8,077
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	26,986	26,986	-			
Operating transfers-out	(124)	(124)	-	(3,883)	(3,883)	-
Total other sources (uses) of financial resources	26,862	26,862	-	(3,883)	(3,883)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(8,797)	(3,839)	4,958	4,820	12,897	8,077
Budgetary fund balances (deficits), July 1, 2007	(292)	(292)	-	31,575	31,575	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (9,089)	$ (4,131)	$ 4,958	$ 36,395	$ 44,472	$ 8,077

	Total	
Final Budget	Actual	Variance Over (Under)
$ 23,674	$ 31,299	$ 7,625
3	1	(2)
23,671	31,298	7,627
192	190	(2)
50,159	44,893	(5,266)
276	136	(140)
50,627	45,219	(5,408)
(26,956)	(13,921)	13,035
26,986	26,986	-
(4,007)	(4,007)	-
22,979	22,979	-
(3,977)	9,058	13,035
31,283	31,283	-
$ 27,306	$ 40,341	$ 13,035

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Special State Funds - Department of Human Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Mental Health			Community Mental Health Medicaid Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ -	$ 18,364	$ 18,364	$ 87,819	$ 85,426	$ (2,393)
Other	27,048	31,857	4,809	728	531	(197)
Less:						
Refunds	100	7	(93)			
Total revenues	26,948	50,214	23,266	88,547	85,957	(2,590)
EXPENDITURES:						
Current:						
Health and social services	16,875	16,506	(369)	105,690	82,241	(23,449)
Total expenditures	16,875	16,506	(369)	105,690	82,241	(23,449)
Excess (deficiency) of revenues over (under) expenditures	10,073	33,708	23,635	(17,143)	3,716	20,859
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				2	2	-
Operating transfers-out	(13,915)	(13,915)	-	(27)	(27)	-
Total other sources (uses) of financial resources	(13,915)	(13,915)	-	(25)	(25)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(3,842)	19,793	23,635	(17,168)	3,691	20,859
Budgetary fund balances, July 1, 2007	2,332	2,332	-	6,905	6,905	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (1,510)	$ 22,125	$ 23,635	$ (10,263)	$ 10,596	$ 20,859

Total		
Final Budget	Actual	Variance Over (Under)
$ 87,819	$ 103,790	$ 15,971
27,776	32,388	4,612
100	7	(93)
115,495	136,171	20,676
122,565	98,747	(23,818)
122,565	98,747	(23,818)
(7,070)	37,424	44,494
2	2	-
(13,942)	(13,942)	-
(13,940)	(13,940)	-
(21,010)	23,484	44,494
9,237	9,237	-
$ (11,773)	$ 32,721	$ 44,494

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	University of Illinois Hospital Services			County Provider Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Public utility taxes						
Federal government	$ 127,800	$ 147,633	$ 19,833	$ 647,210	$ 653,815	$ 6,605
Other	81,900	78,261	(3,639)	652,560	660,287	7,727
Less:						
Refunds				1,000	-	(1,000)
Total revenues	209,700	225,894	16,194	1,298,770	1,314,102	15,332
EXPENDITURES:						
Current:						
Health and social services	245,000	244,856	(144)	1,981,619	1,280,510	(701,109)
General government						
Capital outlays						
Total expenditures	245,000	244,856	(144)	1,981,619	1,280,510	(701,109)
Excess (deficiency) of revenues over (under) expenditures	(35,300)	(18,962)	16,338	(682,849)	33,592	716,441
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	44,700	44,700	-			
Operating transfers-out	(25,739)	(25,739)	-			
Total other sources (uses) of financial resources	18,961	18,961	-			
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(16,339)	(1)	16,338	(682,849)	33,592	716,441
Budgetary fund balances (deficits), July 1, 2007	1	1	-	(56,953)	(56,953)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (16,338)	$ -	$ 16,338	$ (739,802)	$ (23,361)	$ 716,441

Care Provider Fund for Persons with Developmental Disabilities			Long Term Care Provider			Hospital Provider		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 19,768	$ 20,843	$ 1,075	$ 450,807	$ 371,908	$ (78,899)	$ 691,430	$ 1,199,064	$ 507,634
20,633	18,962	(1,671)	331,027	297,174	(33,853)	733,639	1,466,415	732,776
1,000	-	(1,000)	2,750	16	(2,734)	5,000	-	(5,000)
39,401	39,805	404	779,084	669,066	(110,018)	1,420,069	2,665,479	1,245,410
43,095	42,933	(162)	983,611	823,090	(160,521)	2,430,400	2,409,489	(20,911)
10	10	-						
43,105	42,943	(162)	983,611	823,090	(160,521)	2,430,400	2,409,489	(20,911)
(3,704)	(3,138)	566	(204,527)	(154,024)	50,503	(1,010,331)	255,990	1,266,321
1	1	-	60,024	60,024	-	2,400,000	2,400,000	-
(14)	(14)	-				(2,669,281)	(2,669,281)	-
(13)	(13)	-	60,024	60,024	-	(269,281)	(269,281)	-
(3,717)	(3,151)	566	(144,503)	(94,000)	50,503	(1,279,612)	(13,291)	1,266,321
4,363	4,363	-	23,830	23,830	-	8,639	8,639	-
$ 646	$ 1,212	$ 566	$ (120,673)	$ (70,170)	$ 50,503	$ (1,270,973)	$ (4,652)	$ 1,266,321

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Special Education Medicaid Matching			Health and Human Services Medicaid Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Public utility taxes						
Federal government	$ 195,000	$ 93,960	$ (101,040)			
Other				$ 912	$ 2,327	$ 1,415
Less:						
Refunds						
Total revenues	195,000	93,960	(101,040)	912	2,327	1,415
EXPENDITURES:						
Current:						
Health and social services	200,000	125,134	(74,866)	32,950	7,344	(25,606)
General government						
Capital outlays						
Total expenditures	200,000	125,134	(74,866)	32,950	7,344	(25,606)
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(31,174)	(26,174)	(32,038)	(5,017)	27,021
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				40,000	40,000	-
Operating transfers-out				(3,500)	(3,500)	-
Total other sources (uses) of financial resources				36,500	36,500	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(5,000)	(31,174)	(26,174)	4,462	31,483	27,021
Budgetary fund balances (deficits), July 1, 2007	(8,887)	(8,887)	-	38,019	38,019	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (13,887)	$ (40,061)	$ (26,174)	$ 42,481	$ 69,502	$ 27,021

Supplemental Low Income Energy			Family Care			Drug Rebate		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 70,155	$ 84,637	$ 14,482						
						$ 252,670	$ 177,901	$ (74,769)
10,995	13,264	2,269	$ 27,325	$ 29,177	$ 1,852	1,200	1,311	111
81,150	97,901	16,751	27,325	29,177	1,852	253,870	179,212	(74,658)
98,185	90,258	(7,927)	40,000	30,821	(9,179)	604,000	356,882	(247,118)
9	9	-						
98,194	90,267	(7,927)	40,000	30,821	(9,179)	604,000	356,882	(247,118)
(17,044)	7,634	24,678	(12,675)	(1,644)	11,031	(350,130)	(177,670)	172,460
79	79	-				168,530	168,530	-
79	79	-				168,530	168,530	-
(16,965)	7,713	24,678	(12,675)	(1,644)	11,031	(181,600)	(9,140)	172,460
9,135	9,135	-	154	154	-	(24,789)	(24,789)	-
$ (7,830)	$ 16,848	$ 24,678	$ (12,521)	$ (1,490)	$ 11,031	$ (206,389)	$ (33,929)	$ 172,460

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Healthcare and Family Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Child Support Administrative			Health Insurance Reserve		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Public utility taxes						
Federal government	$ 122,864	$ 92,897	$ (29,967)	$ 36,883	$ 33,986	$ (2,897)
Other	38,953	31,641	(7,312)	1,809,592	1,702,355	(107,237)
Less:						
Refunds						
Total revenues	161,817	124,538	(37,279)	1,846,475	1,736,341	(110,134)
EXPENDITURES:						
Current:						
Health and social services	190,348	166,190	(24,158)	1,877,858	1,780,177	(97,681)
General government	847	810	(37)	14,544	9,767	(4,777)
Capital outlays	818	353	(465)	12	-	(12)
Total expenditures	192,013	167,353	(24,660)	1,892,414	1,789,944	(102,470)
Excess (deficiency) of revenues over (under) expenditures	(30,196)	(42,815)	(12,619)	(45,939)	(53,603)	(7,664)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	40,000	40,000	-			
Operating transfers-out	(945)	(945)	-			
Total other sources (uses) of financial resources	39,055	39,055	-			
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	8,859	(3,760)	(12,619)	(45,939)	(53,603)	(7,664)
Budgetary fund balances (deficits), July 1, 2007	(13,679)	(13,679)	-	(56,291)	(56,291)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (4,820)	$ (17,439)	$ (12,619)	$ (102,230)	$ (109,894)	$ (7,664)

	Total		
	Final Budget	Actual	Variance Over (Under)
	$ 70,155	$ 84,637	$ 14,482
	2,544,432	2,792,007	247,575
	3,708,736	4,301,174	592,438
	9,750	16	(9,734)
	6,313,573	7,177,802	864,229
	8,727,066	7,357,684	(1,369,382)
	15,410	10,596	(4,814)
	830	353	(477)
	8,743,306	7,368,633	(1,374,673)
	(2,429,733)	(190,831)	2,238,902
	2,753,334	2,753,334	-
	(2,699,479)	(2,699,479)	-
	53,855	53,855	-
	(2,375,878)	(136,976)	2,238,902
	(76,458)	(76,458)	-
	$ (2,452,336)	$ (213,434)	$ 2,238,902

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Revenue

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Gaming			Rental Housing Support Program		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes						
Sales taxes						
Public utility taxes						
Federal government						
Other	$ 742,550	$ 687,805	$ (54,745)	$ 26,000	$ 21,824	$ (4,176)
Less:						
Refunds	50	10	(40)			
Total revenues	742,500	687,795	(54,705)	26,000	21,824	(4,176)
EXPENDITURES:						
Current:						
Health and social services	960	794	(166)			
General government	138,604	123,797	(14,807)	32,100	29,372	(2,728)
Employment and economic development						
Capital outlays	136	7	(129)			
Total expenditures	139,700	124,598	(15,102)	32,100	29,372	(2,728)
Excess (deficiency) of revenues over (under) expenditures	602,800	563,197	(39,603)	(6,100)	(7,548)	(1,448)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	2	2	-			
Operating transfers-out	(564,068)	(564,068)	-			
Total other sources (uses) of financial resources	(564,066)	(564,066)	-			
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	38,734	(869)	(39,603)	(6,100)	(7,548)	(1,448)
Budgetary fund balances (deficits), July 1, 2007	(4,990)	(4,990)	-	28,237	28,237	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 33,744	$ (5,859)	$ (39,603)	$ 22,137	$ 20,689	$ (1,448)

State and Local Sales Tax Reform			RTA Occupational and Use Tax Replacement			Illinois Sports Facilities		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 246,448	$ 268,917	$ 22,469						
						$ 40,782	$ 38,000	$ (2,782)
246,448	268,917	22,469				40,782	38,000	(2,782)
53,804	53,804	-	$ 26,901	$ 26,901	$ -			
						40,782	38,000	(2,782)
53,804	53,804	-	26,901	26,901	-	40,782	38,000	(2,782)
192,644	215,113	22,469	(26,901)	(26,901)	-	-	-	-
1	1	-	25,552	25,552	-			
(204,418)	(204,418)	-	(1)	(1)	-			
(204,417)	(204,417)	-	25,551	25,551	-			
(11,773)	10,696	22,469	(1,350)	(1,350)	-	-	-	-
33,423	33,423	-	(336)	(336)	-			
$ 21,650	$ 44,119	$ 22,469	$ (1,686)	$ (1,686)	$ -	$ -	$ -	$ -

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Revenue

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Income Tax Refund			McCormick Place Expansion Project		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes	$ 1,438,513	$ 1,438,513	$ -			
Sales taxes				$ 163,568	$ 160,907	$ (2,661)
Public utility taxes						
Federal government	17,654	17,654	-			
Other						
Less:						
Refunds	1,395,699	1,390,846	(4,853)			
Total revenues	60,468	65,321	4,853	163,568	160,907	(2,661)
EXPENDITURES:						
Current:						
Health and social services						
General government						
Employment and economic development				126,088	125,481	(607)
Capital outlays						
Total expenditures				126,088	125,481	(607)
Excess (deficiency) of revenues over (under) expenditures	60,468	65,321	4,853	37,480	35,426	(2,054)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	1,005	1,005	-			
Operating transfers-out	(155,993)	(155,993)	-	(39,169)	(39,169)	-
Total other sources (uses) of financial resources	(154,988)	(154,988)	-	(39,169)	(39,169)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(94,520)	(89,667)	4,853	(1,689)	(3,743)	(2,054)
Budgetary fund balances (deficits), July 1, 2007	155,915	155,915	-	13,943	13,943	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 61,395	$ 66,248	$ 4,853	$ 12,254	$ 10,200	$ (2,054)

Local Government Distributive			State Lottery			Personal Property Tax Replacement		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						$ 1,255,849	$ 1,255,849	$ -
						206,853	206,853	-
			$ 1,035,597	$ 992,065	$ (43,532)	3,890	3,890	-
			48	24	(24)			
			1,035,549	992,041	(43,508)	1,466,592	1,466,592	-
$ 1,349,920	$ 1,349,920	$ -	376,430	344,814	(31,616)	1,576,035	1,575,448	(587)
			275	150	(125)	29	21	(8)
1,349,920	1,349,920	-	376,705	344,964	(31,741)	1,576,064	1,575,469	(595)
(1,349,920)	(1,349,920)	-	658,844	647,077	(11,767)	(109,472)	(108,877)	595
1,347,593	1,347,593	-	1,548	1,548	-	87,245	87,245	-
(62)	(62)	-	(657,136)	(657,136)	-	(132)	(132)	-
1,347,531	1,347,531	-	(655,588)	(655,588)	-	87,113	87,113	-
(2,389)	(2,389)	-	3,256	(8,511)	(11,767)	(22,359)	(21,764)	595
(8,559)	(8,559)	-	(8,969)	(8,969)	-	253,530	253,530	-
$ (10,948)	$ (10,948)	$ -	$ (5,713)	$ (17,480)	$ (11,767)	$ 231,171	$ 231,766	$ 595

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Revenue

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Build Illinois			Total		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Income taxes				$ 2,694,362	$ 2,694,362	$ -
Sales taxes	$ 425,490	$ 425,490	$ -	835,506	855,314	19,808
Public utility taxes				206,853	206,853	-
Federal government				17,654	17,654	-
Other	115,539	115,539	-	1,964,358	1,859,123	(105,235)
Less:						
Refunds				1,395,797	1,390,880	(4,917)
Total revenues	541,029	541,029	-	4,322,936	4,242,426	(80,510)
EXPENDITURES:						
Current:						
Health and social services				960	794	(166)
General government				3,553,794	3,504,056	(49,738)
Employment and economic development				166,870	163,481	(3,389)
Capital outlays				440	178	(262)
Total expenditures				3,722,064	3,668,509	(53,555)
Excess (deficiency) of revenues over (under) expenditures	541,029	541,029	-	600,872	573,917	(26,955)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	39,466	39,466	-	1,502,412	1,502,412	-
Operating transfers-out	(580,496)	(580,496)	-	(2,201,475)	(2,201,475)	-
Total other sources (uses) of financial resources	(541,030)	(541,030)	-	(699,063)	(699,063)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(1)	(1)	-	(98,191)	(125,146)	(26,955)
Budgetary fund balances (deficits), July 1, 2007	1	1	-	462,195	462,195	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ -	$ -	$ -	$ 364,004	$ 337,049	$ (26,955)

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Combining Schedule of Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Department of Transportation

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Transportation			Downstate Public Transportation		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
EXPENDITURES:						
Current:						
Transportation	$ 340,300	$ 304,499	$ (35,801)	$ 89,911	$ 85,217	$ (4,694)
Total expenditures	340,300	304,499	(35,801)	89,911	85,217	(4,694)
Excess (deficiency) of revenues over (under) expenditures	(340,300)	(304,499)	35,801	(89,911)	(85,217)	4,694
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	321,323	321,323	-	86,198	86,198	-
Operating transfers-out	(733)	(733)	-	(119)	(119)	-
Total other sources (uses) of financial resources	320,590	320,590	-	86,079	86,079	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(19,710)	16,091	35,801	(3,832)	862	4,694
Budgetary fund balances, July 1, 2007	2,176	2,176	-	19,014	19,014	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (17,534)	$ 18,267	$ 35,801	$ 15,182	$ 19,876	$ 4,694

Total		
Final Budget	Actual	Variance Over (Under)
$ 430,211	$ 389,716	$ (40,495)
430,211	389,716	(40,495)
(430,211)	(389,716)	40,495
407,521	407,521	-
(852)	(852)	-
406,669	406,669	-
(23,542)	16,953	40,495
21,190	21,190	-
$ (2,352)	$ 38,143	$ 40,495

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Other Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Children and Family Services			Corrections		
	DCFS Children's Services			Corrections Reimbursements		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 399,600	$ 370,940	$ (28,660)	$ 23,186	$ 34,240	$ 11,054
Other	2,811	2,103	(708)	17,719	19,906	2,187
Total revenues	402,411	373,043	(29,368)	40,905	54,146	13,241
EXPENDITURES:						
Current:						
Health and social services	431,139	376,723	(54,416)			
General government	1,500	1,123	(377)	3	3	-
Public protection and justice				56,000	26,181	(29,819)
Capital outlays				22,000	19,801	(2,199)
Total expenditures	432,639	377,846	(54,793)	78,003	45,985	(32,018)
Excess (deficiency) of revenues over (under) expenditures	(30,228)	(4,803)	25,425	(37,098)	8,161	45,259
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	2,203	2,203	-	1,500	1,500	-
Operating transfers-out	(1,401)	(1,401)	-	(943)	(943)	-
Total other sources (uses) of financial resources	802	802	-	557	557	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(29,426)	(4,001)	25,425	(36,541)	8,718	45,259
Budgetary fund balances(deficits), July 1, 2007	(71,742)	(71,742)	-	(6,061)	(6,061)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (101,168)	$ (75,743)	$ 25,425	$ (42,602)	$ 2,657	$ 45,259

Total		
Final Budget	Actual	Variance Over (Under)
$ 422,786	$ 405,180	$ (17,606)
20,530	22,009	1,479
443,316	427,189	(16,127)
431,139	376,723	(54,416)
1,503	1,126	(377)
56,000	26,181	(29,819)
22,000	19,801	(2,199)
510,642	423,831	(86,811)
(67,326)	3,358	70,684
3,703	3,703	-
(2,344)	(2,344)	-
1,359	1,359	-
(65,967)	4,717	70,684
(77,803)	(77,803)	-
$ (143,770)	$ (73,086)	$ 70,684

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Agencies, Boards, and Commissions

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Illinois Commerce Commission			Environmental Protection Agency		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Motor fuel taxes				$ 75,106	$ 71,081	$ (4,025)
Public utility taxes	$ 57,717	$ 63,960	$ 6,243			
Federal government	653	485	(168)	38,000	28,305	(9,695)
Other	8,861	10,897	2,036	145,970	147,789	1,819
Less:						
Refunds	27	27	-	11	10	(1)
Total revenues	67,204	75,315	8,111	259,065	247,165	(11,900)
EXPENDITURES:						
Current:						
Health and social services						
Education						
General government	2	2	-	4,590	4,506	(84)
Public protection and justice				3,612	3,263	(349)
Employment and economic development						
Environment and business regulation	73,510	68,649	(4,861)	275,451	261,552	(13,899)
Capital outlays	82	79	(3)	541	295	(246)
Total expenditures	73,594	68,730	(4,864)	284,194	269,616	(14,578)
Excess (deficiency) of revenues over (under) expenditures	(6,390)	6,585	12,975	(25,129)	(22,451)	2,678
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	8,000	8,000	-	30,008	30,008	-
Operating transfers-out	(955)	(955)	-	(14,025)	(14,025)	-
Total other sources (uses) of financial resources	7,045	7,045	-	15,983	15,983	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	655	13,630	12,975	(9,146)	(6,468)	2,678
Budgetary fund balances, July 1, 2007	6,525	6,525	-	435,674	435,674	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 7,180	$ 20,155	$ 12,975	$ 426,528	$ 429,206	$ 2,678

Other Agencies, Boards, and Commissions			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 75,106	$ 71,081	$ (4,025)
$ 97,525	$ 98,169	$ 644	155,242	162,129	6,887
60	-	(60)	38,713	28,790	(9,923)
172,337	164,229	(8,108)	327,168	322,915	(4,253)
4	4	-	42	41	(1)
269,918	262,394	(7,524)	596,187	584,874	(11,313)
13,946	13,582	(364)	13,946	13,582	(364)
3,619	3,585	(34)	3,619	3,585	(34)
55,931	39,818	(16,113)	60,523	44,326	(16,197)
28,646	25,960	(2,686)	32,258	29,223	(3,035)
31,623	30,410	(1,213)	31,623	30,410	(1,213)
13,487	12,116	(1,371)	362,448	342,317	(20,131)
1,363	1,078	(285)	1,986	1,452	(534)
148,615	126,549	(22,066)	506,403	464,895	(41,508)
121,303	135,845	14,542	89,784	119,979	30,195
94,988	94,988	-	132,996	132,996	-
(233,493)	(233,493)	-	(248,473)	(248,473)	-
(138,505)	(138,505)	-	(115,477)	(115,477)	-
(17,202)	(2,660)	14,542	(25,693)	4,502	30,195
40,683	40,683	-	482,882	482,882	-
$ 23,481	$ 38,023	$ 14,542	$ 457,189	$ 487,384	$ 30,195

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Special State Funds - Illinois Commerce Commission

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Utility			Wireless Service Emergency		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Public utility taxes	$ 13,425	$ 16,513	$ 3,088	$ 44,292	$ 47,447	$ 3,155
Federal government	653	485	(168)			
Other	8,861	10,897	2,036			
Less:						
Refunds	27	27	-			
Total revenues	22,912	27,868	4,956	44,292	47,447	3,155
EXPENDITURES:						
Current:						
General government	2	2	-			
Environment and business regulation	27,610	22,803	(4,807)	45,900	45,846	(54)
Capital outlays	82	79	(3)			
Total expenditures	27,694	22,884	(4,810)	45,900	45,846	(54)
Excess (deficiency) of revenues over (under) expenditures	(4,782)	4,984	9,766	(1,608)	1,601	3,209
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				8,000	8,000	-
Operating transfers-out	(955)	(955)	-			
Total other sources (uses) of financial resources	(955)	(955)	-	8,000	8,000	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(5,737)	4,029	9,766	6,392	9,601	3,209
Budgetary fund balances (deficits), July 1, 2007	7,456	7,456	-	(931)	(931)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 1,719	$ 11,485	$ 9,766	$ 5,461	$ 8,670	$ 3,209

Total		
Final Budget	Actual	Variance Over (Under)
$ 57,717	$ 63,960	$ 6,243
653	485	(168)
8,861	10,897	2,036
27	27	-
67,204	75,315	8,111
2	2	-
73,510	68,649	(4,861)
82	79	(3)
73,594	68,730	(4,864)
(6,390)	6,585	12,975
8,000	8,000	-
(955)	(955)	-
7,045	7,045	-
655	13,630	12,975
6,525	6,525	-
$ 7,180	$ 20,155	$ 12,975

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Environmental Protection Agency

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Underground Storage Tank			Water Revolving		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Motor fuel taxes	$ 75,106	$ 71,081	$ (4,025)			
Federal government	-	43	43	$ 38,000	$ 24,078	$ (13,922)
Other	73	66	(7)	145,800	147,695	1,895
Less:						
Refunds	11	10	(1)			
Total revenues	75,168	71,180	(3,988)	183,800	171,773	(12,027)
EXPENDITURES:						
Current:						
General government	1,000	969	(31)	1	1	-
Public protection and justice	3,612	3,263	(349)			
Employment and economic development						
Environment and business regulation	68,249	57,852	(10,397)	179,058	177,501	(1,557)
Capital outlays	267	62	(205)			
Total expenditures	73,128	62,146	(10,982)	179,059	177,502	(1,557)
Excess (deficiency) of revenues over (under) expenditures	2,040	9,034	6,994	4,741	(5,729)	(10,470)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	4	4	-			
Operating transfers-out	(14,024)	(14,024)	-			
Total other sources (uses) of financial resources	(14,020)	(14,020)	-			
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(11,980)	(4,986)	6,994	4,741	(5,729)	(10,470)
Budgetary fund balances, July 1, 2007	8,826	8,826	-	426,740	426,740	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (3,154)	$ 3,840	$ 6,994	$ 431,481	$ 421,011	$ (10,470)

Vehicle Inspection			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 75,106	$ 71,081	$ (4,025)
$ -	$ 4,184	$ 4,184	38,000	28,305	(9,695)
97	28	(69)	145,970	147,789	1,819
			11	10	(1)
97	4,212	4,115	259,065	247,165	(11,900)
3,589	3,536	(53)	4,590	4,506	(84)
			3,612	3,263	(349)
28,144	26,199	(1,945)	275,451	261,552	(13,899)
274	233	(41)	541	295	(246)
32,007	29,968	(2,039)	284,194	269,616	(14,578)
(31,910)	(25,756)	6,154	(25,129)	(22,451)	2,678
30,004	30,004	-	30,008	30,008	-
(1)	(1)	-	(14,025)	(14,025)	-
30,003	30,003	-	15,983	15,983	-
(1,907)	4,247	6,154	(9,146)	(6,468)	2,678
108	108	-	435,674	435,674	-
$ (1,799)	$ 4,355	$ 6,154	$ 426,528	$ 429,206	$ 2,678

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Other Agencies, Boards, and Commissions

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Capital Development Board			Housing Development Authority		
	School Infrastructure			Illinois Affordable Housing Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Public utility taxes	$ 97,525	$ 98,169	$ 644			
Federal government						
Other	60,000	60,000	-	$ 67,015	$ 51,499	$ (15,516)
Less:						
Refunds						
Total revenues	157,525	158,169	644	67,015	51,499	(15,516)
EXPENDITURES:						
Current:						
Health and social services				12,523	12,473	(50)
Education	111	77	(34)			
General government	665	659	(6)	55,102	38,997	(16,105)
Public protection and justice						
Employment and economic development						
Environment and business regulation						
Capital outlays						
Total expenditures	776	736	(40)	67,625	51,470	(16,155)
Excess (deficiency) of revenues over (under) expenditures	156,749	157,433	684	(610)	29	639
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	64,577	64,577	-	1	1	-
Operating transfers-out	(214,203)	(214,203)	-	(3,898)	(3,898)	-
Total other sources (uses) of financial resources	(149,626)	(149,626)	-	(3,897)	(3,897)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	7,123	7,807	684	(4,507)	(3,868)	639
Budgetary fund balances, July 1, 2007	48	48	-	4,099	4,099	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 7,171	$ 7,855	$ 684	$ (408)	$ 231	$ 639

Metropolitan Pier and Exposition Authority			IL Emergency Management			State Fire Marshal		
MFEA Improvement Bond			Nuclear Safety Emergency Preparedness			Fire Prevention		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
						$ 60	$ -	$ (60)
			$ 18,373	$ 27,042	$ 8,669	26,949	25,688	(1,261)
						4	4	-
			18,373	27,042	8,669	27,005	25,684	(1,321)
						1,423	1,109	(314)
						3,508	3,508	-
			12	12	-	152	150	(2)
			6,141	5,692	(449)	22,505	20,268	(2,237)
$ 31,623	$ 30,410	$ (1,213)						
			13,487	12,116	(1,371)			
			933	890	(43)	430	188	(242)
31,623	30,410	(1,213)	20,573	18,710	(1,863)	28,018	25,223	(2,795)
(31,623)	(30,410)	1,213	(2,200)	8,332	10,532	(1,013)	461	1,474
30,410	30,410	-						
			(52)	(52)	-	(15,340)	(15,340)	-
30,410	30,410	-	(52)	(52)	-	(15,340)	(15,340)	-
(1,213)	-	1,213	(2,252)	8,280	10,532	(16,353)	(14,879)	1,474
5	5	-	3,238	3,238	-	33,293	33,293	-
$ (1,208)	$ 5	$ 1,213	$ 986	$ 11,518	$ 10,532	$ 16,940	$ 18,414	$ 1,474

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Special State Funds - Other Agencies, Boards, and Commissions

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Total		
	Final Budget	Actual	Variance Over (Under)
REVENUES:			
Public utility taxes	$ 97,525	$ 98,169	$ 644
Federal government	60	-	(60)
Other	172,337	164,229	(8,108)
Less:			
Refunds	4	4	-
Total revenues	269,918	262,394	(7,524)
EXPENDITURES:			
Current:			
Health and social services	13,946	13,582	(364)
Education	3,619	3,585	(34)
General government	55,931	39,818	(16,113)
Public protection and justice	28,646	25,960	(2,686)
Employment and economic development	31,623	30,410	(1,213)
Environment and business regulation	13,487	12,116	(1,371)
Capital outlays	1,363	1,078	(285)
Total expenditures	148,615	126,549	(22,066)
Excess (deficiency) of revenues over (under) expenditures	121,303	135,845	14,542
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:			
Operating transfers-in	94,988	94,988	-
Operating transfers-out	(233,493)	(233,493)	-
Total other sources (uses) of financial resources	(138,505)	(138,505)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(17,202)	(2,660)	14,542
Budgetary fund balances, July 1, 2007	40,683	40,683	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 23,481	$ 38,023	$ 14,542

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State of Illinois

Combining Schedule of Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Bond Financed Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Commerce and Economic Opportunity			Transportation		
	Build Illinois Bond			Traportation Bond Series B		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
EXPENDITURES:						
Current:						
Education	$ 9,954	$ 9,954	$ -			
General government	425	1	(424)			
Transportation				$ 57,665	$ 57,660	$ (5)
Public protection and justice						
Employment and economic development	3,250	868	(2,382)			
Environment and business regulation	5,292	5,286	(6)			
Capital outlays	18,935	18,935	-			
Total expenditures	37,856	35,044	(2,812)	57,665	57,660	(5)
Excess (deficiency) of revenues over (under) expenditures	(37,856)	(35,044)	2,812	(57,665)	(57,660)	5
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general obligation bond issues	227,000	51,644	(175,356)	60,000	15,517	(44,483)
Operating transfers-in				22,449	22,449	-
Operating transfers-out						
Total other sources (uses) of financial resources	227,000	51,644	(175,356)	82,449	37,966	(44,483)
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	189,144	16,600	(172,544)	24,784	(19,694)	(44,478)
Budgetary fund balances, July 1, 2007	4,508	4,508	-	20,006	20,006	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 193,652	$ 21,108	$ (172,544)	$ 44,790	$ 312	$ (44,478)

Capital Development Board			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 623	$ 623	$ -				$ 10,577	$ 10,577	$ -
179,131	41,452	(137,679)				179,556	41,453	(138,103)
64	-	(64)	$ 14,657	$ 14,627	$ (30)	72,386	72,287	(99)
14,045	3	(14,042)				14,045	3	(14,042)
77,848	4,037	(73,811)				81,098	4,905	(76,193)
8,753	8,753	-	45	45	-	14,090	14,084	(6)
124,179	123,968	(211)				143,114	142,903	(211)
404,643	178,836	(225,807)	14,702	14,672	(30)	514,866	286,212	(228,654)
(404,643)	(178,836)	225,807	(14,702)	(14,672)	30	(514,866)	(286,212)	228,654
637,205	103,409	(533,796)	88,050	10,354	(77,696)	1,012,255	180,924	(831,331)
5,051	5,051	-				27,500	27,500	-
(9,875)	(9,875)	-	(17,625)	(17,625)	-	(27,500)	(27,500)	-
632,381	98,585	(533,796)	70,425	(7,271)	(77,696)	1,012,255	180,924	(831,331)
227,738	(80,251)	(307,989)	55,723	(21,943)	(77,666)	497,389	(105,288)	(602,677)
119,524	119,524	-	35,033	35,033	-	179,071	179,071	-
$ 347,262	$ 39,273	$ (307,989)	$ 90,756	$ 13,090	$ (77,666)	$ 676,460	$ 73,783	$ (602,677)

State of Illinois

Combining Schedule of Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Bond Financed Funds - Capital Development Board

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Capital Development			School Construction		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
EXPENDITURES:						
Current:						
Education	$ 623	$ 623	$ -			
General government	149,115	11,436	(137,679)	$ 30,016	$ 30,016	$ -
Transportation	64	-	(64)			
Public protection and justice	14,045	3	(14,042)			
Employment and economic development	77,848	4,037	(73,811)			
Environment and business regulation	8,753	8,753	-			
Capital outlays	124,179	123,968	(211)			
Total expenditures	374,627	148,820	(225,807)	30,016	30,016	-
(Deficiency) of revenues (under) expenditures	(374,627)	(148,820)	225,807	(30,016)	(30,016)	-
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Proceeds from general obligation bond issues	424,405	103,401	(321,004)	212,800	8	(212,792)
Operating transfers-in	5,051	5,051	-			
Operating transfers-out	(4,824)	(4,824)	-	(5,051)	(5,051)	-
Total other sources (uses) of financial resources	424,632	103,628	(321,004)	207,749	(5,043)	(212,792)
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	50,005	(45,192)	(95,197)	177,733	(35,059)	(212,792)
Budgetary fund balances, July 1, 2007	79,180	79,180	-	40,344	40,344	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 129,185	$ 33,988	$ (95,197)	$ 218,077	$ 5,285	$ (212,792)

	Total	
Final Budget	Actual	Variance Over (Under)
$ 623	$ 623	$ -
179,131	41,452	(137,679)
64	-	(64)
14,045	3	(14,042)
77,848	4,037	(73,811)
8,753	8,753	-
124,179	123,968	(211)
404,643	178,836	(225,807)
(404,643)	(178,836)	225,807
637,205	103,409	(533,796)
5,051	5,051	-
(9,875)	(9,875)	-
632,381	98,585	(533,796)
227,738	(80,251)	(307,989)
119,524	119,524	-
$ 347,262	$ 39,273	$ (307,989)

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Debt Service Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Obligation Bond, Retirement, and Interest			Build Illinois Bond, Retirement, and Interest		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ -	$ 4,383	$ 4,383			
Other	481,094	113,405	(367,689)	$ 150	$ 218	$ 68
Total revenues	481,094	117,788	(363,306)	150	218	68
EXPENDITURES:						
Debt service:						
Principal	3,063,170	3,037,770	(25,400)	306,944	291,327	(15,617)
Interest	1,143,784	1,109,036	(34,748)			
Total expenditures	4,206,954	4,146,806	(60,148)	306,944	291,327	(15,617)
Excess (deficiency) of revenues over (under) expenditures	(3,725,860)	(4,029,018)	(303,158)	(306,794)	(291,109)	15,685
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	4,039,091	4,039,091	-	291,327	291,327	-
Total other sources (uses) of financial resources	4,039,091	4,039,091	-	291,327	291,327	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	313,231	10,073	(303,158)	(15,467)	218	15,685
Budgetary fund balances, July 1, 2007	624,844	624,844	-	2,662	2,662	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 938,075	$ 634,917	$ (303,158)	$ (12,805)	$ 2,880	$ 15,685

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ -	$ 4,383	$ 4,383
$ 50	$ 474	$ 424	481,294	114,097	(367,197)
50	474	424	481,294	118,480	(362,814)
14,500	13,895	(605)	3,384,614	3,342,992	(41,622)
			1,143,784	1,109,036	(34,748)
14,500	13,895	(605)	4,528,398	4,452,028	(76,370)
(14,450)	(13,421)	1,029	(4,047,104)	(4,333,548)	(286,444)
14,094	14,094	-	4,344,512	4,344,512	-
14,094	14,094	-	4,344,512	4,344,512	-
(356)	673	1,029	297,408	10,964	(286,444)
10,873	10,873	-	638,379	638,379	-
$ 10,517	$ 11,546	$ 1,029	$ 935,787	$ 649,343	$ (286,444)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Code Departments			Agencies, Boards & Commissions		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 1,266,474	$ 1,256,005	$ (10,469)	$ 1,990,999	$ 2,051,546	$ 60,547
Other	94,876	112,265	17,389	1	779	778
Less:						
Refunds	1,650	-	(1,650)			
Total revenues	1,359,700	1,368,270	8,570	1,991,000	2,052,325	61,325
EXPENDITURES:						
Current:						
Health and social services	1,345,947	1,019,715	(326,232)	2,100	201	(1,899)
Education				2,159,652	1,852,163	(307,489)
General government	1,047	952	(95)	222	222	-
Transportation	96,174	96,174	-	2,571	880	(1,691)
Public protection and justice				430,800	144,930	(285,870)
Employment and economic development	388,084	250,935	(137,149)			
Environment and business regulation				134,730	64,064	(70,666)
Capital outlays	9,516	332	(9,184)	1,518	748	(770)
Total expenditures	1,840,768	1,368,108	(472,660)	2,731,593	2,063,208	(668,385)
Excess (deficiency) of revenues over (under) expenditures	(481,068)	162	481,230	(740,593)	(10,883)	729,710
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	9,459	9,459	-			
Operating transfers-out	(3,082)	(3,082)	-	(22,069)	(22,069)	-
Total other sources (uses) of financial resources	6,377	6,377	-	(22,069)	(22,069)	-
Budgetary funds-nonbudgeted accounts	(9,188)	(9,188)	-	(7,026)	(7,026)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(483,879)	(2,649)	481,230	(769,688)	(39,978)	729,710
Budgetary fund balances (deficits), July 1, 2007	(49,615)	(49,615)	-	(249,589)	(249,589)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (533,494)	$ (52,264)	$ 481,230	$ (1,019,277)	$ (289,567)	$ 729,710

Higher Education Illinois Student Assistance Commission			Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 78,635	$ 113,010	$ 34,375	$ 280,034	$ 235,293	$ (44,741)	$ 3,616,142	$ 3,655,854	$ 39,712
155,617	176,817	21,200	16,688	18,421	1,733	267,182	308,282	41,100
			1,190	12	(1,178)	2,840	12	(2,828)
234,252	289,827	55,575	295,532	253,702	(41,830)	3,880,484	3,964,124	83,640
			330,813	134,243	(196,570)	1,678,860	1,154,159	(524,701)
427,367	267,104	(160,263)	17,335	8,953	(8,382)	2,604,354	2,128,220	(476,134)
			10,824	8,300	(2,524)	12,093	9,474	(2,619)
			16,962	16,962	-	115,707	114,016	(1,691)
			56,515	31,939	(24,576)	487,315	176,869	(310,446)
			45,349	29,685	(15,664)	433,433	280,620	(152,813)
			50,235	30,985	(19,250)	184,965	95,049	(89,916)
535	391	(144)	1,073	502	(571)	12,642	1,973	(10,669)
427,902	267,495	(160,407)	529,106	261,569	(267,537)	5,529,369	3,960,380	(1,568,989)
(193,650)	22,332	215,982	(233,574)	(7,867)	225,707	(1,648,885)	3,744	1,652,629
			28,194	28,194	-	37,653	37,653	-
(5)	(5)	-	(15,785)	(15,785)	-	(40,941)	(40,941)	-
(5)	(5)	-	12,409	12,409	-	(3,288)	(3,288)	-
			(4,875)	(4,875)	-	(21,089)	(21,089)	-
(193,655)	22,327	215,982	(226,040)	(333)	225,707	(1,673,262)	(20,633)	1,652,629
16,350	16,350	-	13,015	13,015	-	(269,839)	(269,839)	-
$ (177,305)	$ 38,677	$ 215,982	$ (213,025)	$ 12,682	$ 225,707	$ (1,943,101)	$ (290,472)	$ 1,652,629

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Federal Trust Funds - Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Commerce and Economic Opportunity			Human Services		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 63,741	$ 61,691	$ (2,050)	$ 575,001	$ 610,521	$ 35,520
Other				71,230	81,285	10,055
Less:						
Refunds	470	-	(470)	205	-	(205)
Total revenues	63,271	61,691	(1,580)	646,026	691,806	45,780
EXPENDITURES:						
Current:						
Health and social services				788,723	691,421	(97,302)
General government				230	217	(13)
Transportation						
Employment and economic development	132,789	60,103	(72,686)			
Capital outlays	19	5	(14)	3,535	133	(3,402)
Total expenditures	132,808	60,108	(72,700)	792,488	691,771	(100,717)
Excess (deficiency) of revenues over (under) expenditures	(69,537)	1,583	71,120	(146,462)	35	146,497
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in				9,459	9,459	-
Operating transfers-out	(1,900)	(1,900)	-			
Total other sources (uses) of financial resources	(1,900)	(1,900)	-	9,459	9,459	-
Budgetary funds-nonbudgeted accounts				(8,971)	(8,971)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(71,437)	(317)	71,120	(145,974)	523	146,497
Budgetary fund balances (deficits), July 1, 2007	(5,163)	(5,163)	-	(15,942)	(15,942)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (76,600)	$ (5,480)	$ 71,120	$ (161,916)	$ (15,419)	$ 146,497

Other Code Departments			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 627,732	$ 583,793	$ (43,939)	$ 1,266,474	$ 1,256,005	$ (10,469)
23,646	30,980	7,334	94,876	112,265	17,389
975	-	(975)	1,650	-	(1,650)
650,403	614,773	(35,630)	1,359,700	1,368,270	8,570
557,224	328,294	(228,930)	1,345,947	1,019,715	(326,232)
817	735	(82)	1,047	952	(95)
96,174	96,174	-	96,174	96,174	-
255,295	190,832	(64,463)	388,084	250,935	(137,149)
5,962	194	(5,768)	9,516	332	(9,184)
915,472	616,229	(299,243)	1,840,768	1,368,108	(472,660)
(265,069)	(1,456)	263,613	(481,068)	162	481,230
			9,459	9,459	-
(1,182)	(1,182)	-	(3,082)	(3,082)	-
(1,182)	(1,182)	-	6,377	6,377	-
(217)	(217)	-	(9,188)	(9,188)	-
(266,468)	(2,855)	263,613	(483,879)	(2,649)	481,230
(28,510)	(28,510)	-	(49,615)	(49,615)	-
$ (294,978)	$ (31,365)	$ 263,613	$ (533,494)	$ (52,264)	$ 481,230

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Department of Commerce and Economic Opportunity

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Community Services Block Grant			Community Development/ Small Cities Block Grant		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 29,634	$ 31,718	$ 2,084	$ 34,107	$ 29,973	$ (4,134)
Less:						
Refunds	170	-	(170)	300	-	(300)
Total revenues	29,464	31,718	2,254	33,807	29,973	(3,834)
EXPENDITURES:						
Current:						
Employment and economic development	51,133	29,676	(21,457)	81,656	30,427	(51,229)
Capital outlays	5	1	(4)	14	4	(10)
Total expenditures	51,138	29,677	(21,461)	81,670	30,431	(51,239)
Excess (deficiency) of revenues over (under) expenditures	(21,674)	2,041	23,715	(47,863)	(458)	47,405
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(1,225)	(1,225)	-	(675)	(675)	-
Total other sources (uses) of financial resources	(1,225)	(1,225)	-	(675)	(675)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(22,899)	816	23,715	(48,538)	(1,133)	47,405
Budgetary fund balances (deficits), July 1, 2007	(3,391)	(3,391)	-	(1,772)	(1,772)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (26,290)	$ (2,575)	$ 23,715	$ (50,310)	$ (2,905)	$ 47,405

Total		
Final Budget	Actual	Variance Over (Under)
$ 63,741	$ 61,691	$ (2,050)
470	-	(470)
63,271	61,691	(1,580)
132,789	60,103	(72,686)
19	5	(14)
132,808	60,108	(72,700)
(69,537)	1,583	71,120
(1,900)	(1,900)	-
(1,900)	(1,900)	-
(71,437)	(317)	71,120
(5,163)	(5,163)	-
$ (76,600)	$ (5,480)	$ 71,120

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Department of Human Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Prevention and Treatment of Alcohol and Substance Abuse Block Grant			Vocational Rehabilitation		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 66,664	$ 78,463	$ 11,799	$ 105,381	$ 109,212	$ 3,831
Other				3,762	3,828	66
Less:						
Refunds				5	-	(5)
Total revenues	66,664	78,463	11,799	109,138	113,040	3,902
EXPENDITURES:						
Current:						
Health and social services	78,735	68,783	(9,952)	140,386	108,740	(31,646)
General government	79	79	-	125	112	(13)
Capital outlays	14	12	(2)	1,751	121	(1,630)
Total expenditures	78,828	68,874	(9,954)	142,262	108,973	(33,289)
Excess (deficiency) of revenues over (under) expenditures	(12,164)	9,589	21,753	(33,124)	4,067	37,191
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	2	2	-			
Total other sources (uses) of financial resources	2	2	-			
Budgetary funds-nonbudgeted accounts				(501)	(501)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(12,162)	9,591	21,753	(33,625)	3,566	37,191
Budgetary fund balances (deficits), July 1, 2007	(20,561)	(20,561)	-	5,147	5,147	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (32,723)	$ (10,970)	$ 21,753	$ (28,478)	$ 8,713	$ 37,191

DHS Special Purpose Trust			Old Age Survivors Insurance			USDA Women, Infants and Children		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 149,003	$ 149,382	$ 379	$ 61,000	$ 64,929	$ 3,929	$ 192,953	$ 208,535	$ 15,582
-	17	17	-	1	1	67,468	77,439	9,971
						200	-	(200)
149,003	149,399	396	61,000	64,930	3,930	260,221	285,974	25,753
194,492	165,675	(28,817)	80,906	63,690	(17,216)	294,204	284,533	(9,671)
13	13	-	13	13	-			
			1,770	-	(1,770)			
194,505	165,688	(28,817)	82,689	63,703	(18,986)	294,204	284,533	(9,671)
(45,502)	(16,289)	29,213	(21,689)	1,227	22,916	(33,983)	1,441	35,424
9,457	9,457	-						
9,457	9,457	-						
(8,470)	(8,470)	-						
(44,515)	(15,302)	29,213	(21,689)	1,227	22,916	(33,983)	1,441	35,424
14,646	14,646	-	(3,610)	(3,610)	-	(11,564)	(11,564)	-
$ (29,869)	$ (656)	$ 29,213	$ (25,299)	$ (2,383)	$ 22,916	$ (45,547)	$ (10,123)	$ 35,424

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Department of Human Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Total		
	Final Budget	Actual	Variance Over (Under)
REVENUES:			
Federal government	$ 575,001	$ 610,521	$ 35,520
Other	71,230	81,285	10,055
Less:			
Refunds	205	-	(205)
Total revenues	646,026	691,806	45,780
EXPENDITURES:			
Current:			
Health and social services	788,723	691,421	(97,302)
General government	230	217	(13)
Capital outlays	3,535	133	(3,402)
Total expenditures	792,488	691,771	(100,717)
Excess (deficiency) of revenues over (under) expenditures	(146,462)	35	146,497
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:			
Operating transfers-in	9,459	9,459	-
Total other sources (uses) of financial resources	9,459	9,459	-
Budgetary funds-nonbudgeted accounts	(8,971)	(8,971)	**-**
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(145,974)	523	146,497
Budgetary fund balances (deficits), July 1, 2007	(15,942)	(15,942)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (161,916)	$ (15,419)	$ 146,497

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State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Federal Trust Funds - Other Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Employment Security			Public Health		
	Federal					
	Title III Social Security & Employment Service			Public Health Services		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 168,000	$ 171,957	$ 3,957	$ 125,770	$ 130,332	$ 4,562
Other	10,897	22,561	11,664	749	1,521	772
Less:						
Refunds	300	-	(300)	75	-	(75)
Total revenues	178,597	194,518	15,921	126,444	131,853	5,409
EXPENDITURES:						
Current:						
Health and social services				176,694	132,789	(43,905)
General government	370	314	(56)	402	376	(26)
Transportation						
Employment and economic development	255,295	190,832	(64,463)			
Capital outlays	4,107	106	(4,001)	1,709	74	(1,635)
Total expenditures	259,772	191,252	(68,520)	178,805	133,239	(45,566)
Excess (deficiency) of revenues over (under) expenditures	(81,175)	3,266	84,441	(52,361)	(1,386)	50,975
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(1,182)	(1,182)	-			
Total other sources (uses) of financial resources	(1,182)	(1,182)	-			
Budgetary funds-nonbudgeted accounts						
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(82,357)	2,084	84,441	(52,361)	(1,386)	50,975
Budgetary fund balances (deficits), July 1, 2007	(2,005)	(2,005)	-	(13,472)	(13,472)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (84,362)	$ 79	$ 84,441	$ (65,833)	$ (14,858)	$ 50,975

Transportation			Aging			Healthcare and Family Services		
Federal/Local Airport			Services for Older Americans			Low Income Home Energy Block Grant		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 124,000	$ 91,552	$ (32,448)	$ 61,823	$ 56,508	$ (5,315)	$ 148,139	$ 133,444	$ (14,695)
12,000	6,898	(5,102)						
						600	-	(600)
136,000	98,450	(37,550)	61,823	56,508	(5,315)	147,539	133,444	(14,095)
			73,139	59,409	(13,730)	307,391	136,096	(171,295)
						45	45	-
96,174	96,174	-						
			1	1	-	145	13	(132)
96,174	96,174	-	73,140	59,410	(13,730)	307,581	136,154	(171,427)
39,826	2,276	(37,550)	(11,317)	(2,902)	8,415	(160,042)	(2,710)	157,332
			(217)	(217)	-			
39,826	2,276	(37,550)	(11,534)	(3,119)	8,415	(160,042)	(2,710)	157,332
1,652	1,652	-	(9,950)	(9,950)	-	(4,735)	(4,735)	-
$ 41,478	$ 3,928	$ (37,550)	$ (21,484)	$ (13,069)	$ 8,415	$ (164,777)	$ (7,445)	$ 157,332

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Other Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Total		
	Final Budget	Actual	Variance Over (Under)
REVENUES:			
Federal government	$ 627,732	$ 583,793	$ (43,939)
Other	23,646	30,980	7,334
Less:			
Refunds	975	-	(975)
Total revenues	650,403	614,773	(35,630)
EXPENDITURES:			
Current:			
Health and social services	557,224	328,294	(228,930)
General government	817	735	(82)
Transportation	96,174	96,174	-
Employment and economic development	255,295	190,832	(64,463)
Capital outlays	5,962	194	(5,768)
Total expenditures	915,472	616,229	(299,243)
Excess (deficiency) of revenues over (under) expenditures	(265,069)	(1,456)	263,613
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:			
Operating transfers-out	(1,182)	(1,182)	-
Total other sources (uses) of financial resources	(1,182)	(1,182)	-
Budgetary funds-nonbudgeted accounts	(217)	(217)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(266,468)	(2,855)	263,613
Budgetary fund balances (deficits), July 1, 2007	(28,510)	(28,510)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (294,978)	$ (31,365)	$ 263,613

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Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Agencies, Boards and Commissions

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Board of Education			Emergency Management Agency		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 1,742,792	$ 1,843,888	$ 101,096	$ 138,373	$ 101,265	$ (37,108)
Other				-	175	175
Total revenues	1,742,792	1,843,888	101,096	138,373	101,440	(36,933)
EXPENDITURES:						
Current:						
Health and social services				2,100	201	(1,899)
Education	2,159,652	1,852,163	(307,489)			
General government	12	12	-	140	140	-
Transportation				2,571	880	(1,691)
Public protection and justice				333,600	90,223	(243,377)
Environment and business regulation				79,091	25,142	(53,949)
Capital outlays	615	268	(347)			
Total expenditures	2,160,279	1,852,443	(307,836)	417,502	116,586	(300,916)
Excess (deficiency) of revenues over (under) expenditures	(417,487)	(8,555)	408,932	(279,129)	(15,146)	263,983
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(22,069)	(22,069)	-			
Total sources (uses) of financial resources	(22,069)	(22,069)	-			
Budgetary funds-nonbudgeted accounts	(1,466)	(1,466)	-	(5,560)	(5,560)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(441,022)	(32,090)	408,932	(284,689)	(20,706)	263,983
Budgetary fund balances (deficits), July 1, 2007	(256,285)	(256,285)	-	(4,264)	(4,264)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (697,307)	$ (288,375)	$ 408,932	$ (288,953)	$ (24,970)	$ 263,983

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$ 109,834	$ 106,393	$ (3,441)	$ 1,990,999	$ 2,051,546	$ 60,547
1	604	603	1	779	778
109,835	106,997	(2,838)	1,991,000	2,052,325	61,325
			2,100	201	(1,899)
			2,159,652	1,852,163	(307,489)
70	70	-	222	222	-
			2,571	880	(1,691)
97,200	54,707	(42,493)	430,800	144,930	(285,870)
55,639	38,922	(16,717)	134,730	64,064	(70,666)
903	480	(423)	1,518	748	(770)
153,812	94,179	(59,633)	2,731,593	2,063,208	(668,385)
(43,977)	12,818	56,795	(740,593)	(10,883)	729,710
			(22,069)	(22,069)	-
			(22,069)	(22,069)	-
			(7,026)	(7,026)	-
(43,977)	12,818	56,795	(769,688)	(39,978)	729,710
10,960	10,960	-	(249,589)	(249,589)	-
$ (33,017)	$ 23,778	$ 56,795	$ (1,019,277)	$ (289,567)	$ 729,710

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - State Board of Education

For the Year Ended June 30, 2008 (Expressed in Thousands)

	S.B.E. Federal Department of Agriculture			S.B.E. Federal Department of Education		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 485,852	$ 490,483	$ 4,631	$ 1,256,940	$ 1,353,405	$ 96,465
Total revenues	485,852	490,483	4,631	1,256,940	1,353,405	96,465
EXPENDITURES:						
Current:						
Education	483,388	479,983	(3,405)	1,676,264	1,372,180	(304,084)
General government	1	1	-	11	11	-
Capital outlays	160	153	(7)	455	115	(340)
Total expenditures	483,549	480,137	(3,412)	1,676,730	1,372,306	(304,424)
Excess (deficiency) of revenues over (under) expenditures	2,303	10,346	8,043	(419,790)	(18,901)	400,889
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(568)	(568)	-	(21,501)	(21,501)	-
Total other sources (uses) of financial resources	(568)	(568)	-	(21,501)	(21,501)	-
Budgetary funds-nonbudgeted accounts	(211)	(211)	-	(1,255)	(1,255)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	1,524	9,567	8,043	(442,546)	(41,657)	400,889
Budgetary fund balances (deficits), July 1, 2007	(26,679)	(26,679)	-	(229,606)	(229,606)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (25,155)	$ (17,112)	$ 8,043	$ (672,152)	$ (271,263)	$ 400,889

Total		
Final Budget	Actual	Variance Over (Under)
$ 1,742,792	$ 1,843,888	$ 101,096
1,742,792	1,843,888	101,096
2,159,652	1,852,163	(307,489)
12	12	-
615	268	(347)
2,160,279	1,852,443	(307,836)
(417,487)	(8,555)	408,932
(22,069)	(22,069)	-
(22,069)	(22,069)	-
(1,466)	(1,466)	-
(441,022)	(32,090)	408,932
(256,285)	(256,285)	-
$ (697,307)	$ (288,375)	$ 408,932

State of Illinois

Combining Schedule of Revenues, Expenditures and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Illinois Emergency Management Agency

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Federal Aid Disaster			Federal Civil Preparedness Administrative		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 43,192	$ 26,575	$ (16,617)	$ 95,181	$ 74,690	$ (20,491)
Other				-	175	175
Total revenues	43,192	26,575	(16,617)	95,181	74,865	(20,316)
EXPENDITURES:						
Current:						
Health and social services				2,100	201	(1,899)
General government				140	140	-
Transportation				2,571	880	(1,691)
Public protection and justice				333,600	90,223	(243,377)
Environment and business regulation	77,000	23,922	(53,078)	2,091	1,220	(871)
Total expenditures	77,000	23,922	(53,078)	340,502	92,664	(247,838)
Excess (deficiency) of revenues over (under) expenditures	(33,808)	2,653	36,461	(245,321)	(17,799)	227,522
Budgetary funds-nonbudgeted accounts	(3)	(3)	-	(5,557)	(5,557)	-
Excess (deficiency) of revenues over (under) expenditures and budgetary funds-nonbudgeted accounts	(33,811)	2,650	36,461	(250,878)	(23,356)	227,522
Budgetary fund balances (deficits), July 1, 2007	(4,054)	(4,054)	-	(210)	(210)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (37,865)	$ (1,404)	$ 36,461	$ (251,088)	$ (23,566)	$ 227,522

Total		
Final Budget	Actual	Variance Over (Under)
$ 138,373	$ 101,265	$ (37,108)
-	175	175
138,373	101,440	(36,933)
2,100	201	(1,899)
140	140	-
2,571	880	(1,691)
333,600	90,223	(243,377)
79,091	25,142	(53,949)
417,502	116,586	(300,916)
(279,129)	(15,146)	263,983
(5,560)	(5,560)	-
(284,689)	(20,706)	263,983
(4,264)	(4,264)	-
$ (288,953)	$ (24,970)	$ 263,983

Combining Schedule of Revenues, Expenditures and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Federal Trust Funds - Other Agencies, Boards, and Commissions

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Environmental Protection Agency			Criminal Justice Information Authority		
	U. S. Environmental Protection			Criminal Justice Trust		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 56,000	$ 38,600	$ (17,400)	$ 53,834	$ 67,793	$ 13,959
Other	1	2	1	-	602	602
Total revenues	56,001	38,602	(17,399)	53,834	68,395	14,561
EXPENDITURES:						
Current:						
General government	22	22	-	48	48	-
Public protection and justice				97,200	54,707	(42,493)
Environment and business regulation	55,639	38,922	(16,717)			
Capital outlays	903	480	(423)			
Total expenditures	56,564	39,424	(17,140)	97,248	54,755	(42,493)
Excess (deficiency) of revenues over (under) expenditures	(563)	(822)	(259)	(43,414)	13,640	57,054
Budgetary fund balances, July 1, 2007	3,357	3,357	-	7,603	7,603	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 2,794	$ 2,535	$ (259)	$ (35,811)	$ 21,243	$ 57,054

Total		
Final Budget	Actual	Variance Over (Under)
$ 109,834	$ 106,393	$ (3,441)
1	604	603
109,835	106,997	(2,838)
70	70	-
97,200	54,707	(42,493)
55,639	38,922	(16,717)
903	480	(423)
153,812	94,179	(59,633)
(43,977)	12,818	56,795
10,960	10,960	-
$ (33,017)	$ 23,778	$ 56,795

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

Federal Trust Funds - Student Assistance Commission

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Federal Student Loan			Student Loan Operation		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 78,635	$ 113,010	$ 34,375			
Other	110,787	108,279	(2,508)	$ 44,830	$ 68,538	$ 23,708
Total revenues	189,422	221,289	31,867	44,830	68,538	23,708
EXPENDITURES:						
Current:						
Education	342,504	219,533	(122,971)	84,863	47,571	(37,292)
Capital outlays				535	391	(144)
Total expenditures	342,504	219,533	(122,971)	85,398	47,962	(37,436)
Excess (deficiency) of revenues over (under) expenditures	(153,082)	1,756	154,838	(40,568)	20,576	61,144
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out				(5)	(5)	-
Total other sources (uses) of financial resources				(5)	(5)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(153,082)	1,756	154,838	(40,573)	20,571	61,144
Budgetary fund balances (deficits), July 1, 2007	24,907	24,907	-	(8,557)	(8,557)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (128,175)	$ 26,663	$ 154,838	$ (49,130)	$ 12,014	$ 61,144

Total		
Final Budget	Actual	Variance Over (Under)
$ 78,635	$ 113,010	$ 34,375
155,617	176,817	21,200
234,252	289,827	55,575
427,367	267,104	(160,263)
535	391	(144)
427,902	267,495	(160,407)
(193,650)	22,332	215,982
(5)	(5)	-
(5)	(5)	-
(193,655)	22,327	215,982
16,350	16,350	-
$ (177,305)	$ 38,677	$ 215,982

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Revolving Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Central Management Services			Corrections Working Capital		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 377	$ 4,474	$ 4,097			
Other	543,432	512,837	(30,595)	$ 42,343	$ 42,228	$ (115)
Less:						
Refunds	11,903	4,354	(7,549)	11	3	(8)
Total revenues	531,906	512,957	(18,949)	42,332	42,225	(107)
EXPENDITURES:						
Current:						
General government	736,075	607,860	(128,215)	14	14	-
Transportation						
Public protection and justice				41,272	39,975	(1,297)
Capital outlays	1,011	615	(396)	500	204	(296)
Total expenditures	737,086	608,475	(128,611)	41,786	40,193	(1,593)
Excess (deficiency) of revenues over (under) expenditures	(205,180)	(95,518)	109,662	546	2,032	1,486
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in	109,571	109,571	-			
Operating transfers-out	(5,466)	(5,466)	-	(475)	(475)	-
Total other sources (uses) of financial resources	104,105	104,105	-	(475)	(475)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(101,075)	8,587	109,662	71	1,557	1,486
Budgetary fund balances (deficits), July 1, 2007	(20,575)	(20,575)	-	(2,673)	(2,673)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (121,650)	$ (11,988)	$ 109,662	$ (2,602)	$ (1,116)	$ 1,486

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 377	$ 4,474	$ 4,097
$ 1,187	$ 3,357	$ 2,170	586,962	558,422	(28,540)
			11,914	4,357	(7,557)
1,187	3,357	2,170	575,425	558,539	(16,886)
19,900	12,915	(6,985)	755,989	620,789	(135,200)
800	719	(81)	800	719	(81)
			41,272	39,975	(1,297)
85	16	(69)	1,596	835	(761)
20,785	13,650	(7,135)	799,657	662,318	(137,339)
(19,598)	(10,293)	9,305	(224,232)	(103,779)	120,453
10,143	10,143	-	119,714	119,714	-
(647)	(647)	-	(6,588)	(6,588)	-
9,496	9,496	-	113,126	113,126	-
(10,102)	(797)	9,305	(111,106)	9,347	120,453
$ 9,297	9,297	-	(13,951)	(13,951)	-
(805)	$ 8,500	$ 9,305	$ (125,057)	$ (4,604)	$ 120,453

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Revolving Funds - Department of Central Management Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Garage			Statistical Services		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 5	$ 10	$ 5			
Other	42,399	46,160	3,761	$ 163,800	$ 121,533	$ (42,267)
Less:						
Refunds	10	1	(9)	6,300	-	(6,300)
Total revenues	42,394	46,169	3,775	157,500	121,533	(35,967)
EXPENDITURES:						
Current:						
General government	45,974	44,015	(1,959)	170,686	126,019	(44,667)
Capital outlays	435	416	(19)	205	60	(145)
Total expenditures	46,409	44,431	(1,978)	170,891	126,079	(44,812)
Excess (deficiency) of revenues over (under) expenditures	(4,015)	1,738	5,753	(13,391)	(4,546)	8,845
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in						
Operating transfers-out	(797)	(797)	-	(2,191)	(2,191)	-
Total other sources (uses) of financial resources	(797)	(797)	-	(2,191)	(2,191)	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(4,812)	941	5,753	(15,582)	(6,737)	8,845
Budgetary fund balances (deficits), July 1, 2007	(6,261)	(6,261)	-	4,436	4,436	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (11,073)	$ (5,320)	$ 5,753	$ (11,146)	$ (2,301)	$ 8,845

Communications			Facilities Management			Workers' Compensation		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
$								
372	$ 4,461	$ 4,089	$ -	$ 3	$ 3			
125,931	117,242	(8,689)	209,409	212,457	3,048	$ 1,893	$ 15,445	$ 13,552
5,593	4,353	(1,240)						
120,710	117,350	(3,360)	209,409	212,460	3,051	1,893	15,445	13,552
150,491	118,762	(31,729)	241,002	199,687	(41,315)	127,922	119,377	(8,545)
185	121	(64)	184	18	(166)	2	-	(2)
150,676	118,883	(31,793)	241,186	199,705	(41,481)	127,924	119,377	(8,547)
(29,966)	(1,533)	28,433	(31,777)	12,755	44,532	(126,031)	(103,932)	22,099
						109,571	109,571	-
(1,022)	(1,022)	-	(1,456)	(1,456)	-			
(1,022)	(1,022)	-	(1,456)	(1,456)	-	109,571	109,571	-
(30,988)	(2,555)	28,433	(33,233)	11,299	44,532	(16,460)	5,639	22,099
(6,595)	(6,595)	-	(13,937)	(13,937)	-	1,782	1,782	-
$ (37,583)	$ (9,150)	$ 28,433	$ (47,170)	$ (2,638)	$ 44,532	$ (14,678)	$ 7,421	$ 22,099

(continued)

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
Revolving Funds - Department of Central Management Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

(continued)

	Total		
	Final Budget	Actual	Variance Over (Under)
REVENUES:			
Federal government	$ 377	$ 4,474	$ 4,097
Other	543,432	512,837	(30,595)
Less:			
Refunds	11,903	4,354	(7,549)
Total revenues	531,906	512,957	(18,949)
EXPENDITURES:			
Current:			
General government	736,075	607,860	(128,215)
Capital outlays	1,011	615	(396)
Total expenditures	737,086	608,475	(128,611)
Excess (deficiency) of revenues over (under) expenditures	(205,180)	(95,518)	109,662
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:			
Operating transfers-in	109,571	109,571	-
Operating transfers-out	(5,466)	(5,466)	-
Total other sources (uses) of financial resources	104,105	104,105	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses) of financial resources	(101,075)	8,587	109,662
Budgetary fund balances (deficits), July 1, 2007	(20,575)	(20,575)	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (121,650)	$ (11,988)	$ 109,662

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Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

State Trust Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Code Departments			Other Agencies, Boards, and Commissions State Employees' Retirement System		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes	$ 765,323	$ 765,323	$ -			
Motor fuel taxes	30,965	34,103	3,138			
Public utility taxes	288,232	288,238	6			
Federal government	48,565	74,903	26,338			
Other	853,086	1,044,662	191,576	$ 1,371,447	$ 1,371,447	$ -
Less:						
Refunds	312	274	(38)			
Total revenues	1,985,859	2,206,955	221,096	1,371,447	1,371,447	-
EXPENDITURES:						
Current:						
Health and social services	179,245	161,550	(17,695)			
Education						
General government	95,438	81,630	(13,808)	200,000	78,952	(121,048)
Public protection and justice						
Employment and economic development						
Environment and business regulation						
Capital outlays	2,304	749	(1,555)			
Total expenditures	276,987	243,929	(33,058)	200,000	78,952	(121,048)
Excess (deficiency) of revenues over (under) expenditures	1,708,872	1,963,026	254,154	1,171,447	1,292,495	121,048
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-in						
Operating transfers-out	(238,130)	(238,130)	-	(166)	(166)	-
Total other sources (uses) of financial resources	(238,130)	(238,130)	-	(166)	(166)	-
Budgetary funds-nonbudgeted accounts	(1,698,136)	(1,698,136)	-	(1,237,385)	(1,237,385)	
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(227,394)	26,760	254,154	(66,104)	54,944	121,048
Budgetary fund balances, July 1, 2007, as previously reported	119,444	119,444	-	240,905	240,905	-
Reclassifications between budgetary/nonbudgetary funds-net	48,119	48,119	-			
Budgetary fund balances July 1, 2007, as reclassified	167,563	167,563	-	240,905	240,905	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (59,831)	$ 194,323	$ 254,154	$ 174,801	$ 295,849	$ 121,048

Other			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 765,323	$ 765,323	$ -
			30,965	34,103	3,138
			288,232	288,238	6
$ 39,303	$ 30,401	$ (8,902)	87,868	105,304	17,436
26,511	48,529	22,018	2,251,044	2,464,638	213,594
			312	274	(38)
65,814	78,930	13,116	3,423,120	3,657,332	234,212
15,250	10,483	(4,767)	194,495	172,033	(22,462)
17,009	4,803	(12,206)	17,009	4,803	(12,206)
39,263	25,139	(14,124)	334,701	185,721	(148,980)
2,950	1,466	(1,484)	2,950	1,466	(1,484)
25	20	(5)	25	20	(5)
29,391	10,212	(19,179)	29,391	10,212	(19,179)
			2,304	749	(1,555)
103,888	52,123	(51,765)	580,875	375,004	(205,871)
(38,074)	26,807	64,881	2,842,245	3,282,328	440,083
760	760	-	760	760	-
(651)	(651)	-	(238,947)	(238,947)	-
109	109	-	(238,187)	(238,187)	-
(18,821)	(18,821)	-	(2,954,342)	(2,954,342)	-
(56,786)	8,095	64,881	(350,284)	89,799	440,083
53,891	53,891	-	414,240	414,240	-
21,958	21,958	-	70,077	70,077	-
75,849	75,849	-	484,317	484,317	-
$ 19,063	$ 83,944	$ 64,881	$ 134,033	$ 574,116	$ 440,083

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds - Code Departments

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Central Management Services			Human Services Early Intervention Services Revolving		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes						
Motor fuel taxes						
Public utility taxes						
Federal government	$ 14	$ 17	$ 3	$ 48,391	$ 51,734	$ 3,343
Other	258,556	264,245	5,689	83,030	78,491	(4,539)
Less:						
Refunds				300	274	(26)
Total revenues	258,570	264,262	5,692	131,121	129,951	(1,170)
EXPENDITURES:						
Current:						
Health and social services				134,992	134,109	(883)
General government	93,342	79,970	(13,372)	17	17	-
Capital outlays						
Total expenditures	93,342	79,970	(13,372)	135,009	134,126	(883)
Excess (deficiency) of revenues over (under) expenditures	165,228	184,292	19,064	(3,888)	(4,175)	(287)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(90)	(90)	-			
Total other sources (uses) of financial resources	(90)	(90)	-			
Budgetary funds-nonbudgeted accounts	(179,510)	(179,510)	-			
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(14,372)	4,692	19,064	(3,888)	(4,175)	(287)
Budgetary fund balances, July 1, 2007, as previously reported	1,526	1,526	-	1,090	1,090	-
Reclassifications between budgetary/nonbudgetary funds						
Budgetary fund balances, July 1, 2007, as reclassified	1,526	1,526	-	1,090	1,090	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (12,846)	$ 6,218	$ 19,064	$ (2,798)	$ (3,085)	$ (287)

Healthcare and Family Services			Revenue			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 765,323	$ 765,323	$ -	$ 765,323	$ 765,323	$ -
			30,965	34,103	3,138	30,965	34,103	3,138
			288,232	288,238	6	288,232	288,238	6
$ 160	$ 23,152	$ 22,992				48,565	74,903	26,338
508,353	698,900	190,547	3,147	3,026	(121)	853,086	1,044,662	191,576
			12	-	(12)	312	274	(38)
508,513	722,052	213,539	1,087,655	1,090,690	3,035	1,985,859	2,206,955	221,096
44,253	27,441	(16,812)				179,245	161,550	(17,695)
870	466	(404)	1,209	1,177	(32)	95,438	81,630	(13,808)
2,304	749	(1,555)				2,304	749	(1,555)
47,427	28,656	(18,771)	1,209	1,177	(32)	276,987	243,929	(33,058)
461,086	693,396	232,310	1,086,446	1,089,513	3,067	1,708,872	1,963,026	254,154
(238,040)	(238,040)	-				(238,130)	(238,130)	-
(238,040)	(238,040)	-				(238,130)	(238,130)	-
(458,024)	(458,024)	-	(1,060,602)	(1,060,602)	-	(1,698,136)	(1,698,136)	-
(234,978)	(2,668)	232,310	25,844	28,911	3,067	(227,394)	26,760	254,154
3,076	3,076	-	113,752	113,752	-	119,444	119,444	-
48,119	48,119	-				48,119	48,119	-
51,195	51,195	-	113,752	113,752	-	167,563	167,563	-
$ (183,783)	$ 48,527	$ 232,310	$ 139,596	$ 142,663	$ 3,067	$ (59,831)	$ 194,323	$ 254,154

State of Illinois

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)

State Trust Funds - Department of Central Management Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Group Insurance Premium			State Employees Deferred Compensation Plan		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ 14	$ 17	$ 3			
Other	78,509	84,198	5,689	$ 180,047	$ 180,047	$ -
Total revenues	78,523	84,215	5,692	180,047	180,047	-
EXPENDITURES:						
Current:						
General government	91,644	78,765	(12,879)	1,698	1,205	(493)
Total expenditures	91,644	78,765	(12,879)	1,698	1,205	(493)
Excess (deficiency) of revenues over (under) expenditures	(13,121)	5,450	18,571	178,349	178,842	493
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(60)	(60)	-	(30)	(30)	-
Total other sources (uses) of financial resources	(60)	(60)	-	(30)	(30)	-
Budgetary funds-nonbudgeted accounts				(179,510)	(179,510)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(13,181)	5,390	18,571	(1,191)	(698)	493
Budgetary fund balances (deficits), July 1, 2007	(2,199)	(2,199)	-	3,725	3,725	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (15,380)	$ 3,191	$ 18,571	$ 2,534	$ 3,027	$ 493

	Total	
Final Budget	Actual	Variance Over (Under)
$ 14	$ 17	$ 3
258,556	264,245	5,689
258,570	264,262	5,692
93,342	79,970	(13,372)
93,342	79,970	(13,372)
165,228	184,292	19,064
(90)	(90)	-
(90)	(90)	-
(179,510)	(179,510)	-
(14,372)	4,692	19,064
1,526	1,526	-
$ (12,846)	$ 6,218	$ 19,064

Combining Schedule of Revenues, Expenditures, Other Sources and Uses of Financial Resources, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds - Department of Healthcare and Family Services

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Public Aid Recoveries Trust			Local Government Health Insurance Reserve		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Federal government	$ -	$ 22,992	$ 22,992	$ 160	$ 160	$ -
Other	245,047	435,501	190,454	61,418	61,418	-
Total revenues	245,047	458,493	213,446	61,578	61,578	-
EXPENDITURES:						
Current:						
Health and social services	39,115	22,360	(16,755)	5,138	5,081	(57)
General government	1	1	-	869	465	(404)
Capital outlays	2,304	749	(1,555)			
Total expenditures	41,420	23,110	(18,310)	6,007	5,546	(461)
Excess of revenues over expenditures	203,627	435,383	231,756	55,571	56,032	461
OTHER SOURCES (USES) OF FINANCIAL RESOURCES:						
Operating transfers-out	(198,033)	(198,033)	-	(7)	(7)	-
Total other sources (uses) of financial resources	(198,033)	(198,033)	-	(7)	(7)	-
Budgetary funds-nonbudgeted accounts	(241,188)	(241,188)	-	(54,372)	(54,372)	-
Excess (deficiency) of revenues over (under) expenditures, other sources (uses) of financial resources, and budgetary funds-nonbudgeted accounts	(235,594)	(3,838)	231,756	1,192	1,653	461
Budgetary fund balances (deficits), July 1, 2007, as previously reported	(2,330)	(2,330)	-	5,406	5,406	-
Reclassifications between budgetary/nonbudgetary funds						
Budgetary fund balances (deficits), July 1, 2007, as reclassified	(2,330)	(2,330)	-	5,406	5,406	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (237,924)	$ (6,168)	$ 231,756	$ 6,598	$ 7,059	$ 461

Child Support Enforcement Trust			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 160	$ 23,152	$ 22,992
$ 201,888	$ 201,981	$ 93	508,353	698,900	190,547
201,888	201,981	93	508,513	722,052	213,539
			44,253	27,441	(16,812)
			870	466	(404)
			2,304	749	(1,555)
			47,427	28,656	(18,771)
201,888	201,981	93	461,086	693,396	232,310
(40,000)	(40,000)	-	(238,040)	(238,040)	-
(40,000)	(40,000)	-	(238,040)	(238,040)	-
(162,464)	(162,464)	-	(458,024)	(458,024)	-
(576)	(483)	93	(234,978)	(2,668)	232,310
			3,076	3,076	-
48,119	48,119	-	48,119	48,119	-
48,119	48,119	-	51,195	51,195	-
$ 47,543	$ 47,636	$ 93	$ (183,783)	$ 48,527	$ 232,310

State of Illinois

Combining Schedule of Revenues, Expenditures, and Changes in Budgetary Fund Balances - Budget and Actual (Non-GAAP)
State Trust Funds - Department of Revenue

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Home Rule Municipal ROT			County Option Motor Fuel Tax		
	Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
REVENUES:						
Sales taxes	$ 765,323	$ 765,323	$ -			
Motor fuel taxes				$ 30,965	$ 34,103	$ 3,138
Public utility taxes						
Other	2,789	2,789	-	215	237	22
Less:						
Refunds						
Total revenues	768,112	768,112	-	31,180	34,340	3,160
EXPENDITURES:						
Current:						
General government	605	601	(4)	604	576	(28)
Total expenditures	605	601	(4)	604	576	(28)
Excess (deficiency) of revenues over (under) expenditures	767,507	767,511	4	30,576	33,764	3,188
Budgetary funds-nonbudgeted accounts	(738,353)	(738,353)	-	(33,653)	(33,653)	-
Excess (deficiency) of revenues over (under) expenditures and budgetary funds-nonbudgeted accounts	29,154	29,158	4	(3,077)	111	3,188
Budgetary fund balances, July 1, 2007	68,523	68,523	-	6,126	6,126	-
BUDGETARY FUND BALANCES (DEFICITS), JUNE 30, 2008	$ 97,677	$ 97,681	$ 4	$ 3,049	$ 6,237	$ 3,188

Municipal Telecommunications			Total		
Final Budget	Actual	Variance Over (Under)	Final Budget	Actual	Variance Over (Under)
			$ 765,323	$ 765,323	$ -
			30,965	34,103	3,138
$ 288,232	$ 288,238	$ 6	288,232	288,238	6
143	-	(143)	3,147	3,026	(121)
12	-	(12)	12	-	(12)
288,363	288,238	(125)	1,087,655	1,090,690	3,035
			1,209	1,177	(32)
			1,209	1,177	(32)
288,363	288,238	(125)	1,086,446	1,089,513	3,067
(288,596)	(288,596)	-	(1,060,602)	(1,060,602)	-
(233)	(358)	(125)	25,844	28,911	3,067
39,103	39,103	-	113,752	113,752	-
$ 38,870	$ 38,745	$ (125)	$ 139,596	$ 142,663	$ 3,067

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Statistical Section

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STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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Financial Trends	
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	375
Revenue Capacity	
These schedules contain information to help the reader assess the State's most significant revenue sources: the personal income tax and the sales tax.	380
Debt Capacity	
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	384
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	392
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	394

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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State of Illinois **Schedule 1**

Net Assets by Component
Last Seven Fiscal Year Ends
(Accrual Basis of Accounting, Amounts in Thousands)

	June 30,						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Governmental Activities							
Invested in capital assets, net of related debt	$ 11,250,191	$ 11,750,160	11,924,560	$ 12,088,581	$ 12,518,094	$ 13,370,326	$ 13,688,917
Restricted	1,596,793	1,855,032	912,938	942,154	956,926	954,435	978,277
Unrestricted	(21,586,492)	(26,445,507)	(28,248,123)	(30,611,904)	(32,218,061)	(35,169,568)	(39,089,004)
Total governmental activities net assets	(8,739,508)	(12,840,315)	(15,410,625)	(17,581,169)	(18,743,041)	(20,844,807)	(24,421,810)
Business-type activities							
Invested in capital assets, net of related debt	4,288	3,615	3,539	3,110	3,114	2,966	2,983
Restricted	2,803,667	2,037,232	2,380,247	2,598,458	3,923,607	4,534,492	4,533,482
Unrestricted	195,504	137,542	(352,806)	170,619	(111,414)	(15,145)	(840)
Total business-type activities net assets	3,003,459	2,178,389	2,030,980	2,772,187	3,815,307	4,522,313	4,535,625
Primary government							
Invested in capital assets, net of related debt	11,254,479	11,753,775	11,928,099	12,091,691	12,521,208	13,373,292	13,691,900
Restricted	4,400,460	3,892,264	3,293,185	3,540,612	4,880,533	5,488,927	5,511,759
Unrestricted	(21,390,988)	(26,307,965)	(28,600,929)	(30,441,285)	(32,329,475)	(35,184,713)	(39,089,844)
Total primary government net assets	$ (5,736,049)	$(10,661,926)	$(13,379,645)	$(14,808,982)	$(14,927,734)	$ (16,322,494)	$ (19,886,185)

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 for the fiscal year ended June 30, 2002. In addition, balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

State of Illinois **Schedule 2**

Fund Balances, Governmental Funds
Last Seven Fiscal Year Ends
(Modified Accrual Basis of Accounting, Amounts in Thousands)

	June 30,						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
General fund							
Reserved	$ 101,881	$ 275,203	$ 145,766	$ 50,375	$ 49,921	$ 53,544	$ 67,135
Unreserved	(3,049,573)	(4,455,975)	(2,691,535)	(3,349,245)	(3,020,145)	(4,224,670)	(4,001,456)
Total general fund	(2,947,692)	(4,180,772)	(2,545,769)	(3,298,870)	(2,970,224)	(4,171,126)	(3,934,321)
All other governmental funds							
Reserved	$ 158,720	$ 166,137	$ 316,714	$ 158,571	$ 180,970	$ 165,428	$ 488,365
Unreserved, reported in:							
Special revenue funds	2,587,096	11,044,754	1,784,366	1,830,925	2,506,755	2,441,850	2,239,066
Capital projects funds	142,562	37,208	(21,857)	32,959	465,974	143,539	46,248
Debt service funds	638,407	1,217,431	792,078	836,740	823,784	834,197	850,615
Permanent funds	2,931	2,897	539	418	1,108	1,131	1,248
Total all other governmental funds	$ 3,529,716	$ 12,468,427	$ 2,871,840	$ 2,859,613	$ 3,978,591	$ 3,586,145	$ 3,625,542

Notes: Due to changes in the State's fund structure initiated when the State implemented GASB Statement No. 34 for the fiscal year ended June 30, 2002, comparable fund balance information is not available for fiscal years prior to 2002. In addition, balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

The dramatic increase in unreserved fund balances reported in special revenue funds in fiscal year 2003 was the result of the $10 billion general obligation bond for funding and reimbursing a portion of the State's contributions to the State's retirement system issued just prior to the end of fiscal year 2003. The majority of the bond issue was not distributed until fiscal year 2004.

State of Illinois **Schedule 3**

Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year Ended June 30,						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Governmental Activities:							
Expenses							
Health and social services	$ 15,773,221	$ 16,495,962	$ 17,746,164	$ 19,553,743	$ 18,591,748	$ 21,417,224	$ 21,660,966
Education	12,309,072	12,962,131	13,514,779	13,623,467	13,544,450	14,433,190	15,216,505
General government	610,701	846,163	535,511	492,374	1,502,362	1,668,454	1,920,205
Employment and economic development	1,275,772	1,342,665	1,217,263	968,262	1,091,298	988,866	871,604
Transportation	3,794,674	3,807,907	3,530,420	3,615,977	3,484,409	3,818,291	4,180,099
Public protection and justice	2,563,888	2,498,208	2,573,918	2,851,184	2,560,566	2,730,219	3,193,938
Environment and business regulation	823,035	867,002	778,161	899,723	733,128	835,328	920,391
Intergovernmental-revenue sharing	3,728,891	3,473,281	3,696,687	4,197,679	4,565,480	5,036,015	5,139,754
Interest	547,583	672,707	1,149,157	1,218,077	1,222,382	1,200,754	1,137,058
Total governmental activities expenses	41,426,837	42,966,026	44,742,060	47,420,486	47,295,823	52,128,341	54,240,520
Program revenues							
Charges for services:							
Health and social services	130,104	96,670	102,745	110,330	119,559	137,591	154,884
Education	2,306	2,306	10,630	6,685	4,381	14,650	4,529
General government	1,601,352	1,614,665	1,855,274	1,986,302	1,968,930	2,046,175	2,100,042
Employment and economic development	17,851	24,983	19,992	20,351	22,933	22,075	19,714
Transportation	20,945	20,685	21,632	28,829	30,483	44,292	78,574
Public protection and justice	111,918	81,633	79,504	87,934	92,988	89,335	97,923
Environment and business regulation	249,159	232,659	390,085	377,194	365,324	361,174	344,794
Operating grants and contributions	10,851,169	11,824,638	13,060,543	13,897,415	13,498,279	14,537,244	14,287,548
Capital grants and contributions	805,023	719,759	862,165	866,924	1,040,220	1,025,947	1,274,394
Total governmental activities program revenues	13,789,827	14,617,998	16,402,570	17,381,964	17,143,097	18,278,483	18,362,402
Total governmental activities net program expense	(27,637,010)	(28,348,028)	(28,339,490)	(30,038,522)	(30,152,726)	(33,849,858)	(35,878,118)
General revenues and other changes in net assets							
Taxes							
Income taxes	8,612,430	8,509,857	9,059,096	10,391,204	11,224,605	12,337,762	13,413,993
Sales taxes	8,299,981	8,227,295	8,941,852	9,150,521	9,603,316	9,846,437	10,147,458
Motor fuel taxes	1,353,947	1,325,748	1,402,081	1,425,794	1,426,605	1,443,544	1,405,713
Public utility taxes	1,508,633	1,605,144	1,510,606	1,521,187	1,523,795	1,605,502	1,691,688
Riverboat taxes	580,208	670,478	642,370	664,569	813,489	817,590	696,835
Hospital assessment taxes	68,507	83,276	76,077	707,619	75,515	1,538,512	804,168
Other taxes	1,695,624	1,827,859	1,933,620	2,112,874	1,986,155	1,973,612	2,134,966
Interest and investment income	225,460	124,407	90,573	144,455	271,291	358,191	325,057
Other revenues	755,939	1,344,446	1,547,298	1,108,333	1,404,974	1,173,423	1,013,148
Transfers	548,791	528,711	568,802	641,422	661,109	653,519	668,089
Total general revenues and other changes in net assets	23,649,520	24,247,221	25,772,375	27,867,978	28,990,854	31,748,092	32,301,115
Total governmental activities change in net assets	(3,987,490)	(4,100,807)	(2,567,115)	(2,170,544)	(1,161,872)	(2,101,766)	(3,577,003)

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 for the fiscal year ended June 30, 2002. In addition, balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

Revenue from hospital assessment taxes increased significantly during fiscal year 2007 as the State retroactively assessed taxes for fiscal year 2006 revenues upon approval in November 2006 by the federal government of the State's Hospital Assessment plan.

Changes in Net Assets
Last Seven Fiscal Years
(Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year Ended June 30,						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Business-Type Activities:							
Expenses							
Unemployment compensation trust	2,667,222	3,054,290	2,672,436	1,982,556	1,731,262	1,795,169	1,991,147
Water revolving	9,472	15,828	18,519	23,988	22,620	22,820	17,689
Prepaid tuition program	15,864	25,825	35,771	41,148	50,730	61,641	73,559
Designated account purchase program	105,345	112,153	110,961	167,074	267,707	303,817	101,174
Insurance programs	269,068	294,569	335,476	379,752	409,726	-	-
Lottery	1,033,457	1,054,094	1,144,936	1,196,982	1,334,373	1,370,559	1,411,951
Federal student loans	116,569	117,718	102,715	123,694	146,053	180,554	192,771
Other	135,619	134,251	93,990	95,892	93,633	212,217	148,273
Total business-type activities expenses	4,352,616	4,808,728	4,514,804	4,011,086	4,056,104	3,946,777	3,936,564
Program revenues							
Charges for services:							
Unemployment compensation trust	1,422,942	2,009,704	2,336,187	2,602,747	2,678,643	2,391,445	1,998,139
Water revolving	34,147	38,169	38,018	49,833	55,557	62,818	44,163
Prepaid tuition program	(6,410)	13,615	50,263	49,979	52,090	127,123	(75,740)
Designated account purchase program	96,556	91,748	89,077	107,734	163,023	192,214	74,913
Insurance programs	290,357	320,299	326,380	376,730	421,950	-	-
Lottery	1,598,982	1,589,846	1,712,831	1,818,422	1,968,755	2,003,739	2,062,048
Federal student loans	114,719	115,540	98,698	117,980	134,277	172,003	25,629
Other	127,071	144,080	136,067	120,799	96,398	166,230	136,975
Operating grants and contributions	361,689	155,607	140,484	120,347	140,578	178,263	246,854
Total business-type activities program revenues	4,040,053	4,478,608	4,928,005	5,364,571	5,711,271	5,293,835	4,512,981
Total business-type activities net program revenue (expense)	(312,563)	(330,120)	413,201	1,353,485	1,655,167	1,347,058	576,417
General revenues and other changes in net assets							
Interest and investment income	89,136	33,647	8,057	27,679	48,698	86,036	115,694
Other revenues	100	114	135	1,465	364	1,900	145
Special items	-	-	-	-	-	-	(10,855)
Transfers	(548,791)	(528,711)	(568,802)	(641,422)	(661,109)	(653,519)	(668,089)
Total business-type activities general revenues and other changes in net assets	(459,555)	(494,950)	(560,610)	(612,278)	(612,047)	(565,583)	(563,105)
Total business-type activities change in net assets	(772,118)	(825,070)	(147,409)	741,207	1,043,120	781,475	13,312
Total primary government change in net assets	$ (4,759,608)	$ (4,925,877)	$ (2,714,524)	$ (1,429,337)	$ (118,752)	$(1,320,291)	$(3,563,691)

Note: Effective for the year ended June 30, 2007, the Teachers Health Insurance Security Fund and the Community College Health Insurance Security Fund are reported as pension (and other employment benefit) funds. They were reported as enterprise funds in previous years.

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Changes in Fund Balances, Governmental Funds
Last Seven Fiscal Years
(Modified Accrual Basis of Accounting, Amounts in Thousands)

	For the Fiscal Year Ended June 30,						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Revenues							
Income taxes	$ 8,665,700	$ 8,504,873	$ 9,029,052	$ 10,382,711	$ 11,253,161	$ 12,244,124	$ 13,546,025
Sales taxes	8,307,399	8,227,102	8,937,628	9,148,752	9,590,006	9,864,637	10,142,098
Motor fuel taxes	1,355,665	1,377,995	1,408,961	1,425,776	1,426,963	1,436,518	1,410,656
Public utility taxes	1,533,836	1,612,941	1,489,459	1,523,083	1,531,206	1,615,402	1,695,635
Riverboat taxes	580,208	670,478	642,370	664,569	813,489	817,590	696,835
Hospital assessment taxes	68,507	83,276	76,077	707,619	75,515	804,797	1,538,237
Other taxes	1,678,874	1,827,394	1,908,260	2,118,860	1,990,265	1,973,752	2,100,913
Federal government	10,941,333	11,756,201	13,087,499	13,345,290	13,568,161	14,343,656	15,123,364
Licenses and fees	1,707,395	1,675,796	2,098,169	2,153,560	2,133,112	2,126,360	2,138,772
Interest and other investment income	223,641	123,758	90,085	142,798	265,999	349,817	318,787
Other revenues	1,656,079	2,162,727	2,374,839	2,407,546	2,668,622	2,401,881	2,186,591
Total revenues	36,718,637	38,022,541	41,142,399	44,020,564	45,316,499	47,978,534	50,897,913
Expenditures							
Health and social services	15,760,047	16,477,116	18,014,003	19,492,899	18,438,775	21,231,376	21,185,451
Education	11,395,816	11,693,002	18,136,163	12,218,024	11,593,903	12,357,592	13,255,528
General government	379,135	613,779	443,041	228,730	1,183,333	1,316,223	1,289,305
Employment and economic development	1,272,789	1,344,047	1,246,758	963,293	1,062,001	960,102	811,641
Transportation	2,972,064	2,942,719	2,736,531	2,702,364	2,468,345	2,800,738	3,011,771
Public protection and justice	2,476,364	2,434,904	2,887,584	2,700,104	2,338,618	2,488,988	2,693,589
Environment and business regulation	805,294	899,288	828,729	858,386	669,501	770,455	792,038
Debt service:							
Principal	663,553	735,430	662,936	775,756	820,486	864,533	937,114
Interest	405,449	490,854	1,026,546	1,083,680	1,117,167	1,116,514	1,100,439
Capital outlay	1,787,562	1,754,708	1,628,632	1,397,108	1,544,912	1,607,162	1,238,397
Intergovernmental	3,728,891	3,473,281	3,696,687	4,197,679	4,565,480	5,036,015	5,139,754
Total expenditures	41,646,964	42,859,128	51,307,610	46,618,023	45,802,521	50,549,698	51,455,027
Excess of revenues over (under) expenditures	(4,928,327)	(4,836,587)	(10,165,211)	(2,597,459)	(486,022)	(2,571,164)	(557,114)
Other Financing Sources (Uses)							
General and special obligation bonds issued	1,650,000	11,894,304	1,525,000	1,075,000	1,140,000	258,000	175,000
Premiums on general and special obligation bonds issued	67,192	116,805	76,773	73,513	63,780	12,085	6,724
Discounts on general obligation bonds issued	-	(2,869)	-	-	-	-	-
General and special obligation refunding bonds issued	654,045	695,025	617,175	-	274,950	329,000	-
Premiums on general and special obligation refunding bonds issued	50,269	65,573	63,171	-	11,824	14,014	-
Transfers-in	5,322,479	7,488,813	10,485,498	10,017,074	8,779,739	9,088,399	11,883,985
Transfers-out	(4,783,418)	(6,960,102)	(9,889,388)	(9,331,080)	(8,073,119)	(8,402,727)	(11,214,684)
Payment to refunded bond escrow agent	(697,084)	(757,330)	(678,668)	-	(285,778)	(341,849)	-
Capital lease financing	21,829	4,415	2,512	3,232	1,366	8,288	1,625
Proceeds from disposition of capital assets	-	-	-	-	5,500	-	-
Total other financing sources (uses)	2,285,312	12,544,634	2,202,073	1,837,739	1,918,262	965,210	852,650
Net change in fund balances	$ (2,643,015)	$ 7,708,047	$ (7,963,138)	$ (759,720)	$ 1,432,240	$ (1,605,954)	$ 295,536
Debt service as a percentage of noncapital expenditures	2.68%	2.98%	3.40%	4.11%	4.38%	4.05%	4.06%

Note: Due to changes in the State's fund structure initiated when the State implemented GASB Statement No. 34 for the fiscal year ended June 30, 2002, comparable fund balance information is not available for fiscal years prior to 2002. In addition, balances have been restated for prior period adjustments, corrections, and reclassifications when practical.

The dramatic increase in net change in fund balances reported in fiscal year 2003 was the result of the $10 billion general obligation bond issued for funding and reimbursing a portion of the State's contributions to the State's retirement systems. The majority of the bond issue was shown as expenditures in fiscal year 2004 causing a corresponding decrease in net change in fund balance.

Revenue from hospital assessment taxes increased significantly during fiscal year 2008 as the State recognized assessed taxes from the previous fiscal year which were unavailable at June 30, 2007.

State of Illinois

Personal Income by Industry
Last Ten Calendar Years
(Amounts in Thousands)

	For the Calendar Year				
	1998	**1999**	**2000**	**2001**	**2002**
Farm earnings	$ 1,487,423	$ 934,981	$ 1,337,793	$ 1,128,921	$ 407,582
Agricultural/forestry, fishing, and other	1,330,134	1,453,704	1,573,006	334,309	324,781
Mining	884,433	956,772	1,055,400	1,643,287	1,834,033
Construction/utilities	14,738,185	16,603,565	17,834,336	22,083,170	22,935,639
Manufacturing	52,433,443	53,772,896	55,608,143	46,710,593	46,667,283
Transportation and public utilities	20,155,472	21,593,836	22,568,437	13,080,935	13,034,758
Wholesale trade	19,768,398	21,183,680	22,928,211	20,517,368	20,359,083
Retail trade	21,226,136	22,548,889	23,511,976	18,654,357	19,063,948
Finance, insurance, and real estate	28,830,206	32,038,963	34,896,045	35,551,295	37,008,808
Services	81,062,463	84,848,817	91,566,625	116,355,031	118,176,414
Federal, civilian	6,183,558	6,314,985	6,758,220	6,639,827	6,967,149
Military	1,934,042	2,007,022	2,069,468	2,177,901	2,378,957
State and local government	28,173,128	29,771,272	31,316,032	33,294,753	35,266,504
Other	81,887,521	79,355,258	87,349,588	89,081,848	89,285,814
Total personal income	$ 360,094,542	$ 373,384,640	$ 400,373,280	$ 407,253,595	$ 413,710,753
Tax liability	$ 6,425,611	$ 6,745,011	$ 7,135,222	$ 6,773,749	$ 6,500,463
Average effective rate	1.78%	1.81%	1.78%	1.66%	1.57%

Note: The total direct rate for personal income is not available.
Average effective rate equals tax collections divided by income.

Source: U.S. Bureau of Economic Analysis

State of Illinois

Taxable Sales by Industry
Last Ten Fiscal Years
(Amounts in Thousands)

	For the Fiscal Year				
	1999	**2000**	**2001**	**2002**	**2003**
General merchandise	$ 14,860,016	$ 15,719,843	$ 16,571,654	$ 17,766,204	$ 17,988,962
Food	16,306,925	17,167,623	2,165,371	18,259,623	18,433,453
Drinking and eating places	12,616,435	7,627,704	14,030,965	13,746,083	14,036,937
Apparel	4,424,325	4,615,902	4,832,152	4,681,229	4,806,953
Furniture, household, and radio	8,492,471	8,937,271	8,828,065	8,492,443	8,529,475
Lumber, building, and hardware	7,033,619	7,603,666	7,638,291	8,334,140	8,582,184
Automotive and filling stations	26,378,978	29,911,280	29,693,612	25,372,775	30,501,503
Drugs and other retail	5,040,001	17,048,416	18,202,310	18,403,946	25,348,617
Agriculture and extractives	21,273,933	21,889,025	20,974,205	51,228,642	21,010,315
Manufacturing	4,671,091	3,330,505	4,568,658	3,885,721	4,059,975
Total	$ 121,097,794	$ 133,851,235	$ 127,505,283	$ 170,170,806	$ 153,298,374
Direct sales tax rate:					
Qualifying food, drugs, and medical appliances	1.00%	1.00%	1.00%	1.00%	1.00%
General merchandise	6.25%	6.25%	6.25%	6.25%	6.25%

Source: Department of Revenue

Schedule 5

Ended December 31, 2003	2004	2005	2006	2007
$ 1,363,710	$ 2,800,525	$ 1,311,217	$ 1,386,298	$ 2,411,768
346,970	347,912	381,828	380,666	411,829
1,977,683	2,134,466	2,422,008	2,950,219	3,217,044
23,255,272	24,229,634	25,453,406	26,875,653	26,538,887
46,677,486	48,494,594	49,324,712	51,700,336	53,124,243
12,925,609	14,114,057	14,719,773	15,518,993	15,731,580
20,589,133	21,679,524	23,026,333	24,463,961	26,100,927
19,360,800	19,738,708	20,462,034	21,035,644	21,959,256
38,456,714	41,326,337	42,174,848	44,648,904	47,250,337
120,851,456	129,252,546	137,836,874	145,599,386	154,487,098
7,105,210	7,677,816	7,975,239	8,175,410	8,437,116
2,618,910	2,764,831	2,860,818	2,926,234	3,103,022
43,301,021	41,018,070	38,703,924	39,603,688	41,087,042
88,046,713	89,572,162	96,463,884	105,184,704	122,059,400
$ 426,876,687	$ 445,151,182	$ 463,116,898	$ 490,450,096	$ 525,919,549
$ 6,797,980	$ 7,394,901	$ 7,729,649	$ 8,388,536	$ 8,762,122
1.59%	1.66%	1.67%	1.71%	1.67%

Schedule 6

Ended June 30, 2004	2005	2006	2007	2008
$ 18,626,322	$ 19,088,864	$ 19,600,033	$ 20,309,083	$ 20,795,910
18,741,796	18,362,003	18,832,493	18,894,356	20,055,709
14,968,004	15,652,501	16,627,151	17,116,672	17,839,212
5,159,596	5,528,017	5,827,022	6,141,805	6,360,979
9,224,073	9,897,051	10,441,898	10,280,540	10,466,904
9,593,743	10,414,709	10,879,756	10,453,412	12,620,346
30,975,760	32,207,314	35,803,644	34,942,450	37,943,597
20,414,099	21,351,837	22,775,595	24,817,828	25,329,145
20,922,639	31,350,034	25,522,299	25,952,233	27,059,367
3,896,955	4,639,168	4,927,891	5,068,327	4,990,610
$ 152,522,987	$ 168,491,498	$ 171,237,782	$ 173,976,706	$ 183,461,779
1.00%	1.00%	1.00%	1.00%	1.00%
6.25%	6.25%	6.25%	6.25%	6.25%

Personal Income Tax Filers and Liability by Income Level
Calendar Years 1998 and 2007
(Amounts in Thousands)

	For the Calendar Year Ended December 31, 1998			
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$500,001 and higher	26,161	0.50%	$ 1,173,393	18.26%
$100,001 - $500,000	394,721	7.61%	1,690,039	26.30%
$50,001 - $100,000	1,121,199	21.62%	1,885,324	29.34%
$25,001 - $50,000	1,320,482	25.46%	1,131,536	17.62%
$15,001 - $25,000	790,362	15.24%	338,410	5.27%
$5,001 - $15,000	945,586	18.23%	178,934	2.78%
$5,000 and lower	562,551	10.85%	27,874	0.43%
Less than zero	24,916	0.49%	101	0.00%
Total	5,185,978	100.00%	$ 6,425,611	100.00%

	For the Calendar Year Ended December 31, 2007			
Income Level	**Number of Filers**	**Percentage of Total**	**Personal Income Tax Liability**	**Percentage of Total**
$500,001 and higher	46,047	0.82%	$ 2,143,134	24.46%
$100,001 - $500,000	762,914	13.56%	3,049,270	34.80%
$50,001 - $100,000	1,331,770	23.66%	2,083,775	23.78%
$25,001 - $50,000	1,308,372	23.25%	1,028,990	11.74%
$15,001 - $25,000	738,573	13.12%	284,937	3.25%
$5,001 - $15,000	894,262	15.89%	152,049	1.74%
$5,000 and lower	500,141	8.89%	19,798	0.23%
Less than zero	45,316	0.81%	169	0.00%
Total	5,627,395	100.00%	$ 8,762,122	100.00%

Note: Generally, the tax liability for a filer (an individual or married couple) is calculated by taking the filer(s)'s federal adjusted gross income and subtracting the number of exemptions and multiplying the result by the State's income tax rate of 3%. The State exemption amount was $1,650 for calendar year 1998 and $2,000 for calendar year 2007. An exemption is allowed on a return for each filer(s) and dependent(s). Additional exemptions are allowed for each filer(s) who is 65 or older and for each filer(s) who is legally blind.

Source: Department of Revenue

Sales Tax Revenue Payers by Industry
Fiscal Years 1999 and 2008
(Amounts in Thousands)

	For the Fiscal Year Ended June 30, 1999			
	Number of Filers	**Percentage of Total**	**Tax Liability**	**Percentage of Total**
General merchandise	1,076	0.35%	$ 965,323	11.18%
Food	9,680	3.18%	500,603	5.79%
Drinking and eating places	26,010	8.55%	930,212	10.78%
Apparel	6,433	2.12%	338,382	3.92%
Furniture, household, and radio	18,505	6.09%	615,531	7.13%
Lumber, building, and hardware	13,516	4.45%	522,681	6.05%
Automotive and filling stations	72,676	23.88%	1,798,752	20.84%
Drugs and other retail	63,841	20.99%	944,199	10.94%
Agriculture and extractives	78,848	25.93%	1,619,884	18.77%
Manufacturing	13,571	4.46%	396,722	4.60%
Total	304,156	100.00%	$ 8,632,289	100.00%

	For the Fiscal Year Ended June 30, 2008			
	Number of Filers	**Percentage of Total**	**Tax Liability**	**Percentage of Total**
General merchandise	2,263	0.20%	$ 1,313,701	11.09%
Food	7,654	0.67%	753,671	6.36%
Drinking and eating places	25,649	2.25%	1,398,711	11.80%
Apparel	8,016	0.70%	510,341	4.31%
Furniture, household, and radio	14,511	1.27%	799,605	6.75%
Lumber, building, and hardware	12,854	1.13%	955,047	8.06%
Automotive and filling stations	934,922	81.95%	2,290,802	19.33%
Drugs and other retail	58,784	5.15%	1,398,789	11.80%
Agriculture and extractives	64,081	5.62%	1,997,208	16.85%
Manufacturing	12,124	1.06%	432,761	3.65%
Total	1,140,858	100.00%	$ 11,850,636	100.00%

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenue.

Source: Department of Revenue

State of Illinois

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts in Thousands)

					For the Fiscal
	1999	**2000**	**2001**	**2002**	**2003**
Governmental activities					
General obligation bonds	$ 6,126,444	$ 6,599,444	$ 7,350,525	$ 8,300,408	$ 19,779,249
Special obligation bonds	1,827,664	1,883,343	1,932,440	1,968,535	2,130,229
Capital leases	16,086	17,532	14,704	21,775	19,022
Installment purchases	24,713	21,422	26,637	29,166	19,859
Certificates of participation	124,925	155,305	147,915	138,090	130,720
Total governmental activities	8,119,832	8,677,046	9,472,221	10,457,974	22,079,079
Business-type activities					
Revenue bonds	1,310,680	1,465,850	1,891,235	2,650,830	3,260,400
Notes payable	100,794	100,594	100,494	100,294	100,294
Capital leases	1,839	921	770	75	75
Installment purchases	3,595	4,167	7,781	38	29
Total business-type activities	1,416,908	1,571,532	2,000,280	2,751,237	3,360,798
Total primary government	$ 9,536,740	$ 10,248,578	$ 11,472,501	$ 13,209,211	$ 25,439,877
Total primary government debt as a percentage of personal income	2.65%	2.74%	2.87%	3.24%	6.15%
Total amount of primary government debt per capita	$ 0.777	$ 0.829	$ 0.922	$ 1.055	$ 2.023

Note: Details regarding the State's debt can be found in Note 8 of the financial statements.

Year Ended June 30,				
2004	**2005**	**2006**	**2007**	**2008**
$ 20,554,896	$ 20,909,291	$ 21,257,664	$ 20,865,798	$ 20,253,876
2,409,159	2,515,469	2,614,724	2,467,733	2,365,323
13,895	11,139	11,392	10,735	9,727
10,217	16,123	10,574	16,241	12,302
122,965	114,805	107,580	97,335	90,300
23,111,132	23,566,827	24,001,934	23,457,842	22,731,528
3,785,870	4,675,455	4,454,444	3,709,323	879,441
685,469	-	-	-	-
50	24	-	-	5
4	-	-	-	-
4,471,393	4,675,479	4,454,444	3,709,323	879,446
$ 27,582,525	$ 28,242,306	$ 28,456,378	$ 27,167,165	$ 23,610,974
6.46%	6.34%	6.14%	5.54%	4.49%
$ 2.185	$ 2.227	$ 2.237	$ 2.126	$ 1.837

State of Illinois

Ratios of General Bonded Debt Outstanding and Debt Limitations
Last Ten Fiscal Years
(Amounts in Thousands

	1999	2000	2001	2002	For the Fiscal 2003
General bonded debt					
General obligation bonds	$ 6,126,444	$ 6,599,444	$ 7,350,525	$ 8,300,408	$ 19,779,249
Special obligation bonds	1,827,664	1,883,343	1,932,440	1,968,535	2,130,229
	7,954,108	8,482,787	9,282,965	10,268,943	21,909,478
Less: Amounts restricted for debt service	817,622	925,236	809,384	648,156	745,023
Net total general bonded debt	$ 7,136,486	$ 7,557,551	$ 8,473,581	$ 9,620,787	$ 21,164,455
Total general bonded debt as a percentage of personal income	1.98%	2.02%	2.12%	2.36%	5.12%
Total general bonded debt as a percentage of taxable sales	5.89%	5.65%	6.65%	5.65%	13.81%
Total amount of general obligation debt per capita	$ 0.582	$ 0.612	$ 0.681	$ 0.769	$ 1.683
Authorized general bonded deb					
General obligation bonds	$ 20,607,848	$ 21,466,658	$ 22,534,032	$ 24,927,174	$ 34,927,174
Special obligation bonds	2,990,970	3,051,970	3,740,715	4,005,509	4,005,509
Total authorized general bonded debt	$ 23,598,818	$ 24,518,628	$ 26,274,747	$ 28,932,683	$ 38,932,683
Issued general bonded debt					
General obligation bonds	$ 13,098,482	$ 13,958,482	$ 15,236,337	$ 17,134,807	$ 29,411,786
Special obligation bonds	2,047,878	2,171,413	2,294,138	2,442,493	2,622,968
Total issued general bonded debt	$ 15,146,360	$ 16,129,895	$ 17,530,475	$ 19,577,300	$ 32,034,754
General bonded debt margin (Authorized but unissued debt)					
General obligation bonds	$ 8,456,138	$ 8,586,451	$ 8,536,925	$ 9,293,541	$ 7,204,988
Special obligation bonds	943,092	880,557	1,446,577	1,563,016	1,382,541
Total general bonded debt margin	$ 9,399,230	$ 9,467,008	$ 9,983,502	$ 10,856,557	$ 8,587,529
Issued bonded debt to authorized bonded debt ratio					
General obligation bonds	63.56%	65.02%	67.61%	68.74%	84.21%
Special obligation bonds	68.47%	71.15%	61.33%	60.98%	65.48%
Total issued bonded debt to authorized bonded debt ratio	64.18%	65.79%	66.72%	67.67%	82.28%

Note: Details regarding the State's general obligation bonds can be found in Note 9 of the financial statements.
Details regarding the State's special obligation bonds can be found in Note 10 of the financial statements.

The State's authorized bonded debt limits are established by the General Obligation Bond Act (30 ILCS 330), the Metropolitan Civic Center Support Act (30 ILCS 355), and the Build Illinois Bond Act (30 ILCS 425).

Year Ended June 30, 2004	2005	2006	2007	2008
$ 20,554,896	$ 20,909,291	$ 21,257,664	$ 20,865,798	$ 20,253,876
2,409,159	2,515,469	2,614,724	2,467,733	2,365,323
22,964,055	23,424,760	23,872,388	23,333,531	22,619,199
799,825	848,213	833,273	846,063	861,152
$ 22,164,230	$ 22,576,547	$ 23,039,115	$ 22,487,468	$ 21,758,047
5.19%	5.07%	4.97%	4.59%	4.14%
14.53%	13.40%	13.45%	12.93%	11.86%
$ 1.756	$ 1.780	$ 1.811	$ 1.760	$ 1.693
$ 34,196,174	$ 34,196,174	$ 34,196,174	$ 34,196,174	$ 34,196,174
4,005,509	4,005,509	4,005,509	4,005,509	4,005,509
$ 38,201,683	$ 38,201,683	$ 38,201,683	$ 38,201,683	$ 38,201,683
$ 31,203,961	$ 32,078,961	$ 33,278,911	$ 33,865,911	$ 33,990,911
2,972,968	3,172,968	3,387,968	3,387,968	3,437,968
$ 34,176,929	$ 35,251,929	$ 36,666,879	$ 37,253,879	$ 37,428,879
$ 4,915,346	$ 4,167,371	$ 3,110,369	$ 2,732,465	$ 2,765,379
1,032,541	832,541	617,541	617,541	567,541
$ 5,947,887	$ 4,999,912	$ 3,727,910	$ 3,350,006	$ 3,332,920
91.25%	93.81%	97.32%	99.03%	99.40%
74.22%	79.22%	84.58%	84.58%	85.83%
89.46%	92.28%	95.98%	97.52%	97.98%

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Pledged Revenue Coverage
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Debt Service Requirements Interest	Debt Service Requirements Total	Coverage
PRIMARY GOVERNMENT							
Build Illinois Bond Fund - Pledged revenue of portion of sales tax collections							
1999	$ 434,185	$ -	$ 434,185	$ 65,665	$ 90,404	$ 156,069	2.78
2000	469,540	-	469,540	68,534	90,454	158,988	2.95
2001	484,694	-	484,694	72,964	92,421	165,385	2.93
2002	455,118	-	455,118	82,050	87,114	169,164	2.69
2003	456,824	-	456,824	94,725	101,215	195,940	2.33
2004	451,124	-	451,124	96,029	108,658	204,687	2.20
2005	486,767	-	486,767	102,200	118,537	220,737	2.21
2006	523,584	-	523,584	116,840	121,566	238,406	2.20
2007	545,699	-	545,699	138,515	125,698	264,213	2.07
2008	560,514	-	560,514	145,505	120,417	265,922	2.11
Civic Center Bond Fund - Pledge revenue of portion of sales tax collections							
1999	$ 19,000	$ -	$ 19,000	$ 4,430	$ 9,868	$ 14,298	1.33
2000	19,000	-	19,000	4,710	9,595	14,305	1.33
2001	19,000	-	19,000	5,990	7,872	13,862	1.37
2002	19,000	-	19,000	5,585	8,258	13,843	1.37
2003	19,000	-	19,000	5,875	7,972	13,847	1.37
2004	19,000	-	19,000	6,160	7,682	13,842	1.37
2005	19,000	-	19,000	6,455	7,383	13,838	1.37
2006	19,000	-	19,000	6,790	7,058	13,848	1.37
2007	19,000	-	19,000	7,175	6,677	13,852	1.37
2008	19,000	-	19,000	7,610	6,236	13,846	1.37
Illinois Student Assistance Commission - Pledged revenue of loans receivable repayments							
1999	$ 96,141	$ 22,613	$ 73,528	$ 4,720 (a)	$ 63,494	$ 68,214	1.08
2000	149,601	24,956	124,645	4,965 (b)	21,832	26,797	4.65
2001	141,279	29,161	112,118	13,345 (c)	17,804	31,149	3.60
2002	97,034	37,869	59,165	10,805 (d)	49,855	60,660	0.98
2003	91,748	55,401	36,347	137,345	40,900	178,245	0.20
2004	89,077	65,449	23,628	80,375 (e)	31,478	111,853	0.21
2005	107,734	76,197	31,537	97,340	60,100	157,440	0.20
2006	163,023	91,585	71,438	130,475	132,548	263,023	0.27
2007	192,214	90,691	101,523	40,135 (f)	154,887	195,022	0.52
2008	74,913	30,472	44,441	150 (g)	57,142	57,292	0.78

(a) The Commission redeemed $34.6 million of principal with bond issuance proceeds in February 1999.
(b) The Commission redeemed $34.8 million of principal with bond issuance proceeds in February 2000.
(c) The Commission redeemed $29.5 million of principal with bond issuance proceeds in November 2000.
(d) The Commission redeemed $33.6 million of principal with bond issuance proceeds in January 2002.
(e) The Commission redeemed $50.5 million of principal with bond issuance proceeds in October 2003.
(f) The Commission redeemed $690.2 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2007.
(g) The Commission redeemed $2.608 billion of principal by the sale of a portion of their student loan portfolio during fiscal year 2008.

Pledged Revenue Coverage
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
MAJOR COMPONENT UNITS							
Illinois Housing Development Authority - Pledged revenue of loans receivable repayments							
1999	$ 148,635	$ 11,114	$ 137,521	$ 234,517	$ 128,004	$ 362,521	0.38
2000	150,560	11,538	139,022	358,529	125,340	483,869	0.29
2001	150,603	8,843	141,760	237,500	129,254	366,754	0.39
2002	133,750	9,549	124,201	311,697	123,462	435,159	0.29
2003	125,738	8,134	117,604	392,805	111,058	503,863	0.23
2004	98,672	6,252	92,420	616,241	99,276	715,517	0.13
2005	91,505	6,892	84,613	452,138	79,271	531,409	0.16
2006	91,301	7,478	83,823	251,415	70,237	321,652	0.26
2007	103,846	6,619	97,227	355,485	77,406	432,891	0.22
2008	106,031	6,653	99,378	348,355	80,330	428,685	0.23
Illinois State Toll Highway Authority - Pledged revenue of toll fees (h)							
1998	$ 361,123	$ 133,284	$ 227,839	$ 26,610	$ 30,919	$ 57,529	3.96
1999	357,981	146,881	211,100	27,835	38,730	66,565	3.17
2000	380,095	151,386	228,709	33,580	44,549	78,129	2.93
2001	391,716	160,687	231,029	35,890	42,928	78,818	2.93
2002	384,861	165,469	219,392	37,575	41,195	78,770	2.79
2003	441,655	195,702	245,953	69,255	38,316	107,571	2.29
2004	427,390	200,525	226,865	41,235	36,319	77,554	2.93
2005	642,620	215,796	426,824	13,455	34,924	48,379	8.82
2006	660,874	219,292	441,582	45,035	72,012	117,047	3.77
2007	675,190	252,529	422,661	47,350	121,071	168,421	2.51
Illinois State University - Pledged revenue of usage fees and rental income							
1999	$ 48,183	$ 35,784	$ 12,399	$ 3,850	$ 1,856	$ 5,706	2.17
2000	49,152	37,498	11,654	4,070	1,637	5,707	2.04
2001	51,120	40,352	10,768	4,305	1,337	5,642	1.91
2002	54,881	46,773	8,108	4,560	1,145	5,705	1.42
2003	56,249	44,860	11,389	4,595	1,111	5,706	2.00
2004	58,448	45,921	12,527	4,790	1,302	6,092	2.06
2005	57,753	46,088	11,665	4,770	1,219	5,989	1.95
2006	61,864	49,947	11,917	5,095	1,175	6,270	1.90
2007	67,176	51,077	16,099	5,185	2,757	7,942	2.03
2008	75,181	57,809	17,372	5,265	2,647	7,912	2.20
Northern Illinois University - Pledged revenue of usage fees and rental income							
1999	$ 48,602	$ 38,837	$ 9,765	$ 1,390	$ 4,063	$ 5,453	1.79
2000	50,730	42,233	8,497	1,337	5,221	6,558	1.30
2001	57,405	47,148	10,257	2,733	5,193	7,926	1.29
2002	61,549	45,329	16,220	6,095	3,914	10,009	1.62
2003	64,132	49,394	14,738	5,015	5,128	10,143	1.45
2004	66,653	51,240	15,413	5,295	4,846	10,141	1.52
2005	67,645	51,008	16,637	5,595	4,549	10,144	1.64
2006	72,426	53,745	18,681	5,740	4,406	10,146	1.84
2007	76,742	69,751	6,991	5,840	4,311	10,151	0.69
2008	76,692	66,080	10,612	5,945	4,204	10,149	1.05

(h) The Illinois State Toll Highway Authority fiscal year is from January 1 to December 31.

Pledged Revenue Coverage
Last Ten Fiscal Years
(Amounts in Thousands)

Fiscal Year	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
Southern Illinois University - Pledged revenue of usage fees, rental income, and medical fees							
1999	$ 76,099	$ 65,668	$ 10,431	$ 4,680	$ 5,363	$ 10,043	1.04
2000	75,835	67,246	8,589	5,630	4,981	10,611	0.81
2001	81,183	67,667	13,516	9,385	3,333	12,718	1.06
2002	80,968	64,612	16,356	7,160	4,007	11,167	1.46
2003	81,515	65,836	15,679	7,465	4,098	11,563	1.36
2004	90,316	73,753	16,563	7,465	4,098	11,563	1.43
2005	97,859	79,784	18,075	8,260	4,478	12,738	1.42
2006	104,713	86,382	18,331	8,735	5,392	14,127	1.30
2007	116,481	92,345	24,136	10,920	7,430	18,350	1.32
2008	125,666	101,535	24,131	12,365	7,592	19,957	1.21
University of Illinois - Pledged revenue of usage fees, rental income, and medical fees							
1999	$ 599,397	$ 548,008	$ 51,389	$ 17,945	$ 10,456	$ 28,401	1.81
2000	713,905	654,264	59,641	18,985	11,801	30,786	1.94
2001	665,320	604,468	60,852	18,990	21,530	40,520	1.50
2002	613,413	540,832	72,581	24,785	23,903	48,688	1.49
2003	660,059	578,082	81,977	15,755	26,844	42,599	1.92
2004	810,251	609,442	200,809	22,560	29,179	51,739	3.88
2005	752,592	674,645	77,947	25,425	29,208	54,633	1.43
2006	793,906	712,608	81,298	24,080	34,643	58,723	1.38
2007	841,998	737,499	104,499	29,710	41,118	70,828	1.48
2008	883,813	784,154	99,659	30,330	44,631	74,961	1.33

State of Illinois

Demographic and Economic Statistics
Last Ten Calendar Years (expressed in thousands)

	For the Calendar Year				
	1998	**1999**	**2000**	**2001**	**2002**
Population					
State	12,272	12,359	12,439	12,517	12,578
Percentage change	0.71%	0.71%	0.65%	0.63%	0.49%
National	275,854	279,040	282,194	285,112	287,888
Percentage change	1.18%	1.15%	1.13%	1.03%	0.97%
Total Personal Income					
State	$ 360,094,542	$ 373,384,640	$ 400,373,280	$ 407,253,595	$ 413,710,753
Percentage change	6.57%	3.69%	7.23%	1.72%	1.59%
National	$ 7,415,709,000	$ 7,796,137,000	$ 8,422,074,000	$ 8,716,992,000	$ 8,872,871,000
Percentage change	7.36%	5.13%	8.03%	3.50%	1.79%
Per Capita Personal Income					
State	$ 29.343	$ 30.212	$ 32.187	$ 32.536	$ 32.892
Percentage change	5.82%	2.96%	6.54%	1.08%	1.09%
National	$ 26.883	$ 27.939	$ 29.845	$ 30.574	$ 30.821
Percentage change	6.11%	3.93%	6.82%	2.44%	0.81%
Labor force					
State Labor Force	6,331	6,430	6,468	6,465	6,387
Employed	6,047	6,144	6,177	6,114	5,969
Unemployed	284	286	291	351	418
Unemployment rate	4.5%	4.5%	4.5%	5.4%	6.5%

Source: U.S. Bureau of Economic Analysis and Department of Employment Security

Ended, 2003	2004	2005	2006	2007
12,625	12,680	12,720	12,777	12,853
0.37%	0.44%	0.32%	0.45%	0.59%
290,448	293,192	295,896	298,755	301,621
0.89%	0.94%	0.92%	0.97%	0.96%
$ 426,876,687	$ 445,151,182	$ 463,116,898	$ 490,450,096	$ 525,919,549
3.18%	4.28%	4.04%	5.90%	7.23%
$ 9,150,320,000	$ 9,711,363,000	$ 10,252,849,000	$ 10,977,312,000	$ 11,631,571,000
3.13%	6.13%	5.58%	7.07%	5.96%
$ 33.812	$ 35.107	$ 36.409	$ 38.385	$ 40.918
2.80%	3.83%	3.71%	5.43%	6.60%
$ 31.504	$ 33.123	$ 34.650	$ 36.744	$ 38.564
2.22%	5.14%	4.61%	6.04%	4.95%
6,343	6,376	6,447	6,574	6,697
5,917	5,980	6,076	6,273	6,362
426	397	371	301	336
6.7%	6.2%	5.8%	4.6%	5.0%

State of Illinois **Schedule 13**

Principal Employers
Fiscal Years 1999 and 2008

	2008		1999	
Employer	**Employees**	**Percentage of Total State Employment**	**Employees**	**Percentage of Total State Employment**
State of Illinois	70,144	1.10%	87,719	1.45%
U.S. Government	47,763	0.75%	41,799	0.69%
Wal-Mart	45,300	0.71%	27,100	0.45%
Chicago School Board	44,806	0.70%	44,806	0.74%
City of Chicago	40,207	0.63%	41,700	0.69%
U.S. Postal Service	31,540	0.50%	33,950	0.56%
Jewel-Osco	29,700	0.47%	38,900	0.64%
University of Illinois	29,403	0.46%	26,331	0.44%
Caterpillar	24,700	0.39%	30,700	0.51%
Cook County	24,208	0.38%	27,958	0.46%
Total	387,771	6.09%	400,963	6.63%

Source: Department of Commerce and Economic Opportunity and various employer websites

State of Illinois

Employees by Function
Last Ten Fiscal Years

					Employees
	1999	**2000**	**2001**	**2002**	**2003**
Health and social services	31,177	30,722	30,595	29,016	24,134
Education	1,082	1,114	1,056	964	806
General government	12,363	13,048	13,277	13,198	11,804
Employment and economic development	3,755	3,819	3,775	3,829	3,412
Transportation	9,894	10,082	10,167	10,138	9,336
Public protection and justice	22,931	23,104	23,854	23,958	20,320
Environment and business regulation	6,517	6,598	6,373	6,318	5,434
Total	87,719	88,487	89,097	87,421	75,246

Schedule 14

as of June 30,				
2004	**2005**	**2006**	**2007**	**2008**
24,262	22,767	23,230	22,784	22,701
767	766	763	750	758
11,934	12,256	12,421	12,515	12,366
3,576	3,394	3,366	3,213	3,074
8,760	8,261	8,098	8,407	7,638
20,819	20,414	20,181	19,793	18,913
5,294	4,788	4,844	4,850	4,694
75,412	72,646	72,903	72,312	70,144

State of Illinois

Operating Indicators by Function/Program
Last Ten Fiscal Years

	For the Fiscal Year			
	1999	2000	2001	2002
Function/Program				
Health and Social Services				
Child abuse and neglect				
Calls to abuse/neglect hotline	304,945	306,818	306,506	304,804
Children investigated	106,903	103,577	100,448	98,181
Medical programs				
Number of children enrolled in medical programs	Not available	Not available	946,138	960,000
Number of parents enrolled in medical programs	Not available	Not available	Not available	Not available
Child support				
Number of child support cases with orders	Not available	322,012	323,296	366,353
Family case management				
Number of pregnant women and infants enrolled in FCM	223,548	230,000	233,906	267,402
Persons with disabilities receiving in-home services to prevent institutionalization	22,572	24,357	27,531	30,016
Immunization rates of children under age two	76%	78%	77%	76%
General government				
Taxes				
Number of individual income tax returns processed	5,699,948	5,621,775	5,700,000	5,831,078
Percent of individual income tax returns filed electronically	12.57%	19.19%	22.33%	27.70%
Total number of payments processed through State Treasury	13,809,108	14,884,506	15,988,446	14,078,664
Education				
Elementary and secondary education				
Public school enrollment	1,962,026	2,027,600	2,048,792	2,071,391
Graduation rate	81.90%	82.60%	83.20%	85.20%
Dropout rate	5.9%	5.8%	5.7%	5.1%
Higher education				
Enrollment	731,595	735,038	742,949	752,753
Degrees conferred	125,877	129,044	134,833	139,154
Transportation				
Miles of pavement maintained/improved	1,128	1,219	1,815	1,555
Number of bridges maintained/improved	380	254	501	333
Employment and economic development				
Unemployment insurance *				
Number of claims	600,164	604,070	636,532	825,811
Average duration (weeks)	16.34	17.60	15.77	15.37
State Fair				
State Fair attendees	826,648	1,063,059	1,162,000	1,130,000
DuQuoin State Fair attendees	400,633	411,749	393,088	447,955
Tourism				
Historic site attendance (in thousands)	2,847	2,915	2,664	2,656
Public protection and justice				
Crime Rates				
Violent crime rates per 100,000 in population *	827	703	669	653
Property crime rates per 100,000 in population *	4,197	3,901	3,681	3,586
Total crime rates per 100,000 in population	5,024	4,604	4,350	4,239
Violent crime arrest rates per 100,000 in population *	243	238	220	215
Property crime arrest rates per 100,000 in population *	778	800	762	745
Total crime arrest rates per 100,000 in population	1,021	1,038	982	960
Forensic services				
Number of original crime scenes processed	Not available	Not available	4,896	4,846
Number of Deoxyribonucleic Acid (DNA) cases worked	Not available	Not available	Not available	2,703
Total number of forensic cases worked	Not available	Not available	Not available	109,648
Number of DNA offender samples worked	Not available	Not available	Not available	2,862
Environment and business regulation				
Professional Regulation				
Professional complaints received	8,742	10,372	9,702	9,165
Licenses placed on probation	404	504	572	436

* Statistics for unemployment insurance and crime rates are based on the previous ending calendar year.

Ended or as of June 30					
2003	2004	2005	2006	2007	2008
293,292	277,295	249,764	257,481	258,563	266,011
97,413	104,236	111,830	110,225	111,723	111,869
1,022,058	1,094,077	1,159,593	1,216,983	1,369,050	1,457,829
Not available	388,636	463,506	498,195	545,502	580,760
331,003	328,211	335,568	398,888	420,004	390,745
277,322	280,969	282,840	285,459	292,302	291,417
31,970	34,156	32,549	35,916	36,858	38,093
80%	85%	86%	87%	83%	78%
5,782,567	5,757,659	5,798,585	5,712,563	5,963,636	6,119,040
33.41%	37.54%	41.84%	44.37%	46.20%	51.88%
15,979,883	15,157,741	14,896,011	15,092,629	15,512,005	15,623,763
2,084,490	2,060,008	2,062,912	2,111,706	2,118,692	2,113,435
86.00%	86.50%	87.40%	87.8%	85.90%	86.50%
6.0%	4.6%	4.0%	3.5%	3.5%	4.1%
781,190	799,216	801,548	805,764	814,189	821,026
149,865	155,216	160,806	163,153	167,066	Not available
1,561	1,155	919	820	908	933
319	219	206	255	274	272
875,777	855,658	766,032	702,725	670,402	696,109
19.01	19.01	18.92	18.23	17.34	17.31
1,264,750	725,000	671,334	672,615	703,000	613,000
500,854	270,346	315,731	298,286	330,000	298,000
2,665	2,680	2,772	2,498	2,221	2,206
625	573	562	569	558	547
3,519	3,382	3,282	3,171	3,104	3,007
4,144	3,955	3,844	3,740	3,662	3,554
211	206	205	212	201	191
699	653	622	599	547	556
910	859	827	811	748	747
4,289	4,198	4,519	4,816	3,457	3,138
2,253	2,812	3,397	3,464	2,830	3,390
107,947	110,863	116,882	116,192	119,045	112,644
3,508	24,244	65,009	106,374	46,647	37,937
11,085	9,781	9,195	9,024	9,498	10,912
603	590	488	419	344	455

Capital Asset and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years

	For the Fiscal Year				
	1999	**2000**	**2001**	**2002**	**2003**
Health and social services					
Mental health facilities	20	20	20	20	18
Veterans homes	4	4	4	4	4
Transportation					
Highway miles	16,782	16,717	16,650	16,601	16,538
Bridges	8,229	8,251	8,239	8,230	8,227
Public protection and justice					
Adult correctional facilities	26	26	27	27	26
Juvenile correctional facilities	7	8	8	9	8
Environment and business regulation					
State park acreage	406,100	402,302	417,475	440,465	450,814
Protected natural area acreage	58,550	63,821	66,649	71,163	76,179

Note: No capital asset indicators are available for the education, general government, and employment and economic development functions.

Ended or as of June 30,				
2004	2005	2006	2007	2008
18	18	18	18	18
4	4	4	4	4
16,513	16,459	16,430	16,398	16,090
8,222	8,232	8,296	8,284	7,844
27	27	27	28	28
8	8	8	8	8
456,039	387,753	499,515	371,793	373,857
82,957	85,375	87,731	89,731	89,764

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Michael J. Madigan, Speaker of the House
Honorable John J. Cullerton, President of the Senate
Members of the General Assembly
Honorable Patrick Quinn, Governor
Honorable Daniel Hynes, Comptroller

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Illinois as of and for the year ended June 30, 2008 as listed in the Table of Contents for Section II of the Illinois Comprehensive Annual Financial Report, which collectively comprise the State of Illinois' basic financial statements and we have issued our report thereon dated July 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters did not include the State's discretely presented component units. Separate reports have been issued for these entities. The findings, if any, included in those reports are not included herein.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as findings 08-1 and 08-2 in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 08-1 and 08-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 08-3.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Office of the State Comptroller in a separate letter dated July 20, 2009.

The Office of the Governor's and the Office of the State Comptroller's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the State's Management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

WILLIAM G. HOLLAND
Auditor General
State of Illinois

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits
Office of the Auditor General

July 20, 2009

08-1. **FINDING** (Financial Reporting Weaknesses)

The State of Illinois did not have adequate controls to assess the risk that information reported by individual agencies of the primary government would not be fairly stated and compliant with generally accepted accounting principles.

Restatements – Correction of Errors

The financial statements have been restated as of July 1, 2007 for the following prior reporting errors:

Governmental Activities

- Understatement of unearned income tax revenues of $343.6 million. This issue was identified by the auditors.
- Understatement of unearned driver's license and fee revenue of $34 million. This issue was identified by management and refined by the auditors.
- Lack of allocation of accrued motor fuel tax revenues to other State funds and understatement of accrued shared revenue liabilities associated with motor fuel tax revenues of $122.6 million. This issue was identified by management.

Business-type Activities

- Overstatement of allowance for unemployment taxes, penalties, and interest of $31.6 million in the Unemployment Compensation Trust Fund, a major fund of the State. This issue was identified by the auditors.

Misstatements Identified by Auditors

In addition to the restatements described above, the following misstatements were noted by the auditors:

Two main adjustments were made to the State's Department of Revenue's financial statements for the reporting period to fairly state multiple accounts. The largest of these adjustments was to increase Deferred Revenue – (Unearned) by $433 million for governmental funds and governmental activities. Another adjustment was made to decrease Taxes Receivable by $87.6 million.

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission, a major fund of the State, did not properly account for its securities lending transactions. One adjustment was made to record collateral investments and liabilities of $168 and $171 million respectively, and a $3 million unrealized loss. In addition, the initial financial statements did not have required disclosures related to these transactions.

The Illinois Designated Account Purchase Program (IDAPP) of the Illinois Student Assistance Commission (ISAC), a major fund of the State, did not have sufficient controls over financial reporting. Several errors and omissions were identified during the audit of the IDAPP draft financial statements provided by ISAC.

Audit adjustments were identified for errors in financial information submitted by the State's Department of Corrections. These adjustments primarily related to unrecorded liabilities and misstatements in capital asset amounts.

The State's Department of Healthcare and Family Services did not perform timely reconciliations for its Medicare Part D wrap around benefit program. Audit adjustments to three reporting units were made and ranged from $20.7 million to $55 million.

Adjustments were made to the State's Department of Transportation's (IDOT) financial information for revenue recognition/deferred revenue errors. In addition, IDOT's commodity inventory balance was adjusted $3.493 million based on discrepancies noted during audit testwork. IDOT reports 100% of the inventory balance of the Road Fund, a major fund of the State.

The Illinois Environmental Protection Agency did not identify errors in its financial statements of the Water Revolving Fund, a major fund of the State. Errors noted by the auditors resulted in a reclassification of $2.855 million from restricted net assets for debt service to unrestricted net assets.

The auditors determined that the State Universities Retirement System had not properly accounted for its alternative investments. As a result, the System's beginning Plan Net Assets and Net Increase in Plan Net Assets were understated by approximately $85 million.

Organizational Deficiencies

The State's decentralized reporting system and related decentralized internal control system is not adequate to reduce the likelihood that a material misstatement of the State's financial statements could occur and not be detected during the normal course of business. The following are descriptions of deficiencies, in addition to those described above, that were noted during our audits at various agencies and the Office of the State Comptroller (IOC).

- Significant problems were noted during our audit of the State's Department of Revenue related to accounting for and processing taxes receivable; development, change management and deficiencies in the production modules of a new integrated tax management system; preparing reporting packages for submission to the IOC; calculating penalties and interest; timely processing taxpayer information; making adjustments to tax accounts; and procedures for reconciling records.

- Significant problems were noted during our audit of the State's Department of Central Management Services related to compliance with federal regulations in the operation of its internal service funds; calculating the State's auto liability; payment of Worker's Compensation Claims from other internal service funds; security, control and recordkeeping for computer systems.

- Significant problems were noted during our audit of the State's Department of Human Services related to payments being made without sufficient supporting documentation, measuring and reporting liabilities, and controlling commodity inventories.

- Significant problems were noted during our audit of the State's Department of Healthcare and Family Services related to internal control review of its third parties; using the Health Insurance Reserve Fund to pay Worker's Compensation Claims; insufficient controls over the University of Illinois Hospital Services Fund; lack of controls over contributions to the Community College Health Insurance Security Fund; and incorrect charges for health insurance premiums for the Teacher's Retirement Insurance Program and College Insurance Program as well as an inadequate rate-setting methodology for the Teacher's Program. We also reported the Department provided incomplete and inaccurate census data to the actuary for the calculation of the State's other post employment benefit.

- Significant problems were noted during our audit of the State's Department of Corrections related to proper accounting for capital assets, inventories, liabilities and local fund transactions. In addition, the Department did not provide all requested documentation to the auditors in a timely manner and generally demonstrated a lack of cooperation during the audit. As a result, the auditors' report for the Department's financial statements included multiple qualifications.

- The IOC is dependent on agencies under the jurisdiction of the Office of the Governor to implement and comply with most provisions related to Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Although the IOC assists with and monitors the reporting responsibilities associated with these two new Standards, the IOC is not directly involved in the selection of the actuary or the data gathering process for actuary purposes and financial reporting. The IOC is dependent on the State's Department of Healthcare and Family Services to provide the final actuarial information timely, which has not occurred in the past two years.

- Audit adjustments were routinely identified for the primary government's State agencies required to prepare financial statements that were not deemed material by agency management and were not posted to the financial statements. In working with the IOC to finalize the State's financial statements, it is necessary to accumulate all of the "passed adjustments" and evaluate these adjustments in total to ensure that they do not misstate the financial statements. Because of the volume of these passed adjustments, there is a continual risk that the State's financial statements may be materially misstated until this accumulation and evaluation process is completed. In addition, these passed adjustments require continued accumulation and evaluation in subsequent years.

In discussing these conditions with the Office of the Governor personnel, they stated that the weakness is due to separation in the responsibility for the State's internal control procedures among agencies and component units. The IOC has the statutory authority to develop and prescribe accounting policy for the State but there is no centralized statewide accounting system to capture all items necessary to provide underlying support to review agency financial transactions. In addition, there is an overall lack of qualified individuals in the State to ensure that all transactions are recorded in accordance with government accounting standards.

In discussing these conditions with the IOC personnel, they stated that misstatements were caused by a separation in the responsibility for the State's internal control. The IOC has the statutory authority to develop and prescribe accounting policy for the State but does not have the statutory authority to monitor adherence to these policies as performed by State agencies at the transactional level. Instead, the IOC monitors transactional activity of State agencies in compliance with budgetary and legal requirements for spending from the State Treasury. The IOC, to some degree, would have the ability to better analyze the financial activities of State agencies from a financial reporting perspective if the State had a centralized automated financial reporting system. The estimate cost of such a system would well exceed $100 million. In accordance with the Fiscal Control and State Internal Auditing Act, each State agency's Chief Executive Officer maintains statutory responsibility for the establishment and continuous monitoring of the internal control function for accounting and other operating policies of the Officer's agency. The IOC, in turn, relies upon State agencies' compliance with these statutory responsibilities. (Finding Code No. 08-1, 07-1, 06-1, 05-1, 04-1, 03-1, 02-1)

RECOMMENDATION

We recommend the State implement additional internal control procedures in order to assess the risk of material misstatements to the financial statements and to identify such misstatements during the financial statement preparation process. The internal control procedures should include a formal evaluation of prior problems and implementation of procedures to reduce the risk of these problems reoccurring.

AGENCY RESPONSES

Office of the Governor:

We agree. The Office of the Governor and the Office of the State Comptroller will work together to convince the Illinois Legislature of the necessity to include capital funding for the purpose of procuring and implementing a statewide accounting system with all necessary components including general ledger, procurement, inventory, grants management, payroll and timekeeping information systems. In addition, we will work together to enhance internal controls over the year-end financial reporting process.

Office of the State Comptroller:

The IOC will continue to provide consultation and technical advice to State agencies in relation to identification and establishment of adequate internal control with respect to financial reporting.

08-2. **FINDING** (Delays in Financial Reporting)

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner. Reporting issues at various individual agencies caused delays in finalizing the financial statements which did not occur until June of the subsequent year for the past two fiscal years.

Accurate and timely financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to financial statements year after year. These findings have been directed primarily toward the Office of the State Comptroller (IOC) and major State agencies under the organizational structure of the Office of the Governor.

The State has not been able to solve these problems or make substantive changes to the system to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General continues to inform State agency officials that the post audit function **is not and should not** be an internal control mechanism for any operational activity related to financial reporting.

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare a series of complicated financial reporting forms (SCO forms) designed by the Office of the State Comptroller to prepare the CAFR. For the most part, these SCO forms are completed for each of the State's 786 active funds. The forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles (GAAP) and of the State's accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to assist the IOC in the preparation of the statewide financial statements in accordance with GAAP.

Although these SCO forms are subject to the review by the IOC financial reporting staff during the CAFR preparation process, audit adjustments and significant internal control deficiencies relative to the financial statements have been identified during the last seven audits of the CAFR. Additionally, beginning balances related to the primary government have been restated for 5 of the last 7 years.

Although the deficiencies relative to the CAFR and SEFA financial reporting

processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic.

Concepts Statement of the Governmental Accounting Standards Board (GASBCS 1, paragraph 66) states, "if financial reports are to be useful, they must be issued soon enough after the reported events to affect decisions."

According to OMB Circular A-133 § .300(d) and (e), a recipient of Federal awards is required to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards and to ensure that audits required by this part are properly performed and submitted when due. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated due to a lack of an automated accounting system and decentralized agencies with over 100 separate financial systems in the State results in wide and varied controls instead of a uniform set of controls to carry out the accounting policy set by the Office of the State Comptroller. This lack of automated systems and lack of a general ledger system requires labor intensive manual tabulations by accounting personnel who lack the qualifications and systems to report accurate financial information on a timely basis.

In discussing these conditions with IOC personnel, they indicated delays were caused by a separation in the responsibility for the State's internal control procedures among agencies and component units. The IOC has the statutory authority to request submission of financial information but does not currently have the ability to enforce those submissions on a timely basis from other State agencies. For example, in order for the State of Illinois to have financial statements in accordance with generally accepted accounting principles for the year ended June 30, 2008, the State needed to implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The State's Department of Healthcare and Family Services failed to submit needed data in the form of accurate actuarial reports necessary to implement GASB Statement No. 45 until March 19, 2009. In order for timely financial statements to be prepared and audited, the correct information should have been submitted by the Department in October of 2008.

Failure to establish effective internal controls at all State agencies regarding financial reporting for the preparation of the CAFR and the SEFA prevents the State from completing an audit in accordance with timelines set forth in OMB Circular A-133 which may result in the suspension of Federal funding. Delays in financial reporting decrease the usefulness of such information and affect the State's ability to comply with continuing disclosure requirements. (Finding Code No. 08-2, 07-2)

RECOMMENDATION

We recommend the Office of the Governor and the Office of the State Comptroller work together with State agencies to establish a corrective action plan to address the quality and timeliness of accounting information provided to and maintained by the Office of the State Comptroller as it relates to year end preparation of the CAFR and the SEFA.

AGENCY RESPONSES

Office of the Governor:

We agree. The Office of the Governor will continue to work with the Office of the State Comptroller to implement additional procedures to assist in preparing the complex SCO forms currently used in the preparation of the Comprehensive Annual Financial Report and the Schedule of Expenditures of Federal Awards.

Office of the State Comptroller:

The IOC will continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information in a timely manner. The IOC will also seek legislation that provides it with enforcement tools to compel State agencies to comply with necessary reporting deadlines.

08-3 **FINDING** (Delays in Required Filings)

The State of Illinois did not fully comply with annual financial reporting requirements set forth by continuing disclosure undertakings.

We noted the following:

- For filings due January 26, 2008 unaudited financial statements were not submitted to repositories as required for all 4 (100%) continuing disclosure undertakings tested. In addition, audited financial statements were filed 133 days late.

- For filings due March 26, 2008 unaudited financial statements were not submitted to repositories as required for the 2 (100%) continuing disclosure undertakings tested. In addition, audited financial statements were filed 133 days late.

- For filings due January 26, 2009 unaudited financial statements were not submitted to repositories as required for all 5 (100%) continuing disclosure undertakings tested. Audited statements were not yet available.

- For filings due March 27, 2009 unaudited financial statements were not submitted to repositories as required for all 3 (100%) continuing disclosure undertakings tested. Audited statements were not yet available.

The above exceptions relate to continuing disclosure undertaking agreements for General Obligation and Special Obligation Bonds issued during Fiscal Years 2006 and 2008. The State did provide timely notice to repositories of the failure to provide the FY08 Comprehensive Annual Financial Report (CAFR) timely but did not provide any notice to repositories of the failure to provide the FY07 CAFR timely.

Continuing disclosure undertakings require the State to submit annual financial information to each repository within specified timelines which ranged from 210 to 270 days after the end of the fiscal year. The State is required to submit audited financial statements to each repository at the same time. However, if audited financial statements are not available at the time the annual financial information is filed, unaudited financial statements are required to be filed, and audited financial statements are to be filed within 30 days of their availability to the Governor's Office of Management and Budget.

The State's financial statements are prepared by the Office of the State Comptroller and filings required by continuing disclosure requirements are made by the Governor's Office of Management and Budget.

The financial statements were not completed timely and therefore were not available to be submitted to the repositories as required.

Continuing disclosure undertakings are entered into when the State issues long-term debt pursuant to the requirements of the Securities and Exchange Commission's rules. Continuing disclosure undertaking agreements are signed by the Director of the Governor's Office of Management and Budget.

A failure by the State to comply with an Undertaking must be reported in accordance with Rule 15c2-12 adopted by the Securities and Exchange Commission and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds on the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. (Finding Code 08-3, 07-2)

RECOMMENDATION

We recommend the Office of the State Comptroller and the Office of the Governor implement policies and procedures necessary to ensure timely reporting of financial information in accordance with continuing disclosure undertakings.

AGENCY RESPONSES

Office of the Governor:

We agree. The Office of the Governor and the Office of the State Comptroller will work together to establish and implement policies and procedures necessary to ensure that the required reporting of financial information is provided on a timely basis in accordance with continuing disclosure undertakings.

Office of the State Comptroller:

The IOC will continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information timely.

STATE OF ILLINOIS

Single Audit Report

For the Year Ended June 30, 2008

Performed as Special Assistant Auditors for
the Auditor General, State of Illinois

Independent Auditors' Report on the Schedule
of Expenditures of Federal Awards

Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures
of Federal Awards Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

STATE OF ILLINOIS

Single Audit Report

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Other Reports Issued Applicable to the Single Audit:

The Comprehensive Annual Financial Report of the State of Illinois for the Year Ended June 30, 2008 was issued under separate cover.

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the Year Ended June 30, 2008 was issued under separate cover by the Auditor General of the State of Illinois.

STATE OF ILLINOIS

Single Audit Report

Summary

The compliance audit testing performed in this audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, Single Audit Act Amendments of 1996, and OMB Circular A-133.

Auditors' Reports

The auditors' report on compliance and on internal control applicable to each major program contains scope limitations and qualifications for the following programs:

Adverse:
HIV Care Formula Grants

Qualifications (Scope Limitation):
Special Supplemental Nutrition Program for Women, Infants, and Children
Immunization Grants

Qualifications (Noncompliance):
Food Stamps Cluster
Airport Improvement Program
Title I Grants to Local Educational Agencies
Special Education Cluster
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants
Aging Cluster
Temporary Assistance for Needy Families
Foster Care – Title IV-E
Adoption Assistance
State Children's Insurance Program
Medicaid Cluster

Summary of Audit Findings

Number of audit findings:	This audit	Prior audit
This audit	97	87
Repeated audit findings	58	59
Prior findings implemented or not repeated	29	36

KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

Honorable William G. Holland
Auditor General
State of Illinois:

As special assistant auditors for the Auditor General, we have audited the accompanying schedule of expenditures of federal awards of the State of Illinois (the Schedule) for the year ended June 30, 2008. This Schedule is the responsibility of the State of Illinois' management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting of the Schedule. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Also as described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the US Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Guide.

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of Illinois, as described above, for the year ended June 30, 2008, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 on our consideration of the State of Illinois' internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

June 30, 2009

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Agency/Program or Cluster	Federal CFDA #		Amounts (expressed in thousands) Expenditures		Passed-through to subrecipients (Unaudited)
U.S. Department of Agriculture					
Plant and Animal Disease, Pest Control, and Animal Care	10.025			$ 3,411	$ 164
Wildlife Services	10.028			75	
Conservation Reserve Program	10.069			2	
Inspection Grading and Standardization	10.162			10	—
Market Protection and Promotion	10.163			77	—
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475			5,799	—
Meat, Poultry, and Egg Products Inspection	10.477			13	—
Cooperative Extension Service	10.500			44	30
Food Donation	10.550	*		40,426	40,426
Food Stamp Cluster:					
Food Stamps	10.551	*	$ 1,674,144		
State Administrative Matching Grants for Food Stamp Program	10.561	*	104,972		9,771
Total Food Stamp Cluster				1,779,116	
Child Nutrition Cluster:					
School Breakfast Program	10.553	*	64,086		63,081
National School Lunch Program	10.555	*	304,422		302,617
Special Milk Program for Children	10.556	*	3,432		3,432
Summer Food Service Program for Children	10.559	*	7,840		7,479
Total Child Nutrition Cluster				379,780	
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	*		206,089	194,423
Child and Adult Care Food Program	10.558	*		105,087	103,799
State Administrative Expenses for Child Nutrition	10.560			5,802	507
Commodity Supplemental Food Program	10.565			3,415	3,412
Emergency Food Assistance Cluster:					
Emergency Food Assistance Program (Administrative Costs)	10.568		2,148		1,745
Emergency Food Assistance Program (Food Commodities)	10.569		8,350		8,350
Total Emergency Food Assistance Cluster				10,498	
WIC Farmers' Market Nutrition Program (FMNP)	10.572			186	24
Team Nutrition Grants	10.574			163	163
Senior Farmers Market Nutrition Program	10.576			348	31
Cooperative Forestry Assistance	10.664			608	162
Schools and Roads Cluster:					
Schools and Roads Grants to States	10.665		304		
Total Schools and Roads Cluster				304	
Urban and Community Forestry Program	10.675			56	28
Forest Legacy Program	10.676			28	—
Wildlife Habitat Incentive Program	10.914			2	—
Total U.S. Department of Agriculture				**2,541,339**	
U.S. Department of Commerce					
Coastal Zone Management Administration Awards	11.419			37	—
Total U.S. Department of Commerce				**37**	
U.S. Department of Defense					
Procurement Technical Assistance For Business Firms	12.002			502	292
Payments to States in Lieu of Real Estate Taxes	12.112			700	700
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113			1,171	—
Military Construction, National Guard	12.400			8,656	—
National Guard Military Operations and Maintenance (O&M) Projects	12.401			14,968	—
National Guard Civilian Youth Opportunities	12.404			3,942	—
Troops-to-Teachers/Spouses-to-Teachers	12.XXX			137	—
Total U.S. Department of Defense				**30,076**	

(Continued)

STATE OF ILLINOIS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Agency/Program or Cluster	Federal CFDA #	Amounts (expressed in thousands)		
			Expenditures	Passed-through to subrecipients (Unaudited)
U.S. Department of Housing and Urban Development				
Community Development Block Grants/State's Program	14.228		$ 27,121	$ 25,673
Emergency Shelter Grants Program	14.231		2,696	2,526
Supportive Housing Program	14.235		67	—
Housing Opportunities for Persons with AIDS	14.241		944	732
Fair Housing Assistance Program State and Local	14.401		867	—
Section 8 Housing Choice Vouchers	14.871		558	454
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900		1,728	1,431
Total U.S. Department of Housing and Urban Development			**33,981**	
U.S. Department of Interior				
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250		2,131	53
Abandoned Mine Land Reclamation (AMLR) Program	15.252		9,778	537
Fish & Wildlife Cluster:				
Sport Fish Restoration	15.605	$ 4,837		2,772
Wildlife Restoration	15.611	4,434		2,094
Total Fish & Wildlife Cluster			9,271	
Fish and Wildlife Management Assistance	15.608		43	—
Coastal Wetlands Planning, Protection and Restoration Act	15.614		405	—
Cooperative Endangered Species Conservation Fund	15.615		16	4
Clean Vessel Act	15.616		1	1
Sportfishing and Boating Safety Act	15.622		34	10
Hunter Education and Safety Program	15.626		222	—
Partners for Fish and Wildlife	15.631		17	1
Landowner Incentive	15.633		332	—
State Wildlife Grants	15.634		1,095	971
U.S. Geological Survey-Research and Data Collection	15.808		20	—
National Spatial Data Infrastructure Cooperative Agreements Program	15.809		22	7
Historic Preservation Fund Grants In Aid	15.904		1,135	109
Outdoor Recreation Acquisition, Development and Planning	15.916		1,760	750
Abraham Lincoln Presidential Library and Museum	15.XXD		90	—
Total U.S. Department of Interior			**26,372**	
U.S. Department of Justice				
Federal Asset Forfeiture	16.000		1,416	—
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202		117	—
Juvenile Accountability Incentive Block Grants	16.523		1,498	953
Education and Training to End Violence Against and Abuse of Women with Disabilities	16.529		147	146
Juvenile Justice and Delinquency Prevention Allocation to States	16.540		1,121	715
Missing Children's Assistance	16.543		238	—
Title V Delinquency Prevention Program	16.548		1	1
National Criminal History Improvement Program (NCHIP)	16.554		349	349
National Institute of Justice Research, Evaluation, and Development Projects Grants	16.560		312	—
Crime Laboratory Improvement Combined Offender DNA Index System Backlog Reduction	16.564		2,008	—
Crime Victim Assistance	16.575		17,216	15,673
Crime Victim Compensation	16.576		487	—
Edward Byrne Memorial Formula Grant Program	16.579		4,027	1,780
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		309	—
Crime Victim Assistance/Discretionary Grants	16.582		5	—
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586		18,868	216
Violence Against Women Formula Grants	16.588		4,914	4,172
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589		103	—
Residential Substance Abuse Treatment for State Prisoners	16.593		1,452	99
Corrections Research and Evaluation and Policy Formulation	16.602		57	—
State Criminal Alien Assistance Program	16.606		7,948	—
Bulletproof Vest Partnership Program	16.607		16	4
Community Prosecution and Project Safe Neighborhoods	16.609		1,097	774
Public Safety Partnership and Community Policing Grants	16.710		778	—

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U.S. Department of Justice (Continued)					
Enforcing Underage Drinking Laws Program	16.727			$ 763	$ 485
Edward Byrne Memorial Justice Assistance Grant Program	16.738			8,356	6,850
Forensic DNA Capacity Enhancement Program	16.741			110	—
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			444	39
Forensic Casework DNA Backlog Reduction Program	16.743			345	—
Anti-Gang Initiative	16.744			258	60
Equitable Sharing of Federal Forfeitures	16.XXX			95	—
Total U.S. Department of Justice				**74,855**	
U.S. Department of Labor					
Labor Force Statistics	17.002			2,619	—
Compensation and Working Conditions	17.005			197	—
Employment Services Cluster:					
Employment Service/Wagner-Peyser Funded Activities	17.207	*	$ 30,436		—
Disabled Veterans' Outreach Program (DVOP)	17.801	*	2,912		—
Local Veterans' Employment Representative Program	17.804	*	3,369		—
Total Employment Services Cluster				36,717	
Unemployment Insurance	17.225	*		2,183,718	—
Senior Community Service Employment Program	17.235			3,251	3,065
Trade Adjustment Assistance	17.245			10,399	10,149
Workforce Investment Act Cluster:					
WIA Adult Program	17.258	*	38,310		36,636
WIA Youth Activities	17.259	*	42,256		40,220
WIA Dislocated Workers	17.260	*	64,279		60,784
Total Workforce Investment Act Cluster				144,845	
WIA Pilots, Demonstrations, and Research Projects	17.261			499	159
Work Incentive Grants	17.266			471	471
Incentive Grants WIA Section 503	17.267			642	625
Work Opportunity Tax Credit Program and Welfare-to-Work Tax Credit	17.271			1,242	—
Temporary Labor Certification for Foreign Workers	17.273			144	—
Consultation Agreements	17.504			1,854	—
Mine Health and Safety Grants	17.600			212	—
Total U.S. Department of Labor				**2,386,810**	
U.S. Department of Transportation					
Airport Improvement Program	20.106	*		90,481	50,734
Highway Planning and Construction Cluster:					
Highway Planning and Construction	20.205	*	1,229,855		104,027
Total Highway Planning and Construction Cluster				1,229,855	
National Motor Carrier Safety	20.218			5,821	—
Recreational Trails Program	20.219			2,463	—
Commercial Driver License State Programs	20.232			335	—
Federal Transit Cluster:					
Federal Transit Capital Investment Grants	20.500		658		605
Federal Transit Formula Grant	20.507		358		—
Total Federal Transit Cluster				1,016	
Federal Transit Metropolitan Planning Grants	20.505			1,421	—
Formula Grants for Other Than Urbanized Areas	20.509			10,591	7,934
Transit Services Program Cluster:					
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		5,741		—
Total Transit Services Programs Cluster				5,741	
Public Transportation Research	20.514			35	—
State Planning and Research	20.515			445	131

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U.S. Department of Transportation (Continued)				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	$ 8,193		$ 5,006
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2,311		2,311
Occupant Protection	20.602	1,868		1,868
Safety Incentive Grants got Use of Seatbelts	20.604	52		52
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	677		432
Safety Belt Performance Grants	20.609	6,094		—
Incentive Grant Program to Increase Motorcyclist Safety	20.612	171		75
Total Highway Safety Cluster			$ 19,366	
Pipeline Safety	20.700		532	—
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		424	358
Life Saver Conference	20.XXX		99	—
Total U.S. Department of Transportation			**1,368,625**	
Equal Employment Opportunity Commission				
Employment Discrimination State and Local Fair Employment Practices Agency Contracts	30.002		821	—
Total Equal Employment Opportunity Commission			**821**	
General Services Administration				
Election Reform Payments	39.011		4,507	—
Total General Services Administration			**4,507**	
National Endowment for the Arts				
Promotion of the Arts-Grants to Organizations and Individuals	45.024		206	205
Promotion of the Arts Partnership Agreements	45.025		698	698
Promotion of the Humanities Research	45.161		87	—
Grants to States	45.310		5,943	5,861
National Leadership Grants	45.312		9	—
Total National Endowment for the Arts			**6,943**	
U.S. Small Business Administration				
Small Business Development Center	59.037		3,027	1,645
Total U.S. Small Business Administration			**3,027**	
U.S. Department of Veteran's Affairs				—
Grants to States for Construction of State Home Facilities	64.005		8,766	—
Veterans State Domiciliary Care	64.014		373	—
Veterans State Nursing Home Care	64.015		19,000	—
All Volunteer Force Educational Assistance	64.124		920	—
Manteno Veterans Homeless Program	64.XXX		6	—
Total U.S. Department of Veteran's Affairs			**29,065**	
U.S. Environmental Protection Agency				
State Indoor Radon Grants	66.032		539	407
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		744	—
Water Pollution Control State, Interstate, and Tribal Program Support	66.419		96	—
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements Section 104 (b)(3) of the Clean Water Act	66.436		114	—
Water Quality Management Planning	66.454		439	—
Capitalization Grants for Clean Water State Revolving Funds	66.458		15,000	15,000
Nonpoint Source Implementation Grants	66.460		8,762	5,995
Water Quality Cooperative Agreements	66.463		531	—
Wastewater Operator Training Grant Program (Technical Assistance)	66.467		23	—
Capitalization Grants for Drinking Water State Revolving Funds	66.468		9,022	7,929
Great Lakes Program	66.469		81	30

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U.S. Environmental Protection Agency (Continued)					
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471			$ 359	$ —
Beach Monitoring and Notification Program Implementation Grants	66.472			303	135
Water Protection Grants to the States	66.474			191	—
Performance Partnership Grants	66.605			18,371	45
Surveys, Studies, Investigations and Special Purpose Grants	66.606			725	—
Environmental Information Exchange Network Grant Program and Related Assistance	66.608			300	—
Environmental Policy and Innovation Grants	66.611			25	—
Consolidated Pesticide Enforcement Cooperative Agreements	66.700			344	—
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701			163	—
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707			349	—
Pollution Prevention Grants Program	66.708			17	—
Multi-Media Capacity Building Grants for States and Tribes	66.709			50	—
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802			6,448	—
State and Tribal Underground Storage Tanks Program	66.804			301	—
Leaking Underground Storage Tank Trust Fund Program	66.805			1,950	—
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809			515	—
State and Tribal Response Program Grants	66.817			1,211	—
Total U.S. Environmental Protection Agency				**66,973**	
U.S. Department of Energy					
State Energy Program	81.041			2,762	1,782
Weatherization Assistance for Low-Income Persons	81.042			12,051	11,690
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			56	—
State Energy Program Special Projects	81.119			820	711
Total U.S. Department of Energy				**15,689**	
U.S. Department of Education					
Adult Education State Grant Program	84.002			23,642	22,431
Title I Grants to Local Educational Agencies	84.010	*		547,751	543,460
Migrant Education State Grant Program	84.011			1,642	1,623
Title I Program for Neglected and Delinquent Children	84.013			1,321	—
Special Education Cluster:					
Special Education - Grants to States	84.027	*	$ 471,880		459,275
Special Education - Preschool Grants	84.173	*	16,522		15,931
Total Special Education Cluster				488,402	
Federal Family Education Loan Program	84.032G	*	222,123	222,123	
Career and Technical Education - Basic Grants to States	84.048	*		44,315	42,699
Leveraging Educational Assistance Partnership	84.069			3,488	—
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	*		87,562	20,359
Rehabilitation Services Service Projects	84.128			154	154
Migrant Education Coordination Program	84.144			86	68
Rehabilitation Services Client Assistance Program	84.161			541	—
Independent Living State Grants	84.169			730	729
Paul Douglas Teacher Scholarship	84.176			(6)	—
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177			1,382	1,077
Special Education Grants for Infants and Families with Disabilities	84.181			17,755	5,575
Byrd Honors Scholarships	84.185			1,570	—
Safe and Drug-Free Schools and Communities State Grants	84.186			12,016	11,775
Supported Employment Services for Individuals with Severe Disabilities	84.187			1,197	1,197
Education for Homeless Children and Youth	84.196			2,585	2,470
Even Start State Educational Agencies	84.213			3,650	3,488
Fund for the Improvement of Education	84.215			718	483
Assistive Technology	84.224			556	552
Tech-Prep Education	84.243			4,382	3,980
Rehabilitation Training State Vocational Rehabilitation Unit In-Service Training	84.265			216	—
Charter Schools	84.282			1,279	1,214

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U.S. Department of Education (Continued)					
Twenty-First Century Community Learning Centers	84.287	*		$ 39,613	$ 38,895
State Grants for Innovative Programs	84.298			4,670	3,990
Education Technology State Grants	84.318			16,996	16,467
Special Education State Personnel Development	84.323			2,005	1,925
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			494	483
Advanced Placement Program	84.330			1,015	975
Grants to States for Incarcerated Youth Offenders	84.331			613	—
Comprehensive School Reform Demonstration	84.332			509	442
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334			1,810	1,773
Teacher Quality Enhancement Grants	84.336			(39)	—
Transition to Teaching	84.350			335	280
Reading First State Grants	84.357	*		31,809	29,874
Rural Education	84.358			1,059	1,018
English Language Acquisition Grants	84.365			23,429	22,688
Mathematics and Science Partnerships	84.366			6,889	6,449
Improving Teacher Quality State Grants	84.367	*		104,284	102,419
Grants for State Assessments and Related Activities	84.369			17,148	—
Hurricane Education Recovery	84.938			(79)	—
Total U.S. Department of Education				**1,721,617**	
National Archives and Records Administration					
National Historical Publications and Records Grants	89.003			116	—
Total National Archives and Records Administration				**116**	
Election Assistance Commission					
Help America Vote Act Requirements Payments	90.401			8,785	8,785
Total Election Assistance Commission				**8,785**	
U.S. Department of Health and Human Services					
Public Health and Social Services Emergency Fund	93.003			67	—
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006			174	118
Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			189	179
Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	93.042			576	545
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043			742	691
Aging Cluster:					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	*	$ 15,897		14,767
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	*	21,914		20,427
Nutrition Services Incentive Program	93.053	*	6,024		6,024
Total Aging Cluster				43,835	
Department of Health and Human Services	93.046			23	—
Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048			54	152
Special Programs for the Aging Title VII, Chapter 6 Allotments for Vulnerable Elder Rights Protection Program	93.049			3	—
Alzheimer's Disease Demonstration Grants to States	93.051			329	128
National Family Caregiver Support	93.052			5,985	5,653
Public Health Emergency Purchases	93.069			25,448	16,706
Demonstration Grants for Residential Treatment for Women and Their Children	93.102			48	—
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104			3,492	3,486
Maternal and Child Health Federal Consolidated Programs	93.110			368	297
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116			1,139	249
Primary Care Services Resource Coordination and Development	93.130			252	169
Injury Prevention and Control Research and State and Community Based Programs	93.136			2,447	2,432

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U.S. Department of Health and Human Services (Continued)				
Projects for Assistance in Transition from Homelessness (PATH)	93.150		$ 2,390	$ 2,317
Health Program for Toxic Substances and Disease Registry	93.161		511	—
Grants to States for Loan Repayment Program	93.165		306	306
Disabilities Prevention	93.184		89	—
Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	93.196		(55)	—
Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197		959	1
Telehealth Network Grants	93.211		215	214
Family Planning Services	93.217		7,727	6,821
Consolidated Knowledge Development and Application (KD&A) Program	93.230		360	351
Traumatic Brain Injury State Demonstration Grant Program	93.234		91	—
Abstinence Education Program	93.235		2,074	1,937
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238		51	—
State Rural Hospital Flexibility Program	93.241		2,225	2,225
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		8,240	6,785
Rural Access to Emergency Devices Grant	93.259		87	87
Immunization Grants	93.268	*	61,525	596
Substance Abuse and Mental Health Services Access to Recovery	93.275		2,243	1,491
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		13,387	5,871
Small Rural Hospital Improvement Grant Program	93.301		501	501
Ruminant Feed Ban Support Project	93.449		229	—
Promoting Safe and Stable Families	93.556		16,022	8,789
Temporary Assistance for Needy Families	93.558	*	537,011	236,788
Child Support Enforcement	93.563	*	124,506	20,014
Refugee and Entrant Assistance State Administered Programs	93.566		6,691	2,147
Low-Income Home Energy Assistance	93.568	*	137,933	134,628
Community Services Block Grant	93.569	*	31,719	29,660
Child Care Development Funds Cluster:				
Child Care and Development Block Grant	93.575	*	$ 90,734	83,151
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	*	115,704	115,704
Total Child Care Development Funds Cluster			206,438	
Refugee and Entrant Assistance Discretionary Grants	93.576		1,005	504
Refugee and Entrant Assistance Targeted Assistance Grants	93.584		886	886
State Court Improvement Program	93.586		673	324
Community Based Child Abuse Prevention Grants	93.590		1,068	—
Grants to States for Access and Visitation Programs	93.597		259	264
Chafee Education and Training Vouchers Program (ETV)	93.599		1,470	113
Head Start	93.600		2,825	2,268
Child Support Enforcement Demonstrations and Special Projects	93.601		195	—
Assets for Independence Demonstration Program	93.602		301	—
Voting Access for Individuals with Disabilities Grants to States	93.617		83	83
Basic Center Grant	93.623		220	220
Developmental Disabilities Basic Support and Advocacy Grants	93.630		3,205	2,170
Children's Justice Grants to States	93.643		712	—
Child Welfare Services - State Grants	93.645		19,746	9,198
Social Services Research and Demonstration	93.647		185	—
Foster Care - Title IV-E	93.658	*	172,144	59,599
Adoption Assistance	93.659	*	87,313	6,231
Social Services Block Grant	93.667	*	127,372	34,037
Child Abuse and Neglect State Grants	93.669		1,201	—
Child Abuse and Neglect Discretionary Activities	93.670		168	—
Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	93.671		2,823	2,651
Chafee Foster Care Independence Program	93.674		6,231	875
State Children's Insurance Program	93.767	*	348,437	—

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U.S. Department of Health and Human Services (Continued)					
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768			$ 207	$ —
Medicaid Cluster:					
State Medicaid Fraud Control Units	93.775	*	$ 5,084		—
State Survey and Certification of Health Care Providers and Suppliers	93.777	*	24,253		6,821
Medical Assistance Program	93.778	*	6,578,648		79,005
Total Medicaid Cluster				6,607,985	
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			1,889	486
Medicaid Transformation Grants	93.793			1,862	
National Bioterrorism Hospital Preparedness Program	93.889			18,710	16,960
Grants to States for Operation of Offices of Rural Health	93.913			279	109
HIV Care Formula Grants	93.917	*		33,924	6,270
Healthy Start Initiative	93.926			1,887	1,791
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938			277	—
HIV Prevention Activities Health Department Based	93.940			187	—
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943			4,506	1,812
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			1,104	62
Assistance Programs for Chronic Disease Prevention and Control	93.945			1,072	547
Block Grants for Community Mental Health Services	93.958			16,136	15,314
Block Grants for Prevention and Treatment of Substance Abuse	93.959	*		78,421	64,689
Health Professions Preparatory Scholarship Program for Indians	93.971			13	—
Preventive Health Services Sexually Transmitted Diseases Control Grants	93.977			2,100	265
Cooperative Agreements for State Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988			908	538
National Health Promotion	93.990			(20)	
Preventive Health and Health Services Block Grant	93.991			967	577
Maternal and Child Health Services Block Grant to the States	93.994			20,487	16,020
Adolescent Family Life Demonstration Projects	93.995			331	324
Total U.S. Department of Health and Human Services				**8,820,400**	
Corporation for National and Community Service					
State Commissions	94.003			293	47
Learn and Serve America School and Community Based Programs	94.004			760	658
AmeriCorps	94.006			6,040	6,040
Planning and Program Development Grants	94.007			45	45
Training and Technical Assistance	94.009			126	126
Total Corporation for National and Community Service				**7,264**	
Social Security Administration					
Disability Insurance/SSI Cluster:					
Social Security - Disability Insurance	96.001	*	66,638		—
Total Disability Insurance/SSI Cluster				66,638	
Social Security Work Incentives Planning and Assistance Program	96.008			427	141
Total Social Security Administration				**67,065**	

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U.S. Department of Homeland Security					
Homeland Security Preparedness Technical Assistance Program	97.007			$ 429	$ —
Urban Areas Security Initiative	97.008			14,490	14,490
Boating Safety Financial Assistance	97.012			2,305	—
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017			83	83
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023			228	—
Flood Mitigation Assistance	97.029			26	26
Disaster Grants Public Assistance (Presidentially Declared Disasters)	97.036			26,739	24,459
Hazard Mitigation Grant	97.039			611	803
Chemical Stockpile Emergency Preparedness Program	97.040			1,044	635
National Dam Safety Program	97.041			76	—
Emergency Management Performance Grants	97.042			3,979	1,325
Assistance to Firefighters Grant	97.044			18	—
Cooperating Technical Partners	97.045			2,044	2,021
Pre-Disaster Mitigation	97.047			577	357
Interoperable Communications Equipment	97.055			68	68
Homeland Security Cluster:					
State Domestic Preparedness Equipment Support Program	97.004	*	$ 1,123		992
Urban Areas Security Initiative	97.008	*	254		254
Citizen Corps	97.053	*	86		14
Homeland Security Grant Program	97.067	*	36,797		34,062
State Homeland Security Program (SHSP)	97.073	*	9,185		8,360
Law Enforcement Terrorism Prevention Program	97.074	*	1,496		610
Total Homeland Security Cluster				48,941	
Map Modernization Management Support	97.070			113	—
Rail and Transit Security Grant Program	97.075			6,638	6,638
Buffer Zone Protection Plan (BZPP)	97.078			1,672	716
Homeland Security Biowatch Program	97.091			486	—
Total U.S. Department of Homeland Security				**110,567**	
Total expenditures of federal awards				$ **17,324,934**	$ **3,730,245**

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.
*Denotes Major Program

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The schedule of expenditures of federal awards includes all federal award programs administered by the State of Illinois (the State) except for component units for the fiscal year ended June 30, 2008. The State's financial reporting entity is described in note 1B of the State's Comprehensive Annual Financial Report.

The entities listed below are Discretely Presented Component Units in the State's Comprehensive Annual Financial Report, which received federal financial assistance for the year ended June 30, 2008. Each of these entities is subject to separate audits in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

The federal transactions of the following entities are not reflected in this Schedule:

University of Illinois
Illinois State University
Northern Illinois University
Chicago State University
Western Illinois University
Southern Illinois University
Governors State University
Northeastern Illinois University
Eastern Illinois University
Illinois Finance Authority
Illinois Conservation Foundation
Illinois Housing Development Authority
Illinois Medical District Commission

Additionally, the federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program are not reflected in the schedule of expenditures of federal awards for the year ended June 30, 2008. IDAPP has elected to have a separate lender compliance audit performed on an annual basis in accordance with the US Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Guide.

(b) Basis of Presentation

The schedule of expenditures of federal awards presents total federal awards expended for each individual federal program in accordance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Federal award program titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA). Federal award program titles not presented in the catalog are identified by Federal agency number followed by (.XXX).

(Continued)

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented in the schedule of expenditures of federal awards on a cash basis. Under the cash basis of accounting, expenditures are reported when paid by the State.

(2) Description of Major Federal Award Programs

The following is a brief description of the major programs presented in the schedule of expenditures of federal awards:

US Department of Agriculture

Food Donation (CFDA No. 10.550)
The object of this program is to improve the diets of school and preschool children; the elderly; needy persons in charitable institutions; other individuals in need of food assistance; and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Food Stamp Cluster: Food Stamps (CFDA No. 10.551) / State Administrative Matching Grants for Food Stamp Program (CFDA No. 10.561)

The objective of these programs is to help low-income households by increasing their food purchasing ability and to provide federal financial aid to state agencies for costs incurred to operate the program.

Child Nutrition Cluster: School Breakfast Program (CFDA No. 10.553) / National School Lunch Program (CFDA No. 10.555) / Special Milk Program for Children (CFDA No. 10.556) / Summer Food Service Program for Children (CFDA No. 10.559)

The purpose of these programs is to assist states in providing nutritious meals to eligible children and encouraging the domestic consumption of nutritious agricultural commodities. In addition, these programs provide subsidies to encourage the consumption of fluid milk by children. Furthermore, these programs are designed to conduct non-profit food service programs for low-income children during summer months and when schools are out of session or closed for vacation.

Special Supplemental Nutrition Program for Women, Infants and Children (CFDA No. 10.557)

The objective of this program is to provide supplemental nutritious foods, nutrition education, and referrals to healthcare for low-income persons during critical periods of growth and development.

Child and Adult Care Food Program (CFDA No. 10.558)

The purpose of this program is to assist states, through grants-in-aid and other means, to provide nutritious meals to children and elderly or impaired adults in nonresidential day care facilities and children in emergency shelters.

(Continued)

US Department of Labor

Employment Services Cluster: Employment Service/Wagner-Peyser Funded Activites (CFDA No. 17.207) / Disabled Veterans' Outreach Program (CFDA No. 17.801) / Local Veterans' Employment Representative Program (CFDA No. 17.804)

The objective of the Employment Service program is to assist persons in securing employment and workforce information by providing a variety of job search assistance without charge to job seekers and to employers seeking qualified individuals to fill job openings.

The objective of the Disabled Veterans' Outreach program is to provide intensive services to meet the employment needs of disabled and other eligible veterans; and to provide maximum emphasis in meeting the employment needs of those who are economically or educationally disadvantaged, including homeless veterans and veterans with barriers to employment.

The objective of the Local Veterans' Employment Representative program is to conduct outreach to employers including conducting seminars for employers, conducting job search workshops, and establishing job search groups; and to facilitate employment, training, and placement services furnished to veterans in a state under the applicable state employment service.

Unemployment Insurance (CFDA No. 17.225)

The objective of this program is to administer a program of unemployment insurance for eligible workers through Federal and state cooperation; to administer payment of trade adjustment assistance; to administer disaster unemployment assistance; and to administer unemployment compensation for Federal employees and ex-service members.

Workforce Investment Act Cluster: Workforce Investment Act Adult Program (CFDA No. 17.258) / Workforce Investment Act Youth Activities (CFDA No. 17.259) / Workforce Investment Act Dislocated Workers (CFDA No. 17.260)

The objective of these programs are to provide workforce investment activities that increase the employment, retention and earnings of participants, and increase occupational skill attainment by the participants in order to improve the quality of the workforce; to design, with States and local communities, a revitalized, workforce investment system that will help low income youth acquire the educational and occupational skills, training and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood; and to reemploy dislocated workers, improve the quality of the workforce and enhance the productivity and competitiveness of the nation's economy.

US Department of Transportation

Airport Improvement Program (CFDA No. 20.106)

The objective of this program is to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

(Continued)

Highway Planning and Construction (CFDA No. 20.205)

The objective of this program is to assist states in planning and developing integrated, interconnecting transportation systems by constructing and rehabilitating the National Highway System, including Interstate highways; for transportation improvements to most other public roads; to provide aid in the repair of Federal-aid roads and streets following disasters; to foster safe highway design; and to replace or rehabilitate deficient or obsolete bridges. This program also provides transportation engineering services for planning; design, construction, and rehabilitation of the highways and bridges providing access to federally owned lands.

US Department of Education

Title I Grants to Local Educational Agencies (CFDA No. 84.010)

The purpose of this program is to help local education agencies and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Special Education Cluster: Special Education ─ Grants to States (CFDA No. 84.027) / Special Education ─ Preschool Grants (CFDA No. 84.173)

The objectives of these programs are to provide grants to states to assist them in providing a free appropriate public education to all children with disabilities; and to assist states in providing a free appropriate public education to preschool disabled children aged three through five years.

Federal Family Education Loans – Guaranty Program (CFDA No. 84.032G)

The objective of this program is to encourage lenders to make loans to students enrolled at eligible postsecondary institutions to help pay for educational expenses. The loans are insured by the State of Illinois (Illinois Student Assistance Commission) and reinsured by the Federal government.

Career and Technical Education ─ Basic Grants to States (CFDA No. 84.048)

The purpose of this program is to develop more fully the academic, vocational, and technical skills of secondary and postsecondary students who elect to enroll in vocational and technical programs.

Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA No. 84.126)

The purpose of this program is to assist states in operating a comprehensive and accountable program designed to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their strengths, resources, priorities, concerns, abilities, and capabilities, so such individuals may prepare for and engage in competitive employment.

(Continued)

Twenty-First Century Community Learning Centers (CFDA No. 84.287)

The purpose of this program is to create community-learning centers that provide academic enrichment opportunities for children, particularly students who attend high-poverty and low-performing schools. This program will help students meet state and local student standards in core academic subjects, such as reading and math; and offers literacy and other educational services to the families of participating children.

Reading First State Grants (CFDA No. 84.357)

The objective of this program is to ensure that every student can read at grade level or above by the end of the third grade. This program provides assistance to states and districts in establishing reading programs for students in kindergarten through third grade. This program also focuses on teacher development and ensuring that all teachers, including special education teachers, have the tools they need to effectively help their students learn to read. This program also provides assistance to states and districts in preparing teachers to identify specific reading barriers facing their students.

Improving Teacher Quality State Grants (CFDA No. 84.367)

The objective of this program is to provide grants to State Education Agencies on a formula basis to increase student academics achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement.

US Department of Health and Human Services

Aging Cluster: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044) / Special Programs for the Aging – Title III, Part C – Nutrition Services (CFDA No. 93.045) / Nutrition Services Incentive Program (CFDA No. 93.053)

The objective of the Special Programs for the Aging-Title III, Part B is to encourage state agencies on aging and area agencies on aging to concentrate resources to develop and implement comprehensive coordinated community-based systems of service for older individuals via statewide planning and area planning and provision of supportive services to maximize the informal support provided to older Americans to enable them to remain in their homes and communities.

The objective of the Special Programs for the Aging-Title III, Part C is to provide grants to states to support nutrition services including nutritious meals and nutrition education for older Americans in order to maintain health, independence and quality of life.

The objective of the Nutrition Services Incentive program is to reward effective performance by states and tribes in the efficient delivery of nutritious meals to older adults through the use of cash or commodities.

Immunization Grants (CFDA No. 93.268)

This program assists states and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases.

(Continued)

Temporary Assistance for Needy Families (CFDA No. 93.558)

The objective of this program is to provide time-limited assistance to needy families with children so the children can be cared for in their own home or in the homes of relatives; end dependence of needy parents on governmental benefits by promoting job preparation, work, and marriage; prevent and reduce out-of-wedlock pregnancies, including establishing prevention and reduction goals; and encourage the formation and maintenance of two-parent families.

Child Support Enforcement (CFDA No. 93.563)

The objective of this program is to enforce the support obligation owed by absent parents to their children; locate absent parents; establish paternity; and obtain child, spousal, and medical support.

Low-Income Home Energy Assistance (CFDA No. 93.568)

The objective of this program is to make Low-Income Home Energy Assistance Program (LIHEAP) grants available to states and other jurisdictions to assist eligible households to meet the cost of home energy. This program also provides training and technical assistance to states and other jurisdictions administering the LIHEAP block grant program.

Community Services Block Grant (CFDA No. 93.569)

The objective of this program is to provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.

Child Care Development Funds Cluster: Child Care and Development Block Grant (CFDA No. 93.575) / Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596)

The objectives of these programs are to make grants to states for child care assistance for low-income families and to develop child care programs and policies, and to promote parental choice on child care, to provide consumer education on child care, to provide child care to parents trying to achieve independence from public assistance, and to implement health, safety, licensing, and registration standards.

Foster Care ─ Title IV-E (CFDA No. 93.658)

The objective of this program is to help states provide safe, appropriate, 24-hour, substitute care for children who are under the jurisdiction of the administering state agency and need temporary placement and care outside their homes.

Adoption Assistance (CFDA No. 93.659)

The objective of this program is to provide adoption subsidy costs for the adoption of children with special needs and who meet certain eligibility tests.

(Continued)

Social Services Block Grant (CFDA No. 93.667)

The objective of this program is to enable each State to provide services that best suit the individuals residing in that State in one or more of five specified social service areas.

State Children's Insurance Program (CFDA No. 93.767)

The objective of this program is to initiate and expand child health assistance to uninsured, low-income children through assistance with obtaining health insurance benefits that meet federal requirements or by the expansion of the Medicaid program.

Medicaid Cluster: State Medicaid Fraud Control Units (CFDA No. 93.775) / State Survey and Certification of Healthcare Providers and Suppliers (CFDA No. 93.777) / Medical Assistance Program (CFDA No. 93.778)

The objectives of these programs are to eliminate fraud and patient abuse in the State Medicaid programs, provide financial assistance to determine that providers and suppliers of healthcare services are in compliance with Federal regulatory health and safety standards and conditions of participation, and provide payments for medical assistance on behalf of cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements.

HIV Care Formula Grants (CFDA No. 93.917)

The objective of this program is to enable states to improve the quality, availability, and organization of healthcare services for individuals and families with Human Immunodeficiency Virus (HIV) disease.

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)

The purpose of this program is to provide financial assistance to states and territories to support projects for the development and implementation of prevention, treatment and rehabilitation activities directed to the diseases of alcohol and drug abuse.

US Social Security Administration

Social Security – Disability Insurance (CFDA No. 96.001)

The purpose of this program is to replace part of the earnings lost because of a physical or mental impairment, or a combination of impairments, severe enough to prevent a person from working.

(Continued)

US Department of Homeland Security

Homeland Security Cluster: State and Domestic Preparedness Equipment Support Program (CFDA No. 97.004) / Urban Area Security Initiative (CFDA No. 97.008)/ Citizens Corps (CFDA No. 97.053) / Homeland Security Grant Program (CFDA No. 97.067) / State Homeland Security Program (CFDA No. 97.073) / Law Enforcement Terrorism Prevention Program (CFDA No. 97.074)

The objectives of these programs are to enhance the capacity of the State and local first responders to respond to terrorism incidents involving chemical, biological, nuclear, radiological, incendiary, and explosive devices and to prevent, protect against, and recover from terrorist attacks and other disasters.

(3) Non-monetary Assistance Inventory

The State reports the following non-cash federal awards on the supplementary schedules included in this note:

- Food Donation Program (CFDA No. 10.550) ─ Federal expenditures for this program represent the value of the food received and distributed to other governmental agencies and are valued at the value assigned by the donor, the US Department of Agriculture (USDA).
- Food Stamps (CFDA No. 10.551) ─ Federal expenditures for this program represent the value of food stamp coupons issued to eligible recipients and cash assistance made available to eligible recipients in lieu of food stamp coupons.
- Commodity Supplemental Food Program (CFDA No. 10.565) – Federal expenditures for this program represent the value of donated commodities received from the USDA. The commodities were valued based on USDA price lists.
- Emergency Food Assistance Program (CFDA No. 10.569) ─ Federal expenditures for this program represent the value of donated commodities received from the USDA. The Commodities were valued based on USDA price lists.
- Immunization Grants (CFDA No. 93.268) – Federal expenditures for this program can either be in cash grants or represent the value of donated vaccine, personnel and other items "in lieu of cash" received from the US Department of Health and Human Services.

(4) Federal Loan Guarantees

The original principal balance of loans guaranteed by the Illinois Student Assistance Commission (ISAC) under Federal Family Education Loans Guaranty Program (CFDA No. 84.032G) was approximately $7,775,445,000 as of June 30, 2008. Additionally, the outstanding balance of defaulted loans held by ISAC under this program was approximately $566,734,000 as of June 30, 2008.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedule of Expenditures of Federal Awards Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois:

As special assistant auditors for the Auditor General, we have audited the schedule of expenditures of federal awards (the Schedule) of the State of Illinois (the State) as of and for the year ended June 30, 2008, and have issued our report thereon dated June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.*

Also as described in note 1 to the schedule of expenditures of federal awards, the Schedule does not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Educational Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the US Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting of the Schedule as a basis for designing auditing procedures for the purpose of expressing an opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting of the Schedule. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting of the Schedule.

Our consideration of internal control over financial reporting of the Schedule was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's schedule of expenditures of federal awards that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in findings 08-01, 08-03, 08-04, and 08-17 included in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the schedule of expenditures of federal awards will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider findings 08-01, 08-03, 08-04, and 08-17 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's schedule of expenditures of federal awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the management at State agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 30, 2009

KPMG LLP
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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Honorable William G. Holland
Auditor General
State of Illinois:

Compliance

We have audited the compliance of the State of Illinois (the State) with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The schedule of expenditures of federal awards and our audit described below does not include expenditures of federal awards for those agencies determined to be component units of the State of Illinois for financial statement purposes. Each of these agencies has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* The schedule of expenditures of federal awards and our audit described below also do not include federal transactions related to loans held and serviced by the Illinois Designated Account Purchase Program (IDAPP), a division of the Illinois Student Assistance Commission, under the Federal Family Education Loan program. IDAPP has elected to have a separate lender compliance audit performed in accordance with the US Department of Education's *Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program* Guide.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State's compliance with those requirements.

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Adverse

As described in the accompanying schedule of findings and questioned costs and finding 08-46 and 08-47, the State did not comply with the allowable costs/cost principles, eligibility, and maintenance of effort compliance requirements that are applicable to its HIV Care Formula Grants program. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to this program.

Qualifications (Scope Limitation)

We were unable to obtain sufficient documentation supporting the compliance of the State for the program compliance requirements listed below nor were we able to satisfy ourselves as to the State's compliance with those requirements by other auditing procedures.

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Special Supplemental Nutrition Program for Women, Infants, and Children	Allowable Costs/Cost Principles and Special Tests and Provisions	08-06
IL Department of Public Health	Immunization Grants	Allowable Costs/Cost Principles and Special Tests and Provisions	08-45

Qualifications (Noncompliance)

As identified below and described in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major federal programs as listed below. Compliance with such requirements is necessary, in our opinion, for the State of Illinois to comply with requirements applicable to the identified major federal programs.

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	08-03
IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles and Eligibility	08-03
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	08-03
IL Department of Human Services	Food Stamp Cluster	Allowable Costs/Cost Principles and Special Tests and Provisions	08-04
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	08-04
IL Department of Human Services	State Children's Insurance Program	Allowable Costs/Cost Principles and Eligibility	08-04
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	08-04

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL Department of Human Services	Temporary Assistance for Needy Families	Allowable Costs/Cost Principles and Eligibility	08-05
IL Department of Human Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	08-09
IL Department of Healthcare and Family Services	State Children's Insurance Program	Allowable Costs/Cost Principles and Eligibility	08-17
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	08-17
IL Department of Healthcare and Family Services	State Children's Insurance Program	Allowable Costs/Cost Principles and Eligibility	08-18
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Eligibility	08-18
IL Department of Healthcare and Family Services	Medicaid Cluster	Allowable Costs/Cost Principles and Period of Availability	08-19
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles and Eligibility	08-35
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles and Eligibility	08-36
IL Department of Children and Family Services	Foster Care – Title IV-E	Allowable Costs/Cost Principles and Eligibility	08-37
IL Department of Children and Family Services	Adoption Assistance	Allowable Costs/Cost Principles and Eligibility	08-38
IL Department of Children and Family Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	08-39
IL Department of Children and Family Services	Foster Care – Title IV-E	Subrecipient Monitoring	08-39
IL Department of Children and Family Services	Adoption Assistance	Subrecipient Monitoring	08-39
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	08-42
IL Department on Aging	Aging Cluster	Subrecipient Monitoring	08-43
IL State Board of Education	Title I Grants to Local Educational Agencies	Allowable Costs/Cost Principles and Special Tests and Provisions	08-54
IL State Board of Education	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	08-55
IL State Board of Education	Special Education Cluster	Subrecipient Monitoring	08-55
IL State Board of Education	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	08-55

State Administering Agency	Federal Program	Compliance Requirement(s)	Finding Number
IL State Board of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	08-55
IL State Board of Education	Reading First State Grants	Subrecipient Monitoring	08-55
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	08-55
IL State Board of Education	Title I Grants to Local Educational Agencies	Subrecipient Monitoring	08-56
IL State Board of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	08-56
IL Community College Board	Career and Technical Education – Basic Grants to States	Subrecipient Monitoring	08-58
IL Community College Board	Career and Techincal Education – Basic Grants to States	Subrecipient Monitoring	08-59
IL Department of Transportation	Airport Improvement Program	Subrecipient Monitoring	08-78

In our opinion, because of the effects of the noncompliance described in the second preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that are applicable to the HIV Care Formula Grants program. Also in our opinion, except for the noncompliance described in the preceding paragraph and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence described in the third preceding paragraph relating to the Special Supplemental Nutrition Program for Women, Infants, and Children program and the Immunization Grants program, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as findings 08-07, 08-10, 08-11, 08-12, 08-13, 08-15, 08-16, 08-20, 08-21, 08-22, 08-23, 08-24, 08-25, 08-26, 08-27, 08-28, 08-29, 08-30, 08-31, 08-32, 08-33, 08-34, 08-40, 08-41, 08-44, 08-48, 08-49, 08-50, 08-52, 08-53, 08-57, 08-60, 08-61, 08-62, 08-63, 08-64, 08-65, 08-66, 08-67, 08-68, 08-69, 08-71, 08-73, 08-75, 08-76, 08-79, 08-80, 08-81, 08-82, 08-85, 08-86, 08-87, 08-88, 08-89, 08-90, 08-91, 08-92, 08-93, 08-94, 08-95, 08-96, and 08-97.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 08-02 to 08-97 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider findings 08-02, 08-03, 08-04, 08-05, 08-06, 08-08, 08-09, 08-10, 08-11, 08-16, 08-17, 08-18, 08-19, 08-20, 08-21, 08-22, 08-23, 08-24, 08-25, 08-26, 08-27, 08-28, 08-29, 08-31, 08-35, 08-36, 08-37, 08-38, 08-39, 08-40, 08-42, 08-43, 08-45, 08-46, 08-47, 08-48, 08-49, 08-50, 08-51, 08-54, 08-55, 08-56, 08-57, 08-58, 08-59, 08-60, 08-65, 08-66, 08-75, 08-78, 08-85, 08-86, 08-91, 08-92, 08-94, 08-95, 08-96, and 08-97 to be material weaknesses.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the management at State agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 30, 2009

(1) Summary of Auditors' Results

(a) The type of report issued by the Auditor General, State of Illinois, on the basic financial statements: **unqualified**

(b)(1) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements by the Auditor General, State of Illinois: **yes** Material weaknesses: **yes**

(b)(2) Significant deficiencies in internal control were disclosed by the audit of the schedule of expenditures of federal awards: **yes** Material weaknesses: **yes**

(c)(1) Noncompliance which is material to the basic financial statements: **no**

(c)(2) Noncompliance which is material to the schedule of expenditures of federal awards: **no**

(d) Significant deficiencies in internal control over major programs: **yes**
Material weaknesses: **yes**

(e) The type of report issued on compliance for major programs:

Adverse:
HIV Care Formula Grants

Qualifications (Scope Limitations):
Special Supplemental Nutrition Program for Women, Infants, and Children
Immunization Grants

Qualifications (Noncompliance):
Food Stamps Cluster
Airport Improvement Program
Title I Grants to Local Educational Agencies
Special Education Cluster
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants
Aging Cluster
Temporary Assistance for Needy Families
Foster Care – Title IV-E
Adoption Assistance
State Children's Insurance Program
Medicaid Cluster

The opinions for all other major programs are unqualified.

(f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A 133: **yes**

(g) Major programs:

US Department of Agriculture
- Food Donation
- Food Stamp Cluster
- Child Nutrition Cluster
- Special Supplemental Nutrition Program for Women, Infants and Children
- Child and Adult Care Food Program

US Department of Labor
- Employment Services Cluster
- Unemployment Insurance
- Workforce Investment Act Cluster

US Department of Transportation
- Airport Improvement Program
- Highway Planning and Construction Cluster

US Department of Education
- Title I Grants to Local Educational Agencies
- Special Education Cluster
- Federal Family Education Loans – Guaranty Program
- Career and Technical Education – Basic Grants to States
- Rehabilitation Services – Vocational Rehabilitation Grants to States
- Twenty-First Century Community Learning Centers
- Reading First State Grants
- Improving Teacher Quality State Grants

US Department of Health and Human Services
- Aging Cluster
- Immunization Grants
- Temporary Assistance for Needy Families
- Child Support Enforcement
- Low-Income Home Energy Assistance
- Community Services Block Grant
- Child Care Development Funds Cluster
- Foster Care – Title IV-E
- Adoption Assistance
- Social Services Block Grant
- State Children's Insurance Program
- Medicaid Cluster
- HIV Care Formula Grants
- Block Grants for the Prevention and Treatment of Substance Abuse

US Social Security Administration
- Social Security – Disability Insurance

US Department of Homeland Security
- Homeland Security Cluster

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$30,000,000**

(i) The State did not qualify as a low-risk auditee under section .530 of OMB Circular A-133.

(2)(a) Findings related to the basic financial statements reported in accordance with *Government Auditing Standards*:

Findings related to the basic financial statements for the year ended June 30, 2008 were reported in accordance with *Government Auditing Standards* by the Auditor General of the State of Illinois under separate cover.

(2)(b) Findings related to the schedule of expenditures of federal awards reported in accordance with *Government Auditing Standards*:

Finding No.	State Agency	Finding Title	Finding Type
08-01	IL Office of the Comptroller	Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards	Material weakness

In addition, the following findings which are reported as current findings and questioned costs relating to federal awards also meet the reporting requirements of *Government Auditing Standards* in relation to the schedule of expenditures of federal awards:

Finding No.	State Agency	Finding Title	Finding Type
08-03	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material weakness
08-04	IL Department of Human Services	Failure to Properly Maintain Case File Records	Material weakness
08-17	IL Department of Healthcare and Family Services	Inadequate Procedures for Performing Eligibility Redeterminations	Material weakness

State Agency: Office of the Governor and Office of the State Comptroller

Federal Agency: All Federal Agencies

Finding 08-01 *Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards*

The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner.

Accurate and timely financial reporting problems continue to exist even though the auditors have: 1) continuously reported numerous findings on the internal controls (material weaknesses and significant deficiencies), 2) commented on the inadequacy of the financial reporting process of the State, and 3) regularly proposed adjustments to financial statements year after year. These findings have been directed primarily toward the Office of the State Comptroller (IOC) and major state agencies under the organizational structure of the Office of the Governor.

The State has not been able to solve these problems or make substantive changes to the system to effectively remediate these financial reporting weaknesses. The process is overly dependent on the post audit program being a part of the internal control for financial reporting even though the Illinois Office of the Auditor General continues to inform state agency officials that the post audit function **is not and should not** be an internal control mechanism for any operational activity related to financial reporting.

The State of Illinois has a highly decentralized financial reporting process. The system requires State agencies to prepare a series of complicated financial reporting forms (SCO forms) designed by the IOC to prepare the CAFR. These SCO forms are completed by accounting personnel within each State agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles and of IOC accounting policies and procedures. Agency personnel involved with this process are not under the organizational control or jurisdiction of the IOC. Further, these agency personnel may lack the qualifications, time, support, and training necessary to timely and accurately report year end accounting information to assist the Comptroller in his preparation of statewide financial statements in accordance with generally accepted accounting principles (GAAP).

Although these SCO forms are subject to the review by the IOC financial reporting staff during the CAFR preparation process, the current process has resulted in several restatements relative to the financial statement reporting over the past several years.

Certain SCO forms are used by the IOC to collect financial information utilized in the SEFA compilation and reporting process. Internal control deficiencies have been identified and reported relative to the SEFA financial reporting process in each of the past six years as a result of errors identified during the external audits performed on state agencies. These problems significantly impact the preparation and completion of the SEFA. Errors and delays identified in the SEFA reporting process over the past six years have included the following:

- Expenditures for the Public Assistance Grants program were not reported in the appropriate fiscal year by the Illinois Emergency Management Agency in 2006 and 2007.
- Expenditures for the Early Intervention program were not reported in the appropriate fiscal year by the Illinois Department of Human Services in 2003, 2004, and 2005.
- Expenditures for the Highway Planning and Construction Cluster program were not recorded in the appropriate fiscal year by the Illinois Department of Transportation in 2004 and 2005.
- Other correcting entries and/or restatements were required in order to accurately state the financial information of the following agencies: Illinois Department of Healthcare and Family Services, Illinois Department of Children and Family Services, Illinois Department of Public Health, Illinois State Board of

Education, Illinois Student Assistance Commission, Illinois Community College Board, Illinois Department of Commerce and Economic Opportunity, Illinois Department of Employment Security, Illinois Department of Natural Resources, Illinois Environmental Protection Agency, Illinois Department of Corrections, and Illinois Criminal Justice Information Authority.

- Major programs were not identified until six or more months subsequent to the end of the fiscal year by the following agencies: Illinois Department of Healthcare and Family Services, Illinois State Board of Education, Illinois Department of Public Health, Illinois Department of Commerce and Economic Opportunity, and Illinois Department of Employment Security.
- Preparation of the SEFA has not been completed by the State prior to March 31st in the past six years.

Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, **problems continue** with the State's ability to provide **accurate** and **timely** external financial reporting. Corrective action necessary to remediate these deficiencies **continues to be problematic**.

According to OMB Circular A-133 § .300(d) and (e), a recipient of federal awards is required to prepare appropriate financial statements, including the schedule of expenditures of federal awards, and to ensure that audits required by this part are properly performed and submitted when due. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with the Office of the Governor, they stated that the weakness is due to (1) lack of a statewide accounting and grants management system and (2) lack of personnel adequately trained in governmental accounting and federal grants management. The lack of a statewide accounting system is due to the inability to obtain capital financing necessary to implement a statewide system. The lack of adequate financial and grants management personnel is due to the failure to update the qualifications in the respective job titles to ensure that applicants have the minimum required education and skill set to be properly trained. The lack of adequate financial and grants management systems requires a labor intensive, manual calculation of balance sheet and SEFA amounts in a short time frame which results in an increase of errors.

In discussing these conditions with IOC personnel, they indicated delays were caused by a separation in the responsibility for the State's internal control procedures among agencies and component units. The IOC has the statutory authority to request submission of financial information but does not currently have the ability to enforce those submissions on a timely basis from other state agencies.

Failure to establish effective internal controls at all agencies regarding financial reporting for the preparation of the CAFR and the SEFA **prevents** the State from completing an audit in accordance with timelines set forth OMB Circular A-133 and may result in the suspension of federal funding. (Finding Code 08-01, 07-01, 06-01, 05-01, 04-01, 03-01, 02-01)

Recommendation:

We recommend the Office of the Governor and the IOC work together with the state agencies to establish a corrective action plan to address the quality and timeliness of accounting information provided to and maintained by the IOC as it relates to year end preparation of the CAFR and the SEFA.

Office of the Governor's Response:

We agree. The Office of the Governor will continue efforts to work with the Office of the State Comptroller. The Governor's Office has established a corrective action plan to improve the quality and timeliness of accounting information provided by state agencies to the Comptroller for year-end preparation of the CAFR and the SEFA. In addition, the Governor's Office is in the process of working with the Illinois General Assembly to attempt to secure the capital funding needed to procure a statewide accounting and grants management system.

IOC's Response:

The IOC will continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information in a timely manner. The IOC will also seek legislation that provides it with enforcement tools to compel state agencies to comply with necessary reporting deadlines.

(3) Findings Current Findings and Questioned Costs Relating to Federal Awards:

The findings listed below are located on pages 40 through 255.

Finding No.	State Agency	Finding Title	Finding Type
08-02	IL Department of Human Services	Inadequate Process for Monitoring Interagency Program Expenditures	Material weakness
08-03	IL Department of Human Services	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Material noncompliance and material weakness
08-04	IL Department of Human Services	Failure to Properly Maintain and Control Case File Records	Material noncompliance and material weakness
08-05	IL Department of Human Services	Inadequate Process for Preventing Individuals Convicted of Drug Felonies from Receiving TANF Benefits	Material noncompliance and material weakness
08-06	IL Department of Human Services	Failure to Provide Adequate Food Instrument Disposition Documentation	Scope limitation and material weakness
08-07	IL Department of Human Services	Failure to Obtain Documentation of Assignment of Medical Support Rights	Noncompliance and significant deficiency
08-08	IL Department of Human Services	Missing Documentation in Beneficiary Eligibility Files	Material weakness
08-09	IL Department of Human Services	Failure to Determine Eligibility in Accordance with Program Regulations	Material noncompliance and material weakness
08-10	IL Department of Human Services	Unallowable Expenditures Charged to the Vocational Rehabilitation Program	Noncompliance and material weakness
08-11	IL Department of Human Services	Failure to Determine Eligibility in Accordance with Program Regulations	Noncompliance and material weakness
08-12	IL Department of Human Services	Failure to Amend the Public Assistance Cost Allocation Plan	Noncompliance and significant deficiency
08-13	IL Department of Human Services	Inaccurate Interest Liability Calculations	Noncompliance and significant deficiency
08-14	IL Department of Human Services	Untimely Review of OMB Circular A-133 Audit Reports	Significant deficiency
08-15	IL Department of Human Services	Inadequate Monitoring of Food Stamps Service Organization	Noncompliance and significant deficiency
08-16	IL Department of Revenue	Inadequate Process for Determining the Allowability of Earned Income Tax Credits	Noncompliance and material weakness

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

Finding No.	State Agency	Finding Title	Finding Type
08-17	IL Department of Healthcare and Family Services	Inadequate Procedures for Performing Eligibility Redeterminations	Material noncompliance and material weakness
08-18	IL Department of Healthcare and Family Services	Failure to Determine Eligibility in Accordance with Program Regulations	Material noncompliance and material weakness
08-19	IL Department of Healthcare and Family Services	Failure to Process Medical Claims within Prescribed Timeframes	Material noncompliance and material weakness
08-20	IL Department of Healthcare and Family Services	Failure to Complete Provider Audits in a Timely Manner	Noncompliance and material weakness
08-21	IL Department of Healthcare and Family Services	Untimely Completion of Medicaid Eligibility Quality Control Reviews	Noncompliance and material weakness
08-22	IL Department of Healthcare and Family Services	Improper Reporting of Adjustments for the SCHIP Program	Noncompliance and material weakness
08-23	IL Department of Healthcare and Family Services	Inadequate On-Site Monitoring Procedures	Noncompliance and material weakness
08-24	IL Department of Healthcare and Family Services	Failure to Issue Management Decisions on Subrecipient A-133 Findings	Noncompliance and material weakness
08-25	IL Department of Healthcare and Family Services	Inadequate Process for Accurately Reporting Subrecipient Refunds	Noncompliance and material weakness
08-26	IL Department of Healthcare and Family Services	Unallowable Costs Used to Meet the TANF Maintenance of Effort	Noncompliance and material weakness
08-27	IL Department of Healthcare and Family Services	Inaccurate Allocation of Costs	Noncompliance and material weakness
08-28	IL Department of Healthcare and Family Services	Failure to Properly Perform Non-Custodial Parent Location Procedures	Noncompliance and material weakness
08-29	IL Department of Healthcare and Family Services	Failure to Properly Managed and Document Interstate Cases within KIDS	Noncompliance and material weakness
08-30	IL Department of Healthcare and Family Services	Failure to Establish Support Orders Within Required Timeframe	Noncompliance and significant deficiency
08-31	IL Department of Healthcare and Family Services	Inadequate On-Site Monitoring of Subrecipients	Noncompliance and material weakness
08-32	IL Department of Healthcare and Family Services	Failure to Include Allocation Methodology in the PACAP	Noncompliance and significant deficiency
08-33	IL Department of Healthcare and Family Services	Inadequate Cash Management Procedures	Noncompliance and significant deficiency

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
08-34	IL Department of Healthcare and Family Services	Failure to Include Interest Calculation Methodology in the Treasury State Agreement	Noncompliance and significant deficiency
08-35	IL Department of Children and Family Services	Missing Documentation in Case Files	Material noncompliance and material weakness
08-36	IL Department of Children and Family Services	Failure to Ensure That Required Judicial Determinations Were Made	Material noncompliance and material weakness
08-37	IL Department of Children and Family Services	Failure to Ensure That Foster Care Permanency Hearings Are Performed Within Required Timeframes	Material noncompliance and material weakness
08-38	IL Department of Children and Family Services	Missing Documentation in Adoption Assistance Eligibility Files	Material noncompliance and material weakness
08-39	IL Department of Children and Family Services	Inadequate and Untimely Fiscal Monitoring of Subrecipients	Material noncompliance and material weakness
08-40	IL Department of Children and Family Services	Failure to Ensure Timely Preparation of Initial Case Plans	Noncompliance and material weakness
08-41	IL Department of Children and Family Services	Failure to Ensure That Adoption Assistance Recertifications Are Performed on a Timely Basis	Noncompliance and significant deficiency
08-42	IL Department on Aging	Inadequate On-Site Monitoring of Subrecipients	Material noncompliance and material weakness
08-43	IL Department on Aging	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Material noncompliance and material weakness
08-44	IL Department on Aging	Inadequate Cash Management Procedures for Subrecipients	Noncompliance and significant deficiency
08-45	IL Department of Public Health	Inadequate Control and Accountability for Vaccines	Scope limitation and material weakness
08-46	IL Department of Public Health	Failure to Monitor the Maintenance of Effort Requirement	Adverse and material weakness
08-47	IL Department of Public Health	Inadequate Process for Determining Client Eligibility	Adverse and material weakness
08-48	IL Department of Public Health	Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit Reports	Noncompliance and material weakness
08-49	IL Department of Public Health	Inadequate On-Site Monitoring of Subrecipient	Noncompliance and material weakness

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

Finding No.	State Agency	Finding Title	Finding Type
08-50	IL Department of Public Health	Inadequate Cash Management Procedures for Subrecipients	Noncompliance and material weakness
08-51	IL Department of Public Health	Inadequate Process for Monitoring Interagency Program Expenditures	Material weakness
08-52	IL Department of Public Health	Unallowable Costs Used to Meet HIV Matching Requirement	Noncompliance and significant deficiency
08-53	IL Department of Public Health	Failure to Investigate Provider Complaints within Required Timeframes	Noncompliance and significant deficiency
08-54	IL State Board of Education	Failure to Sanction Non-Comparable Local Education Agency (LEA)	Material noncompliance and material weakness
08-55	IL State Board of Education	Inadequate On-Site Fiscal Monitoring of Subrecipients	Material noncompliance and material weakness
08-56	IL State Board of Education	Inadequate On-Site Programmatic Monitoring of Subrecipients	Material noncompliance and material weakness
08-57	IL State Board of Education	Inadequate Monitoring of Maintenance of Effort Requirement	Noncompliance and material weakness
08-58	IL Community College Board	Failure to Perform On-Site Fiscal Monitoring of Subrecipients	Material noncompliance and material weakness
08-59	IL Community College Board	Inadequate Documentation of Monitoring of Subrecipient OMB Circular A-133 Audit Reports	Material noncompliance and material weakness
08-60	IL Community College Board	Inadequate Cash Management Procedures for Subrecipients	Noncompliance and material weakness
08-61	IL Student Assistance Commission	Untimely Deposits into the Federal Fund	Noncompliance and significant deficiency
08-62	IL Student Assistance Commission	Inadequate Process for Assignment of Defaulted Loans	Noncompliance and significant deficiency
08-63	IL Student Assistance Commission	Inaccurate Guaranty Agency Annual Financial Reporting	Noncompliance and significant deficiency
08-64	IL Student Assistance Commission	Inadequate Process to Verify Unreported Loans	Noncompliance and significant deficiency
08-65	IL Department of Employment Security	Failure to Obtain Refusal to Work Certifications	Noncompliance and material weakness
08-66	IL Department of Employment Security	Failure to Issue Eligibility Determinations within Prescribed Timeframes	Noncompliance and material weakness

(Continued)

Finding No.	State Agency	Finding Title	Finding Type
08-67	IL Department of Employment Security	Inaccurate Benefit Payment Calculations	Noncompliance and significant deficiency
08-68	IL Department of Employment Security	Incomplete Documentation in Client Eligibility Files	Noncompliance and significant deficiency
08-69	IL Department of Employment Security	Inadequate Documentation of Eligibility Reviews Performed by the Benefits Accuracy Measurement Unit	Noncompliance and Significant deficiency
08-70	IL Department of Employment Security	Inadequate Documentation of Policies and Procedures, Resolution of Exceptions, and Supervisory Review of the Claim Exception and Monitoring Reports	Significant deficiency
08-71	IL Department of Employment Security	Inadequate Procedures over Effort Reports	Noncompliance and significant deficiency
08-72	IL Department of Employment Security	Improper Calculation of Earmarking Requirement	Significant deficiency
08-73	IL Department of Employment Security	Inaccurate ATAA Special Report	Noncompliance and significant deficiency
08-74	IL Department of Employment Security	Inadequate Documentation of Controls over Information Systems	Significant deficiency
08-75	IL Department of Commerce and Economic Opportunity	Inaccurate Performance and Evaluation Report	Noncompliance and material weakness
08-76	IL Department of Commerce and Economic Opportunity	Failure to Properly Issue and Evaluate Training Waivers and Failure to Properly Calculate Job Search Allowance	Noncompliance and significant deficiency
08-77	IL Department of Commerce and Economic Opportunity	Inadequate Documentation of Supervisory Review and Untimely Communication of On-Site Monitoring Findings	Significant deficiency
08-78	IL Department of Transportation	Inadequate On-Site Monitoring of Subrecipients	Material noncompliance and material weakness
08-79	IL Department of Transportation	Failure to Obtain Suspension and Debarment Certifications from Subrecipients	Noncompliance and significant deficiency
08-80	IL Department of Transportation	Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports	Noncompliance and significant deficiency
08-81	IL Department of Transportation	Failure to Notify Subrecipients of Federal Funding	Noncompliance and significant deficiency

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

Finding No.	State Agency	Finding Title	Finding Type
08-82	IL Department of Transportation	Failure to Draw Funds Only for Immediate Cash Needs	Noncompliance and significant deficiency
08-83	IL Department of Transportation	Inadequate Cash Management Procedures	Significant deficiency
08-84	IL Department of Transportation	Inadequate Controls over Information Systems	Significant deficiency
08-85	IL Emergency Management Agency	Failure to Deposit Funds in an Interest-bearing Account	Noncompliance and material weakness
08-86	IL Emergency Management Agency	Failure to Obtain Suspension and Debarment Certifications from Vendors	Noncompliance and material weakness
08-87	IL Emergency Management Agency	Inadequate On-Site Monitoring of Subrecipients	Noncompliance and significant deficiency
08-88	IL Emergency Management Agency	Inaccurate Federal Award Information Provided to Subrecipients	Noncompliance and significant deficiency
08-89	IL Emergency Management Agency	Failure to Advance Only the Immediate Cash Needs to Subrecipients	Noncompliance and significant deficiency
08-90	IL State Police	Failure to Deposit Funds in an Interest-bearing Account	Noncompliance and significant deficiency
08-91	IL State Board of Elections	Inadequate Monitoring of Subrecipients	Noncompliance and material weakness
08-92	IL State Board of Elections	Failure to Obtain and Review Subrecipient OMB Circular A-133 Audit Reports	Noncompliance and material weakness
08-93	IL State Board of Elections	Failure to Meet HAVA Matching Requirement	Noncompliance and significant deficiency
08-94	IL Department of Central Management Services	Inadequate Process for Monitoring Internal Service Fund Balances	Noncompliance and material weakness
08-95	IL Department of Central Management Services	Inadequate Supporting Documentation for Payroll Costs	Noncompliance and material weakness
08-96	IL Department of Central Management Services	Unallowable Costs Recorded in Internal Service Funds	Noncompliance and material weakness
08-97	IL Department of Central Management Services	Inadequate Process for Billing Costs to Users	Noncompliance and material weakness

(Continued)

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families
Child Care Development Fund Cluster
Social Services Block Grant

CFDA # and Program Expenditures: 93.558 ($537,011,000)
93.575/93.596 ($206,438,000)
93.667 ($127,372,000)

Award Numbers: G-0702ILTANF/G0802ILTANF (93.558)
(CFDA Number) G0701ILCCDF/G0801ILCCDF (93.575)
G-0601ILSOSR2/G-0701ILSOSR/G-0801ILSOSR (93.667)

Questioned Costs: None

Finding 08-02 *Inadequate Process for Monitoring Interagency Program Expenditures*

IDHS does not have an adequate process for monitoring interagency expenditures claimed under the Temporary Assistance for Needy Families (TANF), Child Care Development Fund Cluster (Child Care), and Social Services Block Grant (Title XX) programs.

Federal and state expenditures under the TANF, Child Care, and Title XX programs are comprised of programs operated by various state agencies. As the state agency responsible for administering these programs, IDHS has executed interagency agreements with each of the state agencies expending federal and/or state program funds. The interagency agreements require periodic reporting of a summary of the agency's "allowable" expenditures to IDHS for preparation of the financial reports required for each program. As the state agencies expending program funds do not determine under which program IDHS reports their expenditures, IDHS is responsible for establishing procedures to ensure the expenditures reported by the expending state agencies meet the applicable federal requirements.

During the year ended June 30, 2008, IDHS used expenditures from other agencies to claim reimbursement for or satisfy maintenance of effort (MOE) requirements for the TANF, Child Care, and Title XX programs as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
Federal TANF	Department of Children and Family Services (DCFS)	$227,011,147	$537,011,000
Federal TANF	Illinois Student Assistance Commission (ISAC)	$50,608,987	$537,011,000
Federal TANF	Illinois Department of Revenue (IDOR)	$17,274,904	$537,011,000
Federal TANF	Department of Healthcare and Family Services (DHFS)	$2,455,850	$537,011,000
TANF MOE	Department of Healthcare and Family Services (DHFS)	$59,492,956	$493,958,000

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
TANF MOE	Illinois State Board of Education (ISBE)	$67,975,884	$493,958,000
TANF MOE	Illinois Community College Board (ICCB)	$4,778,762	$493,958,000
Child Care MOE	Department of Children and Family Services (DCFS)	$25,523,741	$130,773,000
Title XX	Department of Children and Family Services (DCFS)	$2,882,267	$127,372,000

IDHS' procedures to monitor other State agencies expending program funds reported by IDHS include the following:

- Interagency agreements were reviewed and updated (where necessary) to ensure all state programs claimed under or used to meet the MOE requirement of one of IDHS' federal programs were subject to an interagency agreement.
- Program questionnaires were developed and distributed to each of the state agencies to assist in documenting the nature of the expenditures provided to IDHS and the internal controls established to ensure compliance with the applicable federal regulations.
- Quarterly certification reports were collected from each of the state agencies to support amounts reported in the federal reports required for each federal program.
- Expenditure details were obtained from each of the state agencies and were reconciled to the quarterly certifications.

However, during our testwork over the documentation of the monitoring procedures discussed above, we noted the following deficiencies:

- IDHS is not performing a detailed review of any costs claimed from expenditures reported by other State agencies.
- The interagency agreements with DHFS and DCFS are vague in nature and simply require the state agency to follow the applicable rules, regulations, and policies of the applicable federal program and provide all data, documents, reports, and information necessary for IDHS to manage the applicable federal programs. However, the specific federal regulations and requirements of the State Plan are not identified in the agreements. Additionally, the interagency agreement with DCFS does not cover expenditures claimed under Title XX.
- The questionnaires provided to IDHS by each of the state agencies did not include documentation of all areas applicable to the expenditures reported. Specifically, the questionnaire for DCFS did not discuss the controls or processes related to the Emergency Assistance Program claimed under the federal TANF program or the procedures in place for identifying adjustments included in the expenditure detail supporting amounts reported for each of the federal programs identified above. The questionnaire for ISBE indicated most of the compliance requirements were not applicable since the expenditures ISBE provides are used to meet the MOE requirement; however, several of the requirements including those pertaining to the allowability of costs are applicable and should have been documented. In addition, questionnaires were not on file for ICCB, IDOR, or ISAC as of the date of our testwork.

In each of the past six years, we have identified several instances of noncompliance and unallowable costs claimed from expenditures reported by other State agencies, which is indicative that adequate internal control does not exist over the claiming of these expenditures and adequate monitoring of the other State agencies has not been performed. During the current fiscal year ended June 30, 2008, we identified the following instances of non-compliance in our testing of interagency expenditures which are reported as separate findings in this report for each of the respective agencies:

- Federal TANF expenditures provided by IDOR included amounts that did not qualify as allowable expenditures under the TANF regulations;
- TANF MOE expenditures provided by DHFS included state funded medical and energy assistance expenditures to beneficiaries who were not eligible under TANF MOE regulations;
- Expenditures provided by DCFS under all programs identified above included expenditures to subrecipients for which DCFS has not established adequate monitoring procedures. In addition, significant increases in the administrative costs for these programs could not be adequately explained by DHS or DCFS personnel during our testwork.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

In discussing these conditions with IDHS officials, they stated a continual process of reviewing controls over interagency expenditures was started in fiscal year 2006 and improvements are being made when needs are identified.

Failure to properly monitor interagency expenditures may result in claiming of expenditures that are inconsistent with the objectives of the federal program. (Finding Code 08-02, 07-09, 06-02, 05-14, 04-13, 03-15)

Recommendation:

We recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program.

IDHS Response:

The Department accepts the recommendation. The Agency believes that our current cost controls meets the reasonableness standard in the A-102 Common Rule but IDHS will continue to try to improve our control system over interagency expenditures.

Auditors' Comment:

As discussed above, we do not believe IDHS' current controls over interagency expenditures are adequate.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families
State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($537,011,000)
93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: G-0702ILTANF/G0802ILTANF (93.558)
(CFDA Number) 05-0505IL5021/05-0605L5021/05-0605IL6101/05-0605IL5R21 (93.767)
05-0605IL5048/05-0505IL5048 (93.775/93.777)
05-0605IL5028/05-0505IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-03 *Failure to Perform Eligibility Redeterminations within Prescribed Timeframes*

IDHS is not performing "eligibility redeterminations" for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF), State Children's Insurance Program (SCHIP), and Medicaid programs in accordance with timeframes required by the respective State Plans.

Each of the State Plans for the TANF, SCHIP, and Medicaid programs require the State to perform eligibility redeterminations on an annual basis. These procedures typically involve a face to face meeting with the beneficiary to verify eligibility criteria including income level and assets. During our test work over eligibility, we noted the State was delinquent (overdue) in performing the eligibility redeterminations for individuals receiving benefits under the TANF, SCHIP, and Medicaid programs. In evaluating the eligibility redetermination delinquency statistics, we noted the statistics for the SCHIP and Medicaid programs appear to have improved as a result of implementing an inadequate passive redetermination process as reported in finding 08-17. If the cases subject to the inadequate passive redetermination process were included in the analysis below, the number and percentage of overdue cases would be higher for the SCHIP and Medicaid programs. The monthly delinquency statistics by program for state fiscal year 2008 are as follows:

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF			
July	1,261	31,139	4.05%
August	1,128	30,449	3.70%
September	1,064	29,439	3.61%
October	1,055	29,037	3.63%
November	1,206	28,426	4.24%

Program/Month	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF, cont'd			
December	1,216	28,436	4.28%
January	1,115	28,220	3.95%
February	1,113	27,656	4.02%
March	826	27,292	3.03%
April	953	27,043	3.52%
May	929	27,109	3.43%
June	972	26,926	3.61%
SCHIP			
July	13,393	595,273	2.25%
August	13,991	600,145	2.33%
September	14,561	605,320	2.41%
October	15,058	611,108	2.46%
November	14,956	615,421	2.43%
December	15,652	620,705	2.52%
January	16,161	623,363	2.59%
February	14,740	626,358	2.35%
March	15,631	629,627	2.48%
April	13,455	631,943	2.13%
May	13,020	637,442	2.04%
June	12,012	642,603	1.87%
Medicaid			
July	15,489	416,810	3.72%
August	15,814	417,875	3.78%
September	16,361	418,788	3.91%
October	16,498	420,049	3.93%
November	16,275	420,615	3.87%
December	17,832	422,205	4.22%
January	18,657	422,645	4.41%
February	17,854	422,369	4.23%
March	18,844	422,503	4.46%
April	17,328	422,547	4.10%
May	17,495	423,555	4.13%
June	16,301	424,934	3.84%

In addition, during our test work of 50 TANF, 60 SCHIP, and 125 Medicaid eligibility files selected for testwork, we noted redeterminations were not completed within required time frames for one TANF, one SCHIP, and two Medicaid cases tested. Delays in performing redeterminations ranged from one to nine months after the required timeframe.

Beneficiary payments selected in our sample totaled $14,655, $14,153, and $149,498 for the TANF, SCHIP, and Medicaid Cluster programs, respectively. Payments made on behalf beneficiaries of the TANF, SCHIP, and Medicaid Cluster programs totaled $66,909,000, $337,976,000, and $6,313,321,000, respectively, during the year ended June 30, 2008.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2008, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State Plans for the Medicaid, SCHIP, and TANF programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with program requirements.

In discussing these conditions with IDHS officials, they stated that this is a repeat finding from past audit periods. IDHS has reviewed and facilitated change in the State Plan to reflect the Federal expectations regarding redeterminations.

Failure to properly perform eligibility redetermination procedures in accordance with the state plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-03, 07-10, 06-03, 05-18, 04-15, 03-17)

Recommendation:

We recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program.

IDHS Response:

Disagree. The Department disagrees with the recommendation. The Department is in compliance with federal regulations which require states to make every effort to complete redeterminations timely and accurately. Federal guidelines remain silent as to a percentage of timely redeterminations required. We continue to make redetermination currency a priority. In fiscal year 2008, the Illinois Department of Human Services (IDHS) was over 96% current on case redeterminations. Currently, in fiscal year 2009, IDHS exhibits a currency rate of 97%. The finding language states that our redetermination statistics "appear to have improved as a result of implementing an inadequate passive redetermination process." The Department maintains that the passive redetermination policy has been approved by both agencies that have responsibility in administering the Medicaid program.

Auditors' Comment:

As stated above, federal regulations require eligibility redeterminations to be completed in accordance with the State Plan for each of the federal programs identified in the finding. The State Plans in effect for the year under audit require eligibility redeterminations to be completed for **all** beneficiaries on an annual basis. As of the date of our report, the State Plans for these programs have not been amended to permit annual eligibility redeterminations to be completed for less than all (100%) of program beneficiaries.

As stated in finding 08-17, the current State Plans require redeterminations of eligibility for all recipients on an annual basis and 42 CFR 435.916(b) requires the State to have procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. During our audit, DHFS officials stated that the passive redetermination process is not used for expenditures under the "All Kids" program, a State funded health insurance program similar to Medicaid and SCHIP, due to concerns that beneficiaries may not report changes in key eligibility factors in a timely manner. We believe those same concerns would be applicable to the federally funded programs. As a result, we do not believe the passive redetermination process meets the eligibility redetermination requirements of the Medicaid and SCHIP programs.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Food Stamp Cluster
Temporary Assistance for Needy Families
State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
93.558 ($537,011,000)
93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 2IL400098/2IL420120 (10.551/10.561)
(CFDA Number) G-0702ILTANF/G0802ILTANF (93.558)
05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-04 *Failure to Properly Maintain and Control Case File Records*

IDHS does not have appropriate controls over case file records maintained at its local offices for beneficiaries of the Food Stamp Cluster (Food Stamps), Temporary Assistance for Needy Families (TANF), State Children's Insurance Program (SCHIP), and Medicaid Cluster (Medicaid) programs.

IDHS is the state agency responsible for performing eligibility determinations for the federal public welfare assistance programs. IDHS has established a series of local offices throughout the State at which eligibility determinations and redeterminations are performed and documented. The eligibility intake processes for each of the programs identified above requires case workers to obtain and review supporting documentation including signed benefits applications, copies of source documents reviewed in verifying information reported by applicants, and other information. Although most of this information is entered into the electronic case record, IDHS also maintains manual paper files which include the source documents required to determine eligibility for its federal programs.

During our testwork, we noted the procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Specifically, in our review of case files at five separate local offices, we noted the areas in which case files are maintained were generally disorganized and case files were stacked on or around file cabinets. We also noted case files were generally available to all DHS personnel and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations.

Additionally, during our testwork over 235 case files selected in our testwork relative to the TANF, SCHIP, and Medicaid programs, we noted several delays in receiving case files due to the fact that case files had been transferred between local offices as the result of clients moving between service areas.

Payments made on the behalf of beneficiaries of the Food Stamps, TANF, SCHIP, and Medicaid programs were approximately $1,674,038,000, $66,909,000, and $337,976,000, and $6,313,321,000, respectively, during the year ended June 30, 2008.

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated March 2008, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plans for the Medicaid and SCHIP programs.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated current fiscal constraints and staffing allocations prevent DHS Division of Human Capital Development from having dedicated file clerks in each Family Community Resource Center (FCRC), which would allow us to implement a more stringent internal control procedure. IDHS continues to reiterate to all staff the importance of documentation maintenance in case files and to ensure all documentation is combined into the case record..

Failure to properly maintain and control beneficiary case file records may result in the loss of source documentation necessary to establish beneficiary eligibility and in unallowable costs being charged to the federal programs. (Finding Code 08-04, 07-11)

Recommendation:

We recommend IDHS review its current process for maintaining and controlling beneficiary case records and consider the changes necessary to ensure case file documentation is maintained accordance with federal regulations and the State Plans for each affected program.

IDHS Response:

The Department accepts the recommendation. It should be noted that of the 295 cases selected by the auditors, all were located and reviewed. Given our current caseload sizes, fiscal constraints, and staffing limitations, IDHS continues to place high priority on proper case file maintenance and filing, as evidenced by the 100% case record retrieval rate. IDHS continues to reiterate to all staff the importance of documentation maintenance in case files and to ensure all documentation is combined into the case record.

Auditors' Comment:

As stated above, IDHS does <u>not</u> have appropriate controls over case files. The fact that case files selected for testing were ultimately found does not change the emphasis of the finding that procedures in place to maintain and control beneficiary case file records do not provide adequate safeguards against the potential for the loss of such records. Our audit noted that areas in which case files are maintained were disorganized and that formal procedures have not been developed for checking case files in and out of the file rooms or for tracking their locations.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families

CFDA # and Program Expenditures: 93.558 ($537,011,000)

Award Numbers: G-0702ILTANF/G0802ILTANF

Questioned Costs: Cannot be determined

Finding 08-05 *Inadequate Process for Preventing Individuals Convicted of Drug Felonies from Receiving TANF Benefits*

IDHS does not have adequate procedures in place to ensure individuals convicted of Class 1 or Class X drug felonies do not receive benefits under the Temporary Assistance for Needy Families (TANF) program.

As a condition of receiving cash assistance under the TANF program, beneficiaries are required to meet certain eligibility criteria prescribed by federal regulations and the TANF State Plan. IDHS has designed its standard application for benefits to request information from applicants relative to each of the eligibility criteria.

During our testwork, we noted IDHS' process for determining whether TANF applicants have been convicted of a Class 1 or Class X felony primarily consists of inquiries made during the application process. IDHS does not have procedures in place to corroborate the applicant's statements through cross matches with the Illinois Department of Corrections, Illinois State Police, or other mechanisms.

Payments made on behalf beneficiaries of the TANF program totaled $66,909,000 during the year ended June 30, 2008.

In accordance with 42 USC 602(a)(1)(B)(iii) and the OMB Circular A-133 Compliance Supplement, dated March 2008, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plans for the TANF program. Section II.G of the current State plan prohibits individuals convicted of a Class 1 or Class X felony for an act occurring after August 21, 1996, involving the possession, use, or distribution of a controlled substance under Illinois, or comparable federal law, are ineligible to receive TANF. Additionally, IDHS Policy No. 03-23-02 requires crossmatches to be completed to determine whether applicants have been convicted Class 1 or Class X drug felonies. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include performing crossmatches of data with other state agencies to ensure only eligible beneficiaries receive benefits.

In discussing these conditions with IDHS officials, they stated this is a repeat finding due to inconsistencies in IDHS' policy and procedures.

Failure to ensure TANF recipients receiving benefits are not convicted of Class 1 and Class X felonies results in federal funds being awarded to ineligible beneficiaries which are unallowable costs. (Finding Code 08-05, 07-13, 06-04)

Recommendation:

We recommend IDHS review its current process for performing eligibility determinations and consider changes necessary to ensure procedures to verify whether beneficiaries have been convicted of a Class 1 or Class X felony are implemented.

IDHS Response:

The Department accepts the recommendation. This is a repeat finding from fiscal year 2007. In the last two Single Audits, there were no TANF recipients identified by the auditors to have been convicted of a Class 1 or Class X felony. The Department has reviewed our process of verifying the presence of a class 1 or X felony, and we are in the final stages of making our policy more consistent with our eligibility determination process.

Auditors' Comment:

The Department's planned corrective action is to change their current policy to eliminate the crossmatch which does not adequately address the condition found. A crossmatch or another verification mechanism should be implemented to ensure beneficiaries that have been convicted of a Class 1 or Class X felony do not receive TANF benefits.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Agriculture (USDA)

Program Name: Special Supplemental Nutrition Progam for Women, Infants, and Children

CFDA # and Program Expenditures: 10.557 ($206,089,000)

Award Numbers: 2007IW100642/2007IW100342/2008IW100642/2008IW100342

Questioned Costs: Cannot be determined

Finding 08-06 *Failure to Provide Adequate Food Instrument Disposition Documentation*

IDHS could not provide adequate documentation that food instruments issued under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program were properly validated and reconciled by its third party service organization in accordance with program regulations for the entire state fiscal year.

IDHS issues food instruments to beneficiaries of the WIC program which are used to purchase supplemental food (typically infant formula) from vendors approved by the State. In order to receive reimbursement from the State, vendors deposit food instruments received from WIC beneficiaries into their bank accounts and the food instruments are then routed to IDHS' service organization for processing and payment. The service organization is responsible for validating each food instrument presented for payment by comparing the instrument to information provided by IDHS and for paying each vendor submitting food instruments. The service organization provides IDHS with a series of monthly reports which IDHS uses to complete food instrument reconciliations and vendor monitoring procedures required by federal regulations.

In order to ensure the service organization is processing food instruments properly, IDHS requires the service organization to have an annual independent examination of the design and operating effectiveness of the internal controls in place relative to food instrument processing and reporting. During our audit, we noted the auditors' reports on controls placed in operation and tests of operating effectiveness for the service organization obtained by IDHS did not include the State's entire fiscal year. Specifically, we noted the period from September 1, 2007 through December 31, 2007 was not covered by the auditors' reports. Accordingly, we were unable to obtain sufficient and appropriate audit evidence that food instruments were properly validated and reconciled in accordance with federal regulations during the year ended June 30, 2008.

The A-102 Common rule requires non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing and documenting procedures to monitor service organizations.

In discussing these conditions with IDHS officials, they stated the Department's Contractor for the WIC food instrument payment processing changed banks mid-year. As a result, the SAS70 report received from the WIC food payment contractor only covered eight months of the year. The WIC food payment contractor was unable to provide the SAS 70 report for the full year.

Failure to ensure food instruments are properly validated and reconciled may result in the improper payment of food instruments which are unallowable costs. (Finding Code 08-06)

Recommendation:

We recommend IDHS properly monitor its service organizations and obtain a SAS 70 report covering the entire year.

IDHS Response:

The Department partially agrees with the recommendation. While the SAS 70 report only covered eight month of the year, the internal reviews of transaction by IDHS were in place for the full year. The Department has notified the WIC food payment processing contractor that the SAS 70 report has to be for twelve months. The Department's Contractor for WIC food payment processing changed banks mid year. As a result, the SAS 70 report received from the WIC food payment contractor only covered eight months of the year. The WIC food payment contractor was unable to provide the SAS 70 report for the full year.

Auditors' Comment:

As stated above, the SAS 70 report did not cover the entire audit period. As a result, we were unable to obtain sufficient and appropriate audit evidence that food instruments were properly validated and reconciled in accordance with federal regulations during the year ended June 30, 2008.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705IL5048/05-0805IL5048 (93.775/93.777)
(CFDA Number) 05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-07 *Failure to Obtain Documentation of Assignment of Medical Support Rights*

IDHS did not obtain written documentation from beneficiaries of the Medicaid Cluster program documenting they had assigned their rights to medical support payments to the State.

As a condition of receiving Medicaid benefits, beneficiaries are required to assign their rights to collections of medical support payments to the State for the time periods the individuals are receiving Medicaid benefits. IDHS has designed its standard application for benefits to include an acknowledgement that the applicant understands child and medical support payments collected on his or her behalf may be retained by the State as long as Medicaid Cluster program benefits are being received.

During our testwork over the Medicaid programs, we selected eligibility files for 125 Medicaid beneficiaries to review for compliance with eligibility requirements and for the allowability of the related benefits. Specifically, we noted the case file for one Medicaid beneficiary selected for testwork did not contain a signed acknowledgement of assigning child or medical support payments to the State. Although the standard application used by these beneficiaries included the assignment of rights clause, the assignment of rights clause section of the application includes a separate signature line for the acknowledgement which was not signed by the beneficiary. The medical assistance payment made on behalf of this beneficiary selected for our testwork was $180. Medical assistance payments made on behalf of the Medicaid beneficiary selected for our testwork during the year ended June 30, 2008 were $55,969.

Beneficiary payments selected in our sample totaled $162,090. Payments made on behalf beneficiaries of the Medicaid Cluster program totaled $6,313,321,000 during the year ended June 30, 2008.

According to 42 CFR 433.145, the State must require individuals receiving Medicaid benefits to assign their rights and the rights of their legal dependents receiving benefits to medical support and to payment for medical care from any third party to the State. Additionally, the A-102 Common rule requires non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure assignment of rights statements are on file for all program beneficiaries.

In discussing these conditions with IDHS officials, they stated the cause of this finding is due to human filing error, and the Department was unable to obtain proper documentation due to the client's death.

Failure to obtain documentation that Medicaid recipients have assigned their rights to medical support payments from third parties to the State may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-07, 07-20, 06-17, 05-24)

Recommendation:

We recommend IDHS obtain written documentation of the assignment of medical support rights from all Medicaid beneficiaries.

IDHS Response:

The Department accepts the recommendation. IDHS has communicated to staff the importance of obtaining proper assignment of rights signature documentation.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families
State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.558 ($537,011,000)
93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: G-0702ILTANF/G0802ILTANF (93.558)
(CFDA Number) 05-0505IL5021/05-0605L5021/05-0605IL6101/05-0605IL5R21 (93.767)
05-0605IL5048/05-0505IL5048 (93.775/93.777)
05-0605IL5028/05-0505IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-08 *Missing Documentation in Beneficiary Eligibility Files*

IDHS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Temporary Assistance for Needy Families (TANF), State Children's Insurance Program (SCHIP) and the Medicaid Cluster programs.

During our test work of 50 TANF, 60 SCHIP, and 125 Medicaid beneficiary payments, we selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided. We noted the following exceptions during our testwork:

- In two SCHIP case files and one Medicaid case file, the initial application for benefits signed by the individual indicated the beneficiary had verifiable income; however, subsequent eligibility redeterminations did not include procedures to verify changes in income. IDHS could not locate case file documentation considered in determining whether these amounts had changed subsequent to the initial eligibility determination. The medical payments made on behalf of these two beneficiaries which were selected for our testwork were $477 and $64 for the SCHIP and Medicaid Cluster programs, respectively. Medical payments made on behalf of these two beneficiaries during the year ended June 30, 2008 were $14,214 and $2,152 for the SCHIP and Medicaid programs, respectively.
- In two Medicaid case files, IDHS could not locate the application signed by the beneficiary in the case file. Medical assistance payments made on behalf of these beneficiaries which were selected for our testwork were $160. Medical assistance payments made on behalf of these two beneficiaries during the year ended June 30, 2008 were $1,965.
- In one SCHIP case file, IDHS could not locate adequate documentation supporting that the required State Online Query (SOLQ) and Division of Child Support Enforcement (DCSE) cross match procedures were performed. Medical assistance payments made on behalf of this beneficiary which was selected for our testwork was $63. Medical assistance payments made on behalf of this beneficiary during the year ended June 30, 2008 was $12,380.

In each of the case files missing documentation, each of the eligibility criteria was verified through additional supporting documentation in the client's paper and electronic case files. Therefore all information necessary to establish and support the client's eligibility for the period was available; however, the respective application and/or source documentation related to the redetermination/income verification procedures performed including evidence of case worker review and approval could not be located.

Beneficiary payments selected in our samples totaled $14,655, $14,153, and $149,498 for the TANF, SCHIP, and Medicaid Cluster programs, respectively. Payments made on behalf beneficiaries of the TANF, SCHIP, and Medicaid Cluster programs totaled $66,909,000, $337,976,000, $6,313,321,000, respectively, during the year ended June 30, 2008.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

In accordance with 42 USC 602(a)(1)(B)(iii), 42 CFR 431.10, and the OMB Circular A-133 Compliance Supplement, dated March 2008, IDHS is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan. The current State Plans require redeterminations of eligibility for beneficiaries on an annual basis. Additionally, 42 CFR 435.907 requires a signed application to be on file for all beneficiaries of the Medicaid and SCHIP programs.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include maintaining adequate controls over beneficiary eligibility case files and related documentation.

In discussing these conditions with IDHS officials, they stated this is a repeat finding caused by human filing errors.

Failure to maintain client applications for benefits and/or source documentation for redetermination/income verification procedures performed may result in inadequate documentation of a recipient's eligibility and in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-08, 07-19, 06-16, 05-30, 04-18, 03-20, 02-26, 01-15)

Recommendation:

We recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained.

IDHS Response:

The Department accepts the recommendation. The Department will continue to ensure that staff understands the importance of proper and accurate filing process. Proper documentation of eligibility will continue to be integral piece of training curricula. Cases are reviewed regularly at various staffing levels for proper documentation.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0605IL5048/05-0505IL5048 (93.775/93.777)
(CFDA Number) 05-0605IL5028/05-0505IL5028 (93.778)

Questioned Costs: $2,257

Finding 08-09 *Failure to Determine Eligibility in Accordance with Program Regulations*

IDHS did not determine the eligibility of beneficiaries under the Medicaid Cluster in accordance with federal regulations.

During our testwork of Medicaid Cluster program beneficiary payments, we selected a sample of 125 Medicaid eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. In our review of a case file for one of the Medicaid beneficiaries selected for our testwork, we noted IDHS did not complete the eligibility determination within required timeframes and improperly made medical assistance payments on behalf of an ineligible beneficiary. Specifically, the case identified was granted temporary medical benefits on November 26, 2007 until a disability assessment could be performed by IDHS' Client Assessment Unit. During our review of the case file for this beneficiary, we noted a final determination of eligibility was not made until October 29, 2008 at which time the beneficiary was determined ineligible for medical benefits. The medical assistance payment made on behalf of this beneficiary selected in our testwork was $311. Medical assistance payments made on the behalf this beneficiary during the period of ineligibility were $2,257.

Beneficiary payments selected in our sample totaled $162,090 for the Medicaid Cluster program. Payments made on behalf beneficiaries of the Medicaid Cluster programs totaled $6,313,321,000 during the year ended June 30, 2008.

In accordance with 42 CFR 435.10, and the OMB Circular A-133 Compliance Supplement, dated March 2008, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan for the Medicaid program. According to 42 CFR 435.911, eligibility determinations for applicants who apply for Medicaid on the basis of a disability must be completed within 90 days.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure eligibility determinations are made in accordance with program regulations.

In discussing these conditions with IDHS officials, they stated the cause of this finding is due to agency error.

Failure to properly perform eligibility determinations may result in expenditures being made on the behalf of ineligible beneficiaries, which are unallowable costs. (Finding Code 08-09, 07-12)

Recommendation:

We recommend IDHS review its current process for performing eligibility determinations and consider the changes necessary to ensure all eligibility determinations are performed in accordance with federal regulations and the Medicaid State Plan.

IDHS Response:

The Department accepts the recommendation. We acknowledge that one case had a disability determination that fell outside of required timeframes. The client in question made an application for cash under the disability program through a mail in application on November 26, 2007, and an interview was scheduled for December 3, 2007, which the client did attend. He was then receiving medical assistance under his mother's All Kids case. His application was accepted as mandated, and the application process was initiated to determine disability status, which can be a lengthy process. The Department of Human Services, Client Assessment Unit (CAU) received the case on March 18, 2008, for review and returned to the local office June 5, 2008, for additional medical information. On October 30, 2008, the CAU received the case back with additional medical information and made a decision and returned the case to the local office the same day. Due to processing delays one client's disability determination did fall outside of required timeframes. The Department's CAU disposition procedures are adequate, but we will review workflow processes to identify any areas that could be made more efficient.

Auditors' Comment

The case specific information discussed in IDHS' response does not change the fact that the eligibility determination was not properly performed and unallowable costs were reimbursed by the Medicaid Cluster program.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Education (USDE)

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 ($87,562,000)

Award Numbers: H126A070018/H126A080018

Questioned Costs: $319

Finding 08-10 *Unallowable Expenditures Charged to the Vocational Rehabilitation Program*

IDHS made unallowable expenditures on behalf of eligible beneficiaries of the Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation) program.

The Vocational Rehabilitation program is designed to provide services to certain individuals who have physical or mental impairments that impede them from attaining employment. Services provided under the Vocational Rehabilitation program vary and are designed specifically for each beneficiary based upon the facts and circumstances faced by the beneficiary. Most services are considered allowable if they are required to assist the beneficiary to attain his/her employment goal and are documented in the beneficiary's Individualized Plan for Employment (IPE).

During our testwork of Vocational Rehabilitation beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions in our testwork:

- In one case, payments were made for services not included in the beneficiary's IPE. Upon further review, we noted the services were included on an IPE which was approved subsequent to the date these services had been provided. Payments made on the behalf of this beneficiary for services not included in his IPE were $18. The payment selected in our sample for this beneficiary was $18.
- In one case file, IDHS was unable to provide documentation supporting that the beneficiary's IPE had been approved. Payments made on the behalf of this beneficiary during the year ended June 30, 2008 were $6,614. The payment selected in our sample for this beneficiary was $301.

Beneficiary payments selected in our sample totaled $39,602. Payments made to beneficiaries of the Vocational Rehabilitation program totaled $14,269,000 during the year ended June 30, 2008.

In accordance with 29 USC 722(b)(2) and (3), an IPE must be signed by the eligible individual (or his/her representative) and a qualified vocational rehabilitation counselor and must include (1) a description of the specific employment outcome that is chosen by the individual and is consistent with the individual's unique strengths, resources, priorities, concerns, abilities, capabilities, career interests, and informed choice, (2) a description of the specific rehabilitation services needed to achieve the employment outcome, and (3) timelines for the achievement of employment outcomes. OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must be: (1) reasonable and necessary; (2)

allocable; (3) consistently treated; (4) in conformance with laws, regulations, and agreements; (5) net of applicable credits; and (6) adequately documented.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure only allowable beneficiary expenditures are charged to the program.

In discussing these conditions with IDHS officials, they stated of 50 cases reviewed, the auditors noted that in one case, an oversight occurred resulting in an expenditure outside of the Individualized Plan for Employment (IPE) date, while in another the IPE was not printed, signed and filed. Electronic documentation of the plan exists.

Failure to properly determine and document the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being claimed to federal programs. (Finding Code 08-10, 07-15, 06-07, 05-21)

Recommendation:

We recommend IDHS review its process for determining the allowability of payments on the behalf of beneficiaries and consider the changes necessary to ensure only allowable costs for beneficiaries determined eligible are charged to the federal program.

IDHS Response:

The Department accepts the recommendation. Of 50 cases reviewed by the auditors, only two cases (4%) were identified under this category. The Department of Human Services, Division of Rehabilitation Services (DRS) will continue to work to make sure every case has all of the documentation required signed and included in the case file and that IPE's are current at the time of an expenditure.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Education (USDE)

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States

CFDA # and Program Expenditures: 84.126 ($87,562,000)

Award Numbers: H126A070018/H126A080018

Questioned Costs: None

Finding 08-11 *Failure to Determine Eligibility In Accordance with Program Regulations*

IDHS did not determine the eligibility of beneficiaries under the Rehabilitation Services – Vocational Rehabilitation Grants to States program (Vocational Rehabilitation) in accordance with federal regulations.

During our testwork of Vocational Rehabilitation beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following exceptions in our testwork:

- In eight eligibility files tested, IDHS did not determine eligibility within the required 60 day timeframe. No payments were made during year ended June 30, 2008 for services related to these beneficiaries prior to the completion of the eligibility determinations, except those necessary to confirm the beneficiary's disability.
- In two case files, IDHS could not provide the certificate of eligibility signed by the case worker and beneficiary; however, unsigned electronic certificates were provided from the case management systems. Payments made on the behalf of these beneficiaries during the year ended June 30, 2008 were $13,939. The payments selected in our sample for these beneficiaries were $2,059.

Payments made to beneficiaries of the Vocational Rehabilitation program totaled $14,269,000 during the year ended June 30, 2008.

In accordance with 34 CFR 361.41(b)(1), IDHS is required to determine client eligibility within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for benefits unless one of the criteria for an extension has been met.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure beneficiary eligibility determinations are performed and documented in accordance with program regulations.

In discussing these conditions with IDHS officials, they stated determining eligibility took longer than the 60 days in rule and the need and customer agreement for an extension was not included in a case file.

Failure to properly perform beneficiary eligibility determinations and complete such determinations within the required timeframes may result in expenditures being made on the behalf of ineligible beneficiaries, which are unallowable costs. (Finding Code 08-11, 07-16, 06-11, 05-22, 04-25)

Recommendation:

We recommend IDHS review its current process for performing eligibility determinations and consider changes necessary to ensure all eligibility determinations are made and documented in accordance with program regulations.

IDHS Response:

The Department accepts the recommendation. The Department of Human Services, Division of Rehabilitation Services (DRS) continues to work to make eligibility determinations as quickly and accurately as possible, and will strive to document customer's agreement to an extension when the determination cannot be made within the prescribed timeframes.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Agriculture (USDA)
US Department of Education (USDE)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)

Program Name: Food Stamp Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
Rehabilitation Services – Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse
Social Security Disability Insurance

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
10.557 ($206,089,000)
84.126 ($87,562,000)
93.558 ($537,011,000)
93.575/93.596 ($206,438,000)
93.667 ($127,372,000)
93.959 ($78,421,000)
96.001 ($66,638,000)

Award Numbers: 2IL420120/2IL400098 (10.551/10.561)
(CFDA Number) 2007IW100642/2007IW100342/2008IW100642/2008IW100342 (10.557)
H126A070018/H126A080018 (84.126)
G-0702ILTANF/G0802ILTANF (93.558)
G0701ILCCDF/G0801ILCCDF (93.575)
G-0601ILSOSR2/G-0701ILSOSR/G-0801ILSOSR (93.667)
07B1ILSAPT/08B1ILSAPT (93.959)
0604ILD100/0704ILD100/0804ILD100 (96.001)

Questioned Costs: Cannot be determined

Finding 08-12 *Failure to Amend the Public Assistance Cost Allocation Plan*

IDHS has not amended the allocation methodology included in the most recently submitted Public Assistance Cost Allocation Plan (PACAP) to accurately include all cost centers assigned to its administrative offices.

IDHS administers several federal and state programs to assist Illinois families in achieving self-sufficiency, independence, and health. In administering each of these programs, IDHS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, IDHS has submitted a PACAP to the USDHHS describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate administrative expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies used by IDHS. IDHS has developed the

methodologies for allocating costs to its programs, which IDHS believes best represent the actual costs associated with the program.

During our review of costs allocated to federal programs during the quarter ended September 30, 2007, we noted three cost centers were not included in the PACAP. Accordingly, the methods used to allocate these cost centers were not approved by USDHHS. These cost centers and the costs allocated during the year ended June 30, 2008 were as follows:

Cost Center	Cost Center Expenditures
Office of Legal Services (AE070)	$3,973,386
Chief Operation Office (MT701)	14,885,776
Chief Financial Office (MS440)	6,073,143

As these cost centers are administrative in nature, they were allocated using the Departmental Indirect Cost Allocation Plan methodology which are allocated to all federal and state program administered by IDHS. Total costs allocated through the PACAP for the year ended June 30, 2008 were $1,216,679,845.

According to 45 CFR 95.509(a)(4), a State shall promptly amend the cost allocation plan and submit the amended plan to the Division of Cost Allocation if other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure all allocation methodologies used are appropriately defined in the PACAP.

In discussing these conditions with IDHS officials, they stated PACAP amendments and necessary changes to cost allocation methodologies were not timely prepared to accurately reflect programmatic activities.

Failure to amend PACAP cost allocation methodologies for changes in program administration may result in disallowances of costs. (Finding Code 08-12)

Recommendation:

We recommend IDHS review the process and procedures in place to prepare PACAP amendments and implement changes necessary to ensure cost allocation methodologies accurately reflect programmatic activities.

IDHS Response:

The Department accepts the recommendation. The Department of Human Services, Office of Fiscal Services has implemented necessary PACAP amendments to include cost centers AE070, MS440 and MT70 and to ensure cost allocation methodologies accurately reflect programmatic activities.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Education (USDE)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)

Program Name: Rehabilitation Services – Vocational Rehabilitation Grants to States
Block Grants for Prevention and Treatment of Substance Abuse
Social Security Disability Insurance

CFDA # and Program Expenditures: 84.126 ($87,562,000)
93.959 ($78,421,000)
96.001 ($66,638,000)

Award Numbers: H126A070018/H126A080018 (84.126)
(CFDA Number) 07B1ILSAPT/08B1ILSAPT (93.959)
0604ILD100/0704ILD100/0804ILD100 (96.001)

Questioned Costs: $58,624

Finding 08-13 *Inaccurate Interest Liability Calculations*

IDHS did not properly calculate its interest liabilities for the Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation), Block Grants for Prevention and Treatment of Substance Abuse (SAPT), and Social Security Disability Insurance (SSDI) programs.

Annually, the State of Illinois negotiates the Treasury-State Agreement (TSA) with the US Department of the Treasury (the Treasury) which details the funding techniques to be used for the draw down of federal funds. Certain approved funding techniques utilized by the State require the use of a clearance pattern which identifies the average number of days federal funds are held by the State. The clearance pattern is used to calculate the State's interest liability for the program.

The TSA requires IDHS to determine the total time federal funds are held by measuring two separate time periods: the time federal funds are held in a State account prior to being disbursed (preissuance time) and the time federal funds are held by the State between the issuance and the clearance of warrants (clearance time). The preissuance time is to be measured annually by selecting a statistical sample of warrants and calculating the weighted average number of days between the date federal funds were deposited and the date the warrant was issued. The clearance time is to be calculated and certified at least every five years and is included in the TSA. The sum of these time periods is used to calculate the State's interest liability.

During our testwork over the June 30, 2007 interest calculation (submitted in fiscal year 2008), we noted IDHS improperly used one day as the clearance time used to calculate the administrative interest liabilities for the Vocational Rehabilitation, SAPT, and SSDI programs as opposed to the six, nine, and six days, respectively, prescribed in the TSA. As a result, the interest liabilities calculated by IDHS were understated by $31,202, $2,397, and $25,025 for the Vocational Rehabilitation, SAPT, and SSDI programs, respectively.

According to the Treasury-State Agreement signed between the US Department of Treasury and the State of Illinois, IDHS is required to calculate an interest liability on federal funds for the Vocational Rehabilitation, SAPT, and SSDI programs based on the annual program expenditures times the average equivalent yield of the 13-week Treasury bills auctioned during the year times the sum of the preissuance time and the clearance time. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the interest liability calculation is performed in accordance with the TSA.

In discussing these conditions with IDHS personnel, they stated the Department disagrees with the finding. The Agency is calculating the interest liability using the proper methodology. A calculation of the clearance time is done annually and is used in the interest calculation.

Failure to calculate the interest liability in accordance with the TSA may result in an underpayment of an interest liability to the federal government. (Finding Code 08-13, 07-22, 06-14)

Recommendation:

We recommend IDHS recalculate the interest liability for the year ended June 30, 2007 using the methodology stated in the TSA. A review of the interest liability calculation should be performed by an independent person that is knowledgeable of the TSA requirements.

IDHS Response:

The Department disagrees with this finding. The Agency is calculating the interest liability using the proper methodology. A calculation of the clearance time is done annually and is used in the interest calculation. The fiscal year 2007 TSA did not contain the correct information related to the number of days in the clearance time. The agency has calculated new clearance times and the final version of the amended fiscal year 2008 TSA has these new clearance times. Also, the interest calculation and the supporting detail are sent to an individual in the Governor's Office of Management and Budget, who is familiar with the TSA for review.

Auditors' Comment:

The TSA requires interest to be calculated based upon the clearance times specified in Exhibit II of the TSA. IDHS officials stated that the clearance patterns included in the TSA are inaccurate and that clearance patterns used in the interest calculations more accurately reflect clearance time. To the extent the TSA contains inaccurate clearance patterns, IDHS should work with the Governor's Office of Management and Budget to amend the TSA to include the corrected clearance patterns, rather than disregard the agreement's requirements.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Agriculture (USDA)
US Department of Education (USDE)
US Department of Health and Human Services (USDHHS)

Program Name: Special Supplemental Nutrition Program for Women, Infants, and Children
Rehabilitation Services – Vocational Rehabilitation Grants to States
Temporary Assistance for Needy Families
Child Care Development Fund Cluster
Social Services Block Grant
Block Grants for Prevention and Treatment of Substance Abuse

CFDA # and Program Expenditures: 10.557 ($206,089,000)
84.126 ($87,562,000)
93.558 ($537,011,000)
93.575/93.596 ($206,438,000)
93.667 ($127,372,000)
93.959 ($78,421,000)

Award Numbers: 2007IW100642/2007IW100342/2008IW100642/2008IW100342 (10.557)
(CFDA Number) H126A070018/H126A080018 (84.126)
G-0702ILTANF/G0802ILTANF (93.558)
G0701ILCCDF/G0801ILCCDF (93.575)
G-0601ILSOSR2/G-0701ILSOSR/G-0801ILSOSR (93.667)
07B1ILSAPT/08B1ILSAPT (93.959)

Questioned Costs: None

Finding 08-14 *Untimely Review of OMB Circular A-133 Audit Reports*

IDHS did not review OMB Circular A-133 audit reports received from its subrecipients for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation), Temporary Assistance for Needy Families (TANF), Child Care Development Fund Cluster (Child Care), Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than $500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A single audit desk review checklist is used to document the review of the OMB Circular A-133 audit reports.

We selected a total sample of 117 subrecipient monitoring files to review from the above programs. During our review of the subrecipient monitoring files, we noted that for 42 subrecipient files IDHS had not completed the desk review of the subrecipient OMB Circular A-133 reports within 60 days of their receipt by IDHS. These reviews were completed as follows:

Desk Review Period	Number of Subrecipients
61-90 days after receipt	22
91-120 days after receipt	8
121-150 days after receipt	4
151-180 days after receipt	3
180 + days after receipt	5

In addition, we noted seventeen reports for which reviews were not completed as of the date our testwork. Each of these reports had been received in excess of 60 days prior to our testwork. Of the five subrecipients for which desk reviews were not completed within six months of receipt, IDHS was required to issue management decisions and did so within the required six month timeframe.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2008 were as follows:

Program	Total Fiscal Year 2008 Subrecipient Expenditures	Total Fiscal Year 2008 Program Expenditures	%
WIC	$194,651,000	$206,089,000	94.4%
Vocational Rehabilitation	$20,359,000	$87,562,000	23.3%
TANF	$238,429,000	$537,011,000	44.4%
Child Care	$200,652,000	$206,438,000	97.2%
Title XX	$35,035,000	$127,372,000	27.5%
SAPT	$66,326,000	$78,421,000	84.6%

According to OMB Circular A-133 § .400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Effective internal controls require monitoring procedures to be performed on a timely basis.

In discussing the desk review process with IDHS officials, they stated insufficient staffing resources due to concentration of agencies with June 30 fiscal year ends filing reports during certain months of the year.

Failure to adequately obtain and review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 08-14, 07-23, 06-13, 05-27)

Recommendation:

We recommend IDHS establish a review period of not more than 60 days from the receipt of the OMB Circular A-133 audit reports.

IDHS Response:

The Department accepts the recommendation. The Office of Contract Administration has achieved a 70 day review period for 2008 reports submitted as of January 31. A new position was assigned to the unit and the Office of Contract Administration implemented priority reviews for reports with findings. Reviews are now significantly timelier, and average time has significantly decreased. If staffing resources are maintained at the level provided during calendar 2008, the Department of Human Services, Office of Contract Administration (OCA) will achieve and maintain the 60 days goal for this period. It should be noted that the OMB Circular A133.400(d) (5) clearly states under pass-through entity responsibilities that decision on audit findings be issued to a management within six months after receipt of the sub recipient's audit report and ensure that the sub recipient takes appropriate and timely corrective action. There is no timeframe required for review prescribed in the regulations; however the auditors have interpreted a reasonable timeframe to be 60 days.

State Agency: Illinois Department of Human Services (IDHS)

Federal Agency: US Department of Agriculture (USDA)

Program Name: Food Stamp Cluster

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)

Award Numbers: 2IL420120/2IL400098

Questioned Costs: None

Finding 08-15 *Inadequate Monitoring of Food Stamp Service Organization*

IDHS did not adequately monitor a service organization of the Food Stamp Cluster.

IDHS issues food stamp benefits to beneficiaries of the Food Stamp program using electronic benefit transfer (EBT) cards which are used to purchase food from retail grocery stores. The State has contracted with a third party servicer to settle food stamp transactions and pay retailers who have accepted EBT cards as payment for beneficiary food purchases. Among other things, the third party servicer is responsible for drawing cash from the U.S. Treasury which is used to reimburse retailers. The State is responsible for reconciling the payments made to retailers by its third party servicer with the amounts drawn from the State's EBT account with the U.S. Treasury on a monthly basis.

In order to ensure the service organization is properly performing its contracted duties relative to the food stamp EBT card settlement process, IDHS requires the service organization to have an annual independent examination of the design and operating effectiveness of the internal controls in place (SAS 70 report). During our audit, we noted the auditors' report on controls placed in operation and tests of operating effectiveness for the EBT service organization did not cover the State's entire fiscal year as required by federal regulations. Specifically, we noted the SAS 70 report did not cover the period from July 1, 2007 to August 31, 2007.

According to 7 CFR 274.12(j)(5), States are required to obtain an independent examination of procedures related to the issuance, redemption, and settlement of Food Stamps benefits performed on their behalf by service organizations. Among other things, these examinations are required to be performed at least annually and cover the entire period since the previous examination period.

Additionally, the A-102 Common rule requires non-Federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing and documenting procedures to ensure service organization reports meet federal requirements.

In discussing these conditions with IDHS officials, they stated federal regulations require the SAS70 audit of the EBT Contractor's system annually. The time period for the audit in fiscal year 2008 would have been July 1, 2007 – June 30, 2008, but Northrop Grumman Information Technology (NGIT) moved their Data Center in August 2007, so their facility was not available to audit for the two month period of July and August 2007. The SAS70 audit time frame was defined as September 1, 2007 – June 30, 2008.

Failure to ensure service organizations obtain annual reports on controls placed in operation and tests of their operating effectiveness covering the entire year results in noncompliance. (Finding Code 08-15)

Recommendation:

We recommend IDHS review its procedures for monitoring its service organizations and implement any changes necessary to ensure service organization examinations are performed in accordance with the applicable regulations.

IDHS Response:

The Department disagrees with the recommendation. Procedures are in place to monitor service organizations and examinations are performed in accordance with regulations. Prior to conducting the fiscal year 2008 SAS70 audit, the timeframe exception was agreed upon by the Illinois Department of Human Services (IDHS), Northrop Grumman Information Technology (NGIT), and USDA Food and Nutrition Services (FNS). FNS accepted SAS70 audit reports for Illinois, Maine, Arkansas and Iowa, all affected by NGIT's Data Center move, for the 10-month timeframe, and this was not an issue at the time. FNS did not instruct the states that they needed waivers. This was not the first time Illinois had a shorter than one year timeframe for the annual SAS70 audit. In fiscal year 2004, the year that Illinois converted to Link II (new contract), the SAS70 audit timeframe was October 1, 2003 – June 30, 2004 because the "old" environment and processing for the period July 1, 2003 – Sept. 30, 2003 no longer existed. The NGIT Data Center move was a unique event that will not occur again for the remainder of the contract. The timeframe for next year's SAS70 will be for 12 months.

Auditors' Comment:

As stated above, 7 CFR 274.12(j)(5) requires States to have an annual independent examination of procedures related to the issuance, redemption, and settlement of Food Stamps benefits performed by its third party servicers which covers the entire period since the previous examination period. The SAS 70 provided in our audit did not cover the period from July 1, 2007 to August 31, 2007. IDHS stated that the time frame exception was agreed to by several parties; however, a formal waiver was not requested from or granted by FNS.

State Agency: Illinois Department of Revenue (IDOR)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families

CFDA # and Program Expenditures: 93.558 ($537,011,000)

Award Numbers: G-0701ILTANF/G-0801ILTANF

Questioned Costs: $236

Finding 08-16 *Inadequate Process for Determining the Allowability of Earned Income Credits*

IDOR has not established adequate procedures to determine whether earned income tax credits claimed under the Temporary Assistance for Needy Families (TANF) program meet the federal allowability criteria.

The State of Illinois, through IDOR, has established an earned income tax credit program to provide a tax refund to low income families residing in Illinois. Certain amounts refunded to taxpayers under this program are claimed by the Illinois Department of Human Services (IDHS) under the TANF program. To be allowable for claiming under TANF, the earned income tax credit must be determined in accordance with the State's earned income tax credit regulations and must be disbursed to the taxpayer through a refund. IDHS and IDOR have executed an interagency agreement which requires IDOR to identify and periodically report to IDHS the tax credits which qualify for claiming under the federal TANF program.

During our testwork, we noted IDOR's procedures for verifying the validity of taxpayer's earned income tax credit claims with federal tax returns are not completed prior to paying refunds to taxpayers or preparing the earned income tax credit claiming report for IDHS. IDOR performs a series of data edits designed to identify individuals who may not meet the earned income tax credit criteria; however, the edit checks are subject to data verification procedures once the federal tax return is received from the federal Internal Revenue Service. The data verification procedures are not performed until the middle of the following year and have historically resulted in adjustments to amounts previously claimed.

Additionally, during our testwork of 60 earned income tax credits (totaling $6,635) claimed under the TANF program, we noted one earned income tax credit claimed ($236) was refunded to a taxpayer whose mailing address was outside of the state of Illinois. Upon further inquiry of IDOR personnel, we noted IDOR's procedures for identifying claimable earned income tax credits do not include verifying whether taxpayers with addresses outside of Illinois meet the earned income tax credit state residency requirement. IDOR's practice is to eliminate earned income tax credits paid to taxpayers with addresses outside of Illinois in connection with the IRS verification procedures discussed above. As a result, IDOR had not determined whether or not the earned income tax credit for this taxpayer was allowable under the TANF program.

Earned income tax credits claimed under the TANF program were $17,274,904 during the year ended June 30, 2008.

According to 45 CFR 260.33(b), only the refundable portion of a State or local tax credit is considered to be an allowable expenditure. The refundable portion that may be counted as expenditure is the amount that exceeds a family's State income tax liability prior to the application of the earned income tax credit. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure expenditures meet the applicable program allowability criteria prior to claiming.

In discussing these conditions with IDOR officials, they stated that it is operating an effective program within the constraints of information on the tax return and the within verification requirements of the federal TANF program. Rather than utilizing alternative procedures, all of which would materially delay refunds to taxpayers; the Department has adopted a post-drawdown verification as the most prudent course.

Failure to establish effective procedures to ensure expenditures claimed under federal programs meet allowability requirements results in unallowable costs. (Finding Code 08-16, 07-24, 06-20, 05-31)

Recommendation:

We recommend IDOR review the process and procedures in place to identify earned income tax credit expenditures claimed under the TANF program and implement changes necessary to ensure only amounts eligible for claiming are reported to IDHS.

IDOR Response:

The Department of Revenue agrees with the recommendation. The issue here is the appropriate verification before the drawdown of federal TANF funds. It is important to note that the department believes that it has implemented a verification process that meets federal requirements and has been told by Washington D.C. staff at the U.S. Department of Health and Human Services that: "The State has a reasonable verification procedure in place. . . ."

However, the department will work with IDHS to get a more formal response than the current guidance.

It should be noted the one earned income tax credit claimed ($236) whose mailing address was outside the state was properly refunded.

Auditors' Comment

As stated in the finding above, the verification procedures are not performed by IDOR until several months after IDHS has claimed the tax credits reported by IDOR. The emphasis of this finding is the timeliness of the IDOR verification process, not the verification procedures themselves.

Additionally, IDOR's established practice is not to claim tax credits for taxpayers with addresses outside the State as current procedures are not designed to determine whether these taxpayers meet the eligibility requirements. Based upon IDOR's practice, the tax credits in our sample should not have been claimed.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-17 *Inadequate Procedures for Performing Eligibility Redeterminations*

Eligibility redetermination procedures implemented by DHFS for the Medicaid Cluster (Medicaid) and State Children's Insurance Program (SCHIP) are not adequate.

Effective in February 2006, DHFS revised its procedures for performing eligibility redeterminations for children receiving services under the Medicaid and SCHIP programs. As part of the passive redetermination procedures, a renewal form which contains key eligibility criteria is sent through the mail to the beneficiary. The beneficiary (or the beneficiary's guardian) is required to review the renewal form and report any changes to eligibility information; however, in the event there are no changes to the information and there are only children on the case, a response is not required.

Upon further review of the passive redetermination process, we noted neither DHFS, nor the Illinois Department of Human Services (IDHS) which performs most eligibility determinations for these programs, maintains a formal record of the cases subject to passive redetermination procedures. As a result, we were unable to quantify the number of cases subject to the passive redetermination policy.

Payments made on the behalf of beneficiaries of the Medicaid and SCHIP programs were $6,313,321,000 and $337,976,000 during the year ended June 30, 2008.

In accordance with 42 USC 1397bb, 42 CFR 435.10, and the *OMB Circular A-133 Compliance Supplement*, dated March 2008, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plans for the Medicaid and SCHIP programs. The current State Plans require redeterminations of eligibility for all recipients on an annual basis. According to 42 CFR 435.916(b) the State is required to implement procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure eligibility redeterminations are performed in accordance with the State Plan and federal regulations.

In discussing these conditions with DHFS officials, they stated that they felt they were in compliance with all State and Federal regulations regarding the renewal process.

Failure to implement appropriate eligibility redetermination procedures in accordance with the state plans may result in federal funds being awarded to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-17, 07-25)

Recommendation:

We recommend DHFS review its current process for performing eligibility redeterminations and consider changes necessary to ensure redeterminations are performed in accordance with federal regulations and the State Plans for each affected program.

DHFS Response:

The Department respectfully disagrees with the finding. The Department's administrative renewal process is performed in accordance the federal regulations and State Plans. Per the Department of Health and Human Services letter to State Medicaid Directors dated February 6, 1997, "The redetermination can be based on information contained in the individual's Medicaid file if the State believes that information is accurate." The State Plans require that eligibility be reviewed annually, but does not specify what procedures are to be used. The Department does review eligibility annually, either administratively or manually depending on the family situation.

Federal policy supporting this process was affirmed by Congress and the President in the recent reauthorization of the Children's Health Insurance Program Reauthorization Act of 2009. It is included in Section 104 as one of eight enrollment and retention measures for which states may qualify for bonus payments.

The Department does have an internal tracking system for SCHIP cases maintained by the central unit. The system identifies cases eligible for administrative renewal and tracks if the form is returned with reported changes and indicates the outcome of each case due for renewal.

Currently there is not a statewide tracking mechanism for administrative renewals across both agencies. The Department will work with the Illinois Department of Human Services to review the feasibility of reprogramming the data system to track administrative renewals across both agencies.

Auditors' Comment:

As stated above, the current State Plans require redeterminations of eligibility for all recipients on an annual basis and 42 CFR 435.916(b) requires the State to have procedures designed to ensure that recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. During our audit, DHFS officials stated that the passive redetermination process is not used for expenditures under the "All Kids" program, a State funded health insurance program similar to Medicaid and SCHIP, due to concerns that beneficiaries may not report changes in key eligibility factors in a timely manner. We believe those same concerns would be applicable to the federally funded programs. As a result, we do not believe the passive redetermination process meets the eligibility redetermination requirements of the Medicaid and SCHIP programs. The Children's Health Insurance Program Reauthorization Act of 2009 referenced in the Agency's response was not effective in 2008.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: $26,385

Finding 08-18 *Failure to Determine Eligibility in Accordance with Program Regulations*

DHFS did not determine the eligibility of beneficiaries under the State Children's Insurance Program (SCHIP) and Medicaid Cluster programs in accordance with federal regulations.

During our testwork of SCHIP and Medicaid Cluster beneficiary payments, we selected a sample of 60 SCHIP and 125 Medicaid eligibility files to review for compliance with the applicable program eligibility requirements. We noted the following exceptions during our testwork:

- In one SCHIP case, the eligibility file did not contain supporting documentation evidencing an eligibility determination had been performed in accordance with the State Plan. Specifically, we noted the beneficiary on this case was a pregnant mother whose initial eligibility determination was performed in July 2007 using a Medicaid Presumptive Eligibility application which does not require documentation of income or assets. Accordingly, a complete eligibility determination was required to be performed by September 1, 2007 for this individual to continue receiving benefits. Although case worker notes and the electronic case record indicated an eligibility determination may have been performed in July 2007, the case record does not contain any documentation supporting a full eligibility determination was performed until February 2008. Medical assistance payments made on the behalf of this beneficiary during the period of ineligibility (September 1, 2007 through February 1, 2008) were $1,707. The payment selected in our sample for this case was $122.
- In three SCHIP case files and one Medicaid case file, DHFS could not provide documentation supporting eligibility redetermination procedures were performed in accordance with the State Plan. Medical assistance payments made on the behalf of these beneficiaries during the period of ineligibility were $11,193 and $13,485, respectively. The payments selected in our sample were $244 for the SCHIP cases and $147 for the Medicaid case.

Payments made on the behalf of beneficiaries of the SCHIP and Medicaid Cluster programs were $337,976,000 and $6,313,321,000, respectively, during the year ended June 30, 2008. Payments made on behalf of beneficiaries selected for our testwork were $14,153 and $149,498 for the SCHIP and Medicaid Cluster programs, respectively.

In accordance with 42 CFR 435.10 and the OMB Circular A-133 Compliance Supplement, dated March 2008, the State is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plans for the SCHIP and Medicaid Cluster programs. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure beneficiary eligibility determinations are performed and documented in accordance with the provisions of the State Plan.

In discussing these conditions with DHFS officials, they stated that in the case of the eligibility determination exception, the case file was transferred, along with the application, to the Illinois Department of Human Services (DHS). This transfer would have made DHS accountable for this case file and not DHFS. The Department further stated that they were in compliance with all State and Federal regulations regarding the renewal process.

Failure to properly perform eligibility determinations may result in expenditures being made on the behalf of ineligible beneficiaries, which are unallowable costs. (Finding Code 08-18)

Recommendation:

We recommend DHFS review its current process for performing eligibility determinations and consider the changes necessary to ensure all eligibility determinations are performed in accordance with federal regulations and the State Plans.

DHFS Response:

The Department respectfully disagrees with the finding. The Department was able to provide documentation that the file in question had been sent to the Illinois Department of Human Services (IDHS) and had been signed for by a staff member at their office. IDHS was unable to locate that file, which would have contained the information in question.

The Department and IDHS have both started pilot projects that would allow for shared imaged files. Such a project would prevent the loss of files in the future.

The administrative renewal process is in accordance with the federal regulations and State Plans. Per the Department of Health and Human Services letter sent to State Medicaid Directors dated February 6, 1997, "The redetermination can be based on information contained in the individual's Medicaid file if the State believes that information is accurate." The State Plans require that eligibility be reviewed annually, but does not specify what procedures are to be used. When the administrative renewal process is used, and there are no changes to the family's situation, the coverage is systematically renewed and there would be no documentation to put in the file.

Auditors' Comment:

Neither DHFS, nor IDHS was able to provide documentation supporting an eligibility determination had been performed for the case identified in the first bullet point above. DHFS provided case notes stating that the file had been transferred to IDHS; however, IDHS had no record of receiving the file.

As stated in finding 08-17, the current State Plans require redeterminations of eligibility for all recipients on an annual basis and 42 CFR 435.916(b) requires the State to have procedures designed to ensure that

recipients make timely and accurate reports of any change in circumstances that may affect their eligibility. During our audit, DHFS officials stated that the passive redetermination process is not used for expenditures under the "All Kids" program, a State funded health insurance program similar to Medicaid and SCHIP, due to concerns that beneficiaries may not report changes in key eligibility factors in a timely manner. We believe those same concerns would be applicable to the federally funded programs. As a result, we do not believe the passive redetermination process meets the eligibility redetermination requirements of the Medicaid and SCHIP programs. The Children's Health Insurance Program Reauthorization Act of 2009 referenced in the Agency's response was not effective in 2008.

Additionally, neither DHFS, nor IDHS could provide documentation supporting the passive redetermination process was used for the three cases in the second bullet point.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: Cannot be determined

Finding 08-19 *Failure to Process Medical Claims within Prescribed Timeframes*

DHFS is not processing practitioner medical claims for individuals receiving benefits under the State Children's Insurance Program (SCHIP) and Medicaid programs in accordance with timeframes required by federal regulations.

Federal regulations require the medical providers to submit all medical claims within twelve months of the date of service and require the State to pay practitioner medical claims within specific time frames. The processing of medical claims involves a series of electronic MMIS edits to verify all applicable data is provided, verify recipient eligibility, verify expenditure allowability, and calculate the provider reimbursement. Once a medical payment has been approved for payment, it is adjudicated, vouchered and submitted to the Office of the Comptroller for payment.

During our audit, we noted DHFS performs periodic analyses to monitor compliance with medical payments timeframe requirements. Upon review of the analysis covering practitioner medical payments during state fiscal year 2008, we noted medical payments were not made within the 30 day payment timeframes required by federal regulations. Management's analysis identified that of the 22,170,000 claims paid in state fiscal year 2008, only 51% (12,372,000 claims) were paid within 30 days of receipt. In addition, during our testwork of 10 SCHIP and 17 Medicaid practitioner medical payments selected for test work, we noted 3 SCHIP (30%) and 7 Medicaid (41%) payments were paid (based on warrant issuance date) more than 30 days after they were received from providers. Delays in paying these medical claims ranged from two to 33 days after the required timeframe.

In accordance with 42 CFR 447.45(d), the State is required to pay 90% of all clean claims within 30 days of the date of receipt and 99% of all clean claims within 90 days of the date of receipt. The State must pay all other claim within twelve months of the date of receipt.

In discussing these conditions with DHFS officials, they stated that payments are processed promptly and the delays in payment were due to a lack of funds necessary to initiate payments.

Failure to pay medical claims in accordance within the required timeframes may result in unallowable costs being charged to the program. (Finding Code 08- 19)

Recommendation:

We recommend DHFS review its current process for processing and paying medical payments and consider changes necessary to ensure medical payments are made within the timeframes prescribed within the federal regulations.

DHFS Response:

The Department agrees with the finding and has requested sufficient appropriations in its budget request to allow payments in a timeframe consistent with federal regulations.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: None

Finding 08-20 *Failure to Complete Provider Audits in a Timely Manner*

DHFS did not complete audits of providers of the State Children's Insurance Program (SCHIP) and Medicaid Cluster programs in a timely manner.

The DHFS Office of Inspector General (OIG) conducts several types of audits and reviews of healthcare providers to monitor the integrity of payments made to providers of the SCHIP and Medicaid Cluster programs. Specifically, the OIG performed post-payment compliance audits to identify improper payments which may have been made to providers and quality of care reviews to assess whether healthcare providers are giving proper care and services to SCHIP and Medicaid beneficiaries. These audits may lead to sanctions against providers, recoveries of overpayments from providers, and/or criminal prosecution of providers. The OIG reports the results of these audits, as well as its other activities, to the Center Medicare and Medicaid Services on an annual basis.

During our testwork over 41 provider audits, we noted provider audits were not completed in a timely manner. Specifically, we noted twelve of the 41 audits tested had not been completed as of the date of our testwork. The number of days that had elapsed since the audit had been initiated ranged from 138 to 1,259 days. Additionally, of the 29 completed audits in our sample, the length of time to complete the audits after the audit start date ranged from 16 to 168 days. The provider audits were completed as follows:

Timeframe	Number of Provider Reviews
0-44 days after audit start date	2
45-90 days after audit start date	11
91-120 days after audit start date	8
121-150 days after audit start date	3
151-180 days after audit start date	5
180 + days after audit start date	0

We also noted during our testwork that there were significant time delays between the date DHFS determined a provider audit should be performed and the start date of the audit. Specifically, we noted the number of days that had elapsed between the determination date and the audit start date ranged from 16 to 1,024 days for the 41 audits reviewed in our testwork.

According to 42 CFR 455.17, the OIG is required to report on the results of its activities and investigations periodically. The OIG has a responsibility to investigate violations of the applicable laws, follow up on complaints, and perform provider audits. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure provider analysis and audits are performed and completed in a timely manner.

In discussing these conditions with DHFS officials, they stated there are extenuating circumstances from time to time that may extend the audit process and are outside the control of the OIG. In addition, the Department stated that federal guidelines do not stipulate an audit period or the number of audits to be completed.

Failure to perform provider audits in a timely manner may result in federal funds being expended for unallowable purposes and may prevent the State from adequately monitoring payments to providers. (Finding Code 08-20)

Recommendation:

We recommend DHFS implement procedures to ensure provider audits are performed and completed in a timely manner.

DHFS Response:

The Department partially agrees with this finding. It should be noted that there is no federally prescribed timeframe for completion of provider audits; however, the OIG strives to complete all audits in a timely manner. Further, the audits cited in the finding were completed within the 180-day time frame for which the auditors stated was an acceptable audit period. As with the nature of the audit profession, situations occur that may extend the time necessary to complete the audit such as: the type of audit being conducted (i.e., pharmacy, hospital, and individual practitioner), the size of the auditee (hospital vs. individual practitioner), a re-audit at the request of the auditee, and the availability of the information to be audited. There are also delays due to external entities, such as the Federal Bureau of Investigation or Illinois State Police, performing investigations on the same auditee. For these cases, the OIG is requested to extend the audit until the review is complete or the records are returned, which occurred in one of the cases sampled.

The OIG will review its policies and procedures to determine if changes should be made that would better define a provider audit period, as well as the time frame for the determination date and begin date of the audit.

Auditors' Comment:

Although the audits selected in our sample were completed (measured from the start of fieldwork to the issuance of an audit report) within 180 days, the number of days that had elapsed between the determination date and the audit start date ranged from 16 to 1,024 days for the 21 audits reviewed in our testwork. DHFS officials stated indicated the delays in starting audits stemmed primarily from a lack of resources to perform the audits.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: None

Finding 08-21 *Untimely Completion of Medicaid Eligibility Quality Control Reviews*

DHFS did not complete Medicaid Eligibility Quality Control (MEQC) reviews in a timely manner.

The DHFS Office of the Inspector General (OIG) is responsible for performing and reporting the results of quality control reviews of beneficiary eligibility determinations performed by the State for the Medicaid and SCHIP programs. In place of the traditional MEQC program, the OIG participates in various MEQC pilot programs which target specific eligibility risk areas. Those pilot programs include an Income Verification Review (Income) and a Redetermination Accuracy Review (Redetermination). The Income and Redetermination reviews are performed on a federal fiscal year basis for a sample of cases selected from a population of all active beneficiary cases of the Medicaid Cluster and Temporary Assistance for Needy Family programs. These reviews are designed to assist the State in monitoring the accuracy of eligibility determinations and the appropriateness of medical payments made on the behalf of beneficiaries. The results of these reviews are required to be reported to the Center for Medicare and Medicaid Services (CMS) within ten months of the end of the applicable fiscal year.

During our audit, we noted the review results for the Income review for the federal fiscal year ended September 30, 2006 (due in state fiscal year 2008) and for the Redetermination review for the federal fiscal year ended September 30, 2007 were not submitted within the timeframes required by federal regulations. Specifically, the Income review was submitted three months late (on October 30, 2007) and the Redetermination review had not been submitted as of January 30, 2009. Additionally, during our review of 15 Income reviews and 15 Redetermination reviews completed in fiscal year 2008, we noted reviews were not completed within a reasonable timeframes. The number of days to complete the reviews for our sample of Income and Redetermination reviews ranged from 106 to 551 days.

According to guidance provided from The Centers for Medicare and Medicaid Services (CMS) in a letter from the Chicago Regional Office (No.: 03-06), each state is required to submit pilot review summary reports for the most recently completed federal fiscal year by August 1st of the following fiscal year. Summary reports for the federal fiscal year ended September 30, 2006 and 2007 were due by August 1, 2007 and 2008, respectively. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws,

regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure MEQC reviews are completed and reported in a timely manner.

In discussing these conditions with DHFS officials, they stated that staff dedicated to the federal fiscal year 2006 MEQC reviews were also in the process of implementing a new case tracking system, which required a learning curve for employees. Reviewers were also performing case reviews associated with the next MEQC Pilot, as well as conducting customer service satisfaction surveys and on site visits for new transportation and durable medical equipment providers.

Failure to complete MEQC reviews in a timely manner and report review results within required time frames may prevent the State from identifying unallowable beneficiary payments and from adequately monitoring the accuracy of eligibility determinations and redeterminations. (Finding Code 08-21)

Recommendation:

We recommend DHFS review its current process for performing MEQC reviews and preparing summary reports and consider changes necessary to ensure reviews are completed in a timely manner and summary reports are submitted within the timeframes required by CMS.

DHFS Response:

The Department partially agrees with this finding. It should be noted that the allowability of beneficiary payments is not impacted by the delay in MEQC reviews. The OIG has taken steps to ensure that required MEQC reports are submitted timely to the federal CMS. The OIG has ceased conducting client satisfaction surveys and on-site visits for new transportation and durable medical equipment providers have been assigned to another area within the OIG. In addition, staff is now adjusted to the case tracking system.

Auditors' Comment:

Although the results of the MEQC may not directly result in the repayment of unallowable costs to USDHHS, errors or irregularities identified by the MEQC process generally result in policy and/or procedural changes designed to detect and/or deter future occurrences of similar errors or irregularities.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program

CFDA # and Program Expenditures: 93.767 ($348,437,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021

Questioned Costs: None

Finding 08-22 *Improper Reporting of Adjustments for the SCHIP Program*

DHFS improperly reported adjustments for medical services provided under the "Unborn Amendment" waiver of the State Children's Insurance Program (SCHIP) program.

The SCHIP program provides medical assistance benefits, similar to those available to beneficiaries of the Medicaid Cluster program, to children between the ages of newborn and 19 years whose families have modest annual incomes which exceed the Medicaid standard income requirement (133% of the poverty level). DHFS received an "Unborn Amendment" waiver from USDHHS for the SCHIP program which allows the State to claim medical assistance payments made on behalf of expectant mothers for prenatal and labor and delivery services on the basis that the beneficiary of these services is the unborn fetus. Under this waiver program, upon the delivery of her newborn child, the mother's medical benefits cease and only those medical services provided to the newborn child are covered by the program. As a result, DHFS is required to analyze medical services provided to expectant mothers each quarter to identify unallowable post partum services required to be eliminated from the quarterly SCHIP claim.

During our testwork over adjustments reported on the quarterly SCHIP claiming reports (CMS-21 report) submitted during the State's fiscal year ended June 30, 2008, we noted DHFS inaccurately reported decreasing adjustments approximating $1.8 million related to post partum medical services on the March 31, 2008 claiming report. Specifically, we noted DHFS reported a decreasing adjustment of $1.2 million on the March 31, 2008 claiming report for post partum medical services which had previously been reported on the December 31, 2007 claiming report. In addition, DHFS reported a decreasing adjustment of $600,000 on the March 31, 2008 claiming report for post partum medical services which should have been adjusted on the December 31, 2007 claim.

In accordance with Section 2110 of the Act and the approved SCHIP State Plan, SCHIP funds are required to be used to provide covered services outlined in the approved State Plan to eligible children. The covered services included in the SCHIP State Plan and approved amendments do not include post-partum care services for mothers. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure only allowable costs are claimed for reimbursement.

In discussing these conditions with DHFS officials, they stated that the prior period adjustment for post partum services occurred due to a system programming error. Programming staff had automated a portion of

the process used to capture the post partum claims. It was during this conversion from a manual process to an automated process that the error occurred.

Failure to accurately report adjustments in a timely manner may result in costs inconsistent with program objectives being claimed to federal programs. (Finding Code 08-22)

Recommendation:

We recommend DHFS review its process for identifying adjustments for post-partum services and implement procedures to ensure adjustments are accurately reported.

DHFS Response:

The Department agrees with the finding. The Department has reviewed the process used to identify the post partum services and initiated a new procedure to review any prior period adjustments that exceed a specified threshold. The Department will continue to test programming changes as they are made in the claiming reports.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement

CFDA # and Program Expenditures: 93.563 ($124,506,000)

Award Numbers: 0704IL4004/0804IL4004

Questioned Costs: None

Finding 08-23 *Inadequate On-Site Monitoring Procedures*

DHFS did not perform adequate on-site monitoring procedures for subrecipients of the Child Support Enforcement (Child Support) program.

DHFS passes through Child Support program funding to various local governments within the State to administer particular aspects of operating the program, including locating absent parents, assisting in establishing paternity, obtaining child support obligations, and enforcing support obligations owed by non-custodial parents. DHFS' subrecipient monitoring process includes: (1) providing subrecipients with technical guidance through training sessions and handbooks; (2) performing reviews of monthly expenditure claims documentation; (3) performing physical inventories of equipment purchased with federal funds; (4) performing reviews of monthly programmatic monitoring reports; and (5) performing desk reviews of single audit reports.

During our review of the on-site monitoring procedures performed by DHFS for a sample of 15 subrecipients of the Child Support program with expenditures of $13,135,000 during the year ended June 30, 2008, we noted DHFS has not developed adequate procedures to monitor all relevant fiscal and administrative processes and controls of its subrecipients. Specifically, on-site monitoring procedures are not performed to determine whether subrecipients are documenting administrative expenditures in accordance with the applicable cost principles or whether subrecipients are following appropriate procurement procedures. The on-site monitoring procedures performed by DHFS primarily focus on verifying information reported by the subrecipient relative to locating absent parents, assisting in establishing paternity, obtaining child support obligations, and enforcing support obligations owed by non-custodial parents and performing physical inventory procedures for CSE equipment purchases. Although DHFS collects a monthly expenditure claim along with documentation supporting the expenditures reported by the subrecipient, the documentation collected does not provide sufficient detail to allow DHFS to evaluate whether the costs meet the allowable costs criteria in OMB Circular A-87 or whether procurements were performed in accordance with the Illinois Procurement Code.

In addition, during our review of the 15 on-site monitoring files identified above, we noted two monitoring files identified discrepancies in physical inventory procedures performed by DHFS; however, the discrepancies were not reported in the final on-site monitoring reports for these subrecipients and the monitoring file did not include documentation of the resolution of these exceptions. Expenditures passed through to these two subrecipients during the year ended June 30, 2008 were $5,048,850.

Total federal awards passed through to subrecipients of the Child Support program were $19,851,000 during the year ended June 30, 2008.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In discussing these conditions with DHFS officials, they stated that they believe their procedures are sufficient to allow DHFS to evaluate with reasonable assurance that the costs meet the allowable costs criteria. These procedures include monitoring monthly expenditure claims along with documentation supporting the expenditures reported by the subrecipient, which have not been identified as deficient in previous audits.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-23)

Recommendation:

We recommend DHFS review its on-site monitoring procedures for subrecipients of its Child Support program and implement changes necessary to ensure procedures performed adequately address all compliance requirements that are direct and material to subrecipients.

DHFS Response:

The Department agrees with the finding. The Department currently monitors all of our subrecipients through limited desk reviews or on-site monitoring, depending on the dollar threshold. This process has not been an audit risk in the past. However, in light of the auditor's concerns, the Department will reassess its subrecipient monitoring procedures and make the necessary improvements.

The Department notes that the Federal awards passed through to these subrecipients vary from $181.00 to $8,738,423.00. Of the 114 subrecipient Federal awards, there are 90 that are less than $30,000.00, which account for 3.1% of the total Federal awards expended. Due to the low dollar amount of these Federal awards, it would not be cost effective to warrant an on-site review. The Department will continue to conduct limited desk reviews for these subrecipients and review its monitoring procedures further to determine if additional procedures are needed to ensure the Department evaluates them with reasonable assurance that the costs meet the allowable costs criteria as dictated by OMB Circular A-133.

Of the remaining 24 subrecipients, sixteen (16) account for $1,854,243.00 or 8.9% of the total Federal award amounts expended while the remaining 8 make up 88%. Monthly limited desk reviews are currently completed on these subrecipients and periodic on-site reviews are conducted to ensure program compliance. In addition, the Department will conduct a full desk review on an annual basis and complete on-site visits on these subrecipients to ensure costs meet the allowable costs criteria as dictated by OMB Circular A-133.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Low-Income Home Energy Assistance

CFDA # and Program Expenditures: 93.563 ($124,506,000)
93.568 ($137,933,000)

Award Numbers: 0704IL4004/0804IL4004 (93.563)
(CFDA Number) G-0602ILLIE5/G-0702ILLIE2/G-07B2ILLIEA/G-08B2ILLIEA (93.568)

Questioned Costs: $93,575

Finding 08-24 *Failure to Issue Management Decisions on Subrecipient A-133 Findings*

DHFS did not issue management decisions on OMB Circular A-133 findings for subrecipients of its Child Support Enforcement program and Low-Income Home Energy Assistance program (LIHEAP).

DHFS requires subrecipients expending more than $500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. DHFS program staff are responsible for reviewing the audit reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to DHFS records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, DHFS program staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, and adverse) and issuing management decisions on findings reported within required timeframes (i.e. six months).

During our testwork over OMB Circular A-133 audit reports for 15 subrecipients of the Child Support Enforcement program and ten subrecipients of the LIHEAP program with expenditures of $13,135,000 and $89,862,000, respectively, during the year ended June 30, 2008, we noted the following:

- The A-133 audit report for one subrecipient of the Child Support Enforcement program reported questioned costs of $93,375 for unallowable remodeling costs. Although DHFS acknowledged this finding and the corrective action in a communication of the acceptance of the subrecipient's A-133 report, DHFS did not issue a management decision relative to this finding or require reimbursement of the questioned costs identified in the finding. Amounts passed through to this subrecipient were $11,945,000 during the year ended June 30, 2008.

- The A-133 audit report for one subrecipient of the LIHEAP program reported the subrecipient had not submitted an updated indirect cost rate proposal and improperly used a provisional indirect cost rate. Although this finding did not specifically list the LIHEAP program, the subrecipient reported administrative costs of $3,548,000 during the year ended June 30, 2008 which may have been impacted by this finding. DHFS did not issue a management decision relative to this finding or follow up on the condition identified in the finding. Amounts passed through to this subrecipient were $64,472,000 during the year ended June 30, 2008.
- The A-133 audit report for one subrecipient of the LIHEAP program reported the subrecipient had not deposited grant funds in a timely manner. DHFS did not issue a management decision relative to this finding or follow up on the condition identified in the finding. Amounts passed through to this subrecipient were $4,102,000 during the year ended June 30, 2008.

Total federal awards passed through to subrecipients of the Child Support Enforcement and LIHEAP programs were $19,851,000 and $134,035,000, respectively, for the year ended June 30, 2008.

According to OMB Circular A-133 §__.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to OMB Circular A-133 §__.400(d)(5), a pass-though entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to findings are followed up on and management decisions are issued within required timeframes.

In discussing these conditions with DHFS officials, they stated although the Department did issue a management decision relative to the Child Support Enforcement Program, the Department agrees that they were not issued for the LIHEAP program.

Failure to follow up and issue management decisions on subrecipient findings may result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-24)

Recommendation:

We recommend DHFS establish procedures to ensure management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133.

DHFS Response:

The Department partially agrees with the finding. The Department has implemented procedures to ensure management decisions are issued for all findings affecting its federal programs in accordance with OMB Circular A-133. These procedures include utilization of a Corrective Action Review Sheet identifying the applicable Department CFDA number along with a description of the entity's corrective action. Approval of the corrective action will be obtained prior to issuance of a management decision.

Auditors' Response:

As stated in the finding above, the management decision letter issued by DHFS personnel did not specifically address the finding or questioned costs identified in the subrecipient's OMB Circular A-133 report, nor did the letter address DHFS' acceptance of the subrecipient's proposed corrective action plan. The letter issued was simply an acknowledgement of the receipt of the report and related documents which does not constitute a management decision.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Low-Income Home Energy Assistance

CFDA # and Program Expenditures: 93.568 ($137,933,000)

Award Numbers: G-0602ILLIE5/G-0702ILLIE2/G-07B2ILLIEA/G-08B2ILLIEA

Questioned Costs: None

Finding 08-25 *Inadequate Process for Accurately Reporting Subrecipient Refunds*

DHFS did not accurately report refunds from Local Administering Agencies (subrecipients) on the annual SF-269.

DHFS is responsible for administering the Low-Income Home Energy Assistance Program. The objectives of this program are to assist low-income households to better afford the rising cost of energy through direct financial assistance, energy counseling, outreach and education. DHFS passed through $134,035,000 of federal funding to thirty eight subrecipients during the year ended June 30, 2008 to administer the program at the local level. These agencies are responsible for taking client applications, verifying eligibility information, issuing assistance payments to energy vendors and performing outreach, referral, energy-related counseling activities. The subrecipients request cash advances approximately monthly based upon estimated expenditures. When actual expenditures are less than estimated expenditures, subrecipients reduce future cash draws by the amount of excess cash advanced. Once the grant period expires, any excess cash is refunded to DHFS.

During our testwork over the annual SF-269 for federal fiscal year 2007 (submitted in fiscal year 2008), we noted DHFS reduced claimable expenditures by $6,439,000 for refunds received from subrecipients. Of this amount, $316,000 represented subrecipient refunds received for federal fiscal year 2006 awards which should have been used to reduce claimable expenditures on the SF-269 submitted for federal fiscal year 2006.

According to 45 CFR 96.30(b)(4), grantees are required to report financial information for each award year on the 269A report. Additionally, A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure all adjustments to financial reports are reported in the period in which the adjustment occurs.

In discussing these conditions with DHFS officials, they stated that they were initially unaware that refunds occurred in the LIHEAP program.

Failure to identify subrecipient adjustments in a timely manner may result in inaccurate financial reporting of program expenditures. (Finding Code 08-25)

Recommendation:

We recommend DHFS revise it process for preparing financial reports to ensure that all adjustments are identified in a timely manner.

DHFS Response:

The Department agrees with the finding. The issue of subrecipient refunds was identified by the Department during their own internal reconciliation work. Upon identification of the situation, the Department took immediate corrective action by reducing the claim for federal fiscal year 2007. At that time, the Department also established a process for identifying all future subrecipient refunds so they would be handled in a timely manner. This process continues to be in place.

State Agency: Illinois Department of Health and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families

CFDA # and Program Expenditures: 93.558 ($537,011,000)

Award Numbers: G-0702ILTANF/G-0802ILTANF

Questioned Costs: None

Finding 08-26 *Unallowable Costs Used to Meet the TANF Maintenance of Effort*

State funded energy assistance expenditures and certain state funded medical expenditures were improperly used to meet the maintenance of effort (MOE) requirement of the Temporary Assistance for Needy Families (TANF) program.

The Illinois Department of Human Services (IDHS) is the state agency responsible for administering the TANF program. As a condition of receiving federal TANF funds, the State is required to maintain a level of "qualified" state funded expenditures for programs or services benefiting eligible families (TANF MOE requirement). In an effort to maximize the State's reimbursement under the TANF program, IDHS coordinates with a number of state agencies (including DHFS) which have agreed to allow IDHS to use expenditures from their state-funded human service programs to meet the TANF MOE requirement.

During our testwork of 60 TANF MOE expenditures (totaling $74,252) reported to IDHS by DHFS, we noted the following exceptions:

- State funded energy assistance expenditures reported by DHFS as qualifying for the TANF MOE requirement included payments made on behalf of beneficiaries who were not eligible under the TANF regulations. Specifically, we identified one beneficiary payment in our testwork which was paid on behalf of a family that is not TANF eligible. Upon further investigation, it was determined that the TANF beneficiary identification number for this family was incorrectly entered into the LIHEAP beneficiary system and payments to this family were improperly claimed. The unallowable payment selected in our testwork was $128 and was the only payment made on behalf of the ineligible family identified in our testwork that was used to meet the TANF MOE requirement during the year ending June 30, 2008.
- State funded medical expenditures reported by DHFS as qualifying for the TANF MOE requirement included medical payments made on behalf of beneficiaries who were not eligible under the TANF regulations. Specifically, we identified two beneficiary payments in our testwork which were paid on behalf of individuals that were not TANF eligible. Upon further investigation, it was determined that the households for these beneficiaries did not include a child under the age of 18. The unallowable payments selected in our testwork were $25,763. Unallowable payments made on behalf of the ineligible individuals in our sample which were used to meet the TANF MOE requirement during the year ending June 30, 2008 totaled $33,519.

TANF MOE expenditures for the year ended June 30, 2008 were $493,958,158, which include expenditures of $59,492,956 that were incurred by DHFS.

According to 45 CFR 263.2(b)(1), the benefits or services used to meet the maintenance of effort count only if they have been provided to or on behalf of TANF eligible families. According to 42 USC 608(a)(1), to be eligible for TANF assistance, or any MOE-funded benefits, services, or assistance, a family must include a minor child who lives with a parent or other adult caretaker relative. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure the expenditures used to meet the TANF MOE requirement are consistent with the applicable allowable cost criteria.

In discussing these conditions with DHFS officials, they stated the use of the unqualified energy assistance payments resulted from data entry error of the TANF beneficiary number into the LIHEAP beneficiary system. In addition, use of the unqualified medical expenditures resulted from incorrect coding of a recipient's case by the Department of Human Services.

Failure to ensure MOE expenditures meet the applicable allowable cost criteria may prevent the State from meeting the TANF MOE requirement and may result in a disallowance of costs. (Finding Code 08-26, 07-26)

Recommendation:

We recommend DHFS review the process and procedures in place to identify expenditures to be used to meet the TANF MOE requirement and implement changes necessary to ensure only allowable costs are reported to IDHS.

DHFS Response:

The Department agrees with the finding. As the ineligible client's case continued to be coded with a category of assistance pertaining to a family after the only child on the case reached the age of 18, the medical expenditures for the identified client were reported by the Department for TANF MOE purposes. The Department's reporting system, which gathers expenditures to be reported for TANF MOE, is dependent upon, among other criteria, the client's category of assistance. Based upon the coding of the client's case, the Department's process for identifying TANF MOE expenditures functioned properly. Due to the error in coding of the client's case, however, the reported expenditures were, in fact, not eligible under TANF regulations. The Department notified the Department of Human Services of the coding error and appropriate action was taken on the case.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement
Low Income Home Energy Assistance
State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.563 ($124,506,000)
93.568 ($137,933,000)
93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 0704IL4004/0804IL4004 (93.563)
(CFDA Number) G-0602ILLIE5/G-0702ILLIE2/G-07B2ILLIEA/G-08B2ILLIEA (93.568)
05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: $17,383

Finding 08-27 *Inaccurate Allocation of Costs*

DHFS did not accurately allocate costs to its federal programs in accordance with the Public Assistance Cost Allocation Plan (PACAP).

DHFS administers federal and state programs to provide healthcare coverage for Illinois adults and children. In administering these programs, DHFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, DHFS has prepared a PACAP describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate administrative expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies used by DHFS. DHFS has developed the methodologies for allocating costs to its programs, which DHFS believes best represent the actual costs associated with the program.

During our review of costs allocated to federal programs during the quarter ended March 31, 2008, we noted the allocation method used for the "Special Assistant for Hospital Policy" cost center was not consistent with the methodology defined in the PACAP. Specifically, DHFS used the Central Indirect cost allocation method instead of the Medical Allocation methodology prescribed in the PACAP which resulted in costs improperly being allocated to all federal and state programs administered by DHFS. As a result, the Child Support Enforcement and Low Income Home Energy Assistance Program were erroneously allocated costs totaling $17,045 and $338, respectively, during the year ended June 30, 2008.

According to 45 CFR 95.517, a State must claim costs associated with a program in accordance with its approved cost allocation plan. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include

procedures to ensure allocation methodologies used by the agency are consistent with those approved in the PACAP.

In discussing these conditions with DHFS officials, they stated that the allocation was not manually redirected to the correct allocation due to staff oversight.

Failure to accurately allocate costs in accordance with the PACAP may result in disallowances of costs. (Finding Code 08-27)

Recommendation:

We recommend DHFS review its procedures for preparing cost allocation workpapers and implement any changes necessary to ensure allocation methods used are consistent with those approved in the PACAP.

DHFS Response:

The Department agrees with the finding. Based upon the cost center, the position automatically defaulted to the Central Indirect allocation and was not manually redirected to the Supportive Medical allocation. The Department will review its procedures to ensure that costs are allocated in accordance with the PACAP.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement

CFDA # and Program Expenditures: 93.563 ($124,506,000)

Award Numbers: 0704IL4004/0804IL4004

Questioned Costs: None

Finding 08-28 *Failure to Properly Perform Non-Custodial Parent Location Procedures*

DHFS did not conduct interviews with custodial parents in a timely manner and did not adequately document its attempts to locate non-custodial parents within the Key Information Delivery System (KIDS).

DHFS is responsible for administering the Child Support Enforcement Program. The objectives of this program are to enforce support obligations owed by a non-custodial parent, to locate the absent parent, establish paternity, and obtain child and spousal support. When an initial referral or application for services under this program has been received, DHFS opens a case record in KIDS and assesses the information received to determine if all necessary information has been received to begin location procedures. If DHFS determines additional information is required from the custodial parent to begin location services, a request is made to schedule an interview with the custodial parent.

During our testwork of 60 child support cases, we noted the following:

- Nine cases (15%) in which interviews with custodial parents were not scheduled for timeframes ranging from 29 days to 97 days after the referral or application had been received.
- One case (2%) in which the interview with the custodial parent was never scheduled due to an error made by an employee.

According to 45 CFR 303.2(b), within 20 calendar days of the receipt of a referral of a case or an application for services the State IV-D agency must open a case and determine necessary action, including to solicit necessary and relevant information from the custodial parent and other relevant sources and initiate verification of information. If there is inadequate location information to proceed with the case, the Title IV-D agency must request additional information or refer the case for further location attempts. According to 45 CFR 303.3(b)(3), within no more than 75 calendar days of determining that location is necessary, the State IV-D agency must access all appropriate location sources, including transmitting appropriate cases to the Federal Parent Locator Service, and ensure that location information is sufficient to take the next appropriate action in a case. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure non-custodial parent location procedures are performed within required timeframes and are adequately documented.

In discussing these conditions with DHFS officials, they stated that of the ten cases with errors noted, only two cases were actually errors and these two were caused by worker oversight.

Failure to conduct interviews and properly perform parent location procedures could result in child support payments not being collected and remitted to the custodial parent. (Finding Code 08-28, 07-27, 06-23, 05-37, 04-32, 03-29, 02-15, 01-04)

Recommendation:

We recommend DHFS follow procedures established to ensure interviews with custodial parents are performed on a timely basis. We also recommend DHFS ensure the results of interviews with custodial parents are documented along with attempts to obtain additional information or locate the non-custodial parent.

DHFS Response:

The Department partially agrees with the finding. The Department agrees that one case was not scheduled for an interview and that one case experienced a 34-day delay in scheduling. The Department will remind staff to ensure that cases needing a follow-up interview be placed in the scheduling queue in a timely manner

The Department respectfully disagrees with the findings for the other eight cases. The Federal regulations cited by KPMG in the audit, 45 CFR 303.2, (b), state: "For all cases referred to the IV-D agency or applying for services under Sec. 302.33 of this chapter, the IV-D agency must, within no more than 20 calendar days of receipt of referral of a case or filing of an application for services under Sec, 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action: solicit necessary and relevant information from the custodial parent and other relevant sources and initiate verification of information, if appropriate; and if there is inadequate location information to proceed with the case, request additional information or refer the case for further location attempts, as specified in Sec. 303.3."

The regulation requires that the solicitation of information be initiated within 20 days, but does not require that the solicitation be by means of an interview nor that the process be completed within 20 days. By placing the case in the Department's scheduling queue, the Department has initiated the process of soliciting and verifying information. The Department has verified compliance with the federal regulations with the federal Office of Child Support Enforcement. The Department begins solicitation and verification of participant information immediately upon the case being initiated in the KIDS statewide automated system. Cases are assessed for the sufficiency of information and are either placed in a scheduling queue or are referred for additional local locate activity. All case participants are matched with all available central locate sources immediately, and throughout the life of the case.

Auditors' Comment:

Federal regulations require DHFS to open a case and determine necessary action, including to solicit necessary and relevant information from the custodial parent and other relevant sources and initiate verification of information within 20 calendar days of the receipt of a referral of a case or an application for services. Interviews of custodial parents were scheduled in all 60 cases selected for our testwork. Accordingly, we believe interviews of custodial parents continue to be DHFS' primary source for soliciting necessary and relevant information from custodial parent and should be scheduled for completion within 20 calendar days of the receipt of a referral of a case or an application for services. This finding has existed since fiscal year 2004, and although Agency personnel have discussed this finding with federal program staff, the Agency has not received formal resolution of this audit finding.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement

CFDA # and Program Expenditures: 93.563 ($124,506,000)

Award Numbers: 0704IL4004/0804IL4004

Questioned Costs: None

Finding 08-29 *Failure to Properly Manage and Document Interstate Cases within KIDS*

DHFS did not adequately perform case management procedures for initiating interstate cases and failed to accurately and adequately document interstate cases within the Key Information Delivery System (KIDS).

The Child Support Enforcement program requires the State to provide additional support services related to cases in which the child and custodial parent live in one state and the non-custodial parent lives in another state. DHFS has established an interstate central registry, which is charged with the responsibilities of initiating and responding to interstate case requests and documenting related information in KIDS. The interstate central registry's responsibilities relative to interstate cases are different depending on whether the interstate case is an initiating or responding case.

In initiating cases, the custodial parent and child are living in Illinois and the non-custodial parent resides in another state. DHFS is required to:

- refer the case to the appropriate responding state within twenty calendar days of determining the non-custodial parent lives in another state;
- provide the responding state sufficient and accurate information to act on the case;
- provide additional information to the responding state as requested or notify the responding state when requested information will be provided within thirty calendar days of receipt of the request;
- notify the responding state of any new information obtained within ten working days of receipt; and
- request reviews of child support orders by other states within twenty days of determining a review by the other state should be requested.

In responding cases, the non-custodial parent lives in Illinois and the custodial parent and child live in another state. DHFS is required to:

- provide location services, notify the initiating state if inadequate documentation has been provided, and process the case to the extent possible if documentation is inadequate within 75 calendar days;
- forward the documentation to the appropriate jurisdiction or state, if the non-custodial parent is located in another jurisdiction or state, and notify the initiating state of actions within 10 working days of locating the non-custodial parent;
- provide child support services including establishing obligations, processing and enforcing orders, collecting and monitoring support orders, reviewing and adjusting support orders in accordance with intrastate child support case timeframes;

- provide notice of formal hearings to the initiating state in a timely manner;
- notify the initiating state of any new information within ten working days of receipt;
- notify the initiating state when the case is closed.

During our test work of 30 initiating and 30 responding cases (total of 60 cases), we noted the following:

- Two initiating cases (7%) were not referred to the responding state within the twenty day federal timeframe after DHFS had determined the non-custodial parent was located in another state. The delays in referring these cases were 11 and 27 days after the required federal timeframe.
- One initiating case (3%) was never referred to the responding state as required by federal regulations.
- One responding case (3%) was not properly coded as a responding interstate within the KIDS system until 377 days after the case was created due to an error made by an employee. The case was created when a previous responding interstate case was split into multiple cases.

According to 45 CFR 303.7, the State IV-D agency must provide the appropriate child support services needed for interstate cases and meet the related required timeframes pertaining to the child support service provided. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure interstate cases are referred in accordance with required timeframes and are adequately documented.

In discussing these conditions with DHFS officials, they stated that of the four cases with errors noted, only two cases were actually errors and these two errors were caused by worker oversight.

Failure to (1) properly manage interstate child support cases and (2) accurately and adequately document case activity may result in DHFS failing to provide required and appropriate child support services. (Finding Code 08-29, 07-28, 06-24)

Recommendation:

We recommend DHFS review its procedures for managing interstate cases and implement any procedures necessary to ensure initiating interstate cases are properly referred to the responding state and to provide accurate and adequate documentation of its actions, determinations, and communications related to responding cases.

DHFS Response:

The Department partially agrees with the finding. The Department agrees that two cases cited were delayed in being referred to the responding state. The Department will remind staff to initiate the appropriate referral action to the responding states.

The Department respectfully disagrees with the other two cases cited as errors. One of the initiating cases was cited as delayed 11 days in referring to the responding state. This case was put into the scheduling queue to interview the Custodial Parent (CP) on the same date it was opened, thus meeting the Federal 20 day requirement for initiating the process of soliciting and verifying information. The appointment was scheduled

for June 23, 2008 and the case was then referred to the responding state on that same date after the interview was completed.

The case that was cited as not properly coded as a responding interstate case within KIDS until 377 days after the case was created is not accurate. Contact with the initiating state to document the activities Illinois reported to them, revealed that this interstate case was canceled by the initiating state in 02/07 due to non-cooperation by the custodial parent. The initiating state disclosed that they failed to notify Illinois DCSE that they had canceled the interstate case. This case originally started as an interstate case on case #Cxxxxxx29. All interstate actions were being taken under this original case number. Since some of the children in this case had paternity established and some had not, actions were being taken to establish paternity on the original case and responses to the initiating state under the original case number were occurring since the interstate services were requested on February 4, 2003. The second child, for which paternity was not in question, was added to the Responsible Relative case which was reviewed by the auditor. Activities on this case were being reported to the initiating state under the original case number (alleged father case). The original responding case number is referenced on all case notes for this case number since August 8, 2002. This case was converted to a responding interstate case on March 3, 2008, after it was determined that the Non Custodial Parent (NCP) was the father of the oldest children. Notice was sent to the initiating state on the same date this case number was converted to a responding case.

Auditors' Comment:

Although DHFS was able to provide documentation of information being reported on a related case with respect to the exception case identified in the third bullet point above, the case record assigned to the individual contained no information as to the activity on the related case(s), nor did the case file contain a reference to the related cases. As a result, we were not able to determine whether information for the case selected for testwork was ever reported in to the initiating state.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Support Enforcement

CFDA # and Program Expenditures: 93.563 ($124,506,000)

Award Numbers: 0704IL4004/0804IL4004

Questioned Costs: None

Finding 08-30 *Failure to Establish Support Orders Within Required Timeframe*

DHFS did not adequately perform procedures to ensure support orders were established within required time frames or did not document failed attempts to serve process.

DHFS is responsible for administering the Child Support Enforcement Program. The objectives of this program are to enforce support obligations owed by non-custodial parent, to locate absent parents, establish paternity, and obtain child and spousal support. During our testwork of 60 child support cases, we noted one case (2%) for which DHFS never initiated support order procedures or documented unsuccessful attempts to serve process.

According to 45 CFR 303.4(d), the State IV-D agency must establish a support order or complete service of process necessary to commence proceedings to establish a support order and, if necessary paternity (or document unsuccessful attempts to serve process, in accordance with the State's guidelines defining diligent efforts within 90 calendar days of locating the non-custodial parent). Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure support orders are established and enforced within required timeframes.

In discussing these conditions with DHFS officials, they stated that that the error was caused by worker oversight.

Failure to properly establish a support order or document unsuccessful attempts to establish the support order could result in child support payments not being collected and remitted to the custodial parent. (Finding Code 08-30, 07-29, 06-25, 05-39, 04-34)

Recommendation:

We recommend DHFS follow procedures established to ensure support orders are established within the required timeframes and ensure failed attempts to establish support orders are adequately documented.

DHFS Response:

The Department agrees with the finding. The Department will remind staff to petition the court or administrative authority for medical support as appropriate.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0605IL5028/05-0505IL5028 (93.778)
(CFDA Number) 05-0605IL5048/05-0505IL5048 (93.775/93.777)

Questioned Costs: None

Finding 08-31 *Inadequate On-Site Monitoring of Subrecipients*

DHFS is not adequately performing on-site monitoring for subrecipients of the Medicaid Cluster.

DHFS passed through approximately $54,505,000 in Medicaid funding to the Local Education Agencies (LEAs) during the year ended June 30, 2008 to assist DHFS in identifying students whose families may need Medicaid assistance and to monitor the coordination of the student's medical care. DHFS' subrecipient monitoring process includes: (1) providing subrecipients with technical guidance through training sessions, provider notices, and handbooks; (2) performing data analysis of electronic claims data; (3) performing desk reviews of quarterly administrative claims documentation; (4) performing desk reviews of single audit reports; and (5) performing on-site reviews of subrecipient operations.

During our review of the monitoring procedures performed by DHFS for 30 subrecipients, we noted DHFS has not established measurable selection criteria for determining which subrecipients will be subject to on-site monitoring procedures on an annual basis. Although DHFS has established a risk based approach to selecting subrecipients for desk reviews of administrative claims, DHFS was unable to adequately demonstrate the correlation between subrecipients identified as high risk for desk reviews and those selected for on-site reviews. We noted only 118 LEAs were subject to on-site reviews out of approximately 900 LEAs that received Medicaid funding during the year ended June 30, 2008.

According to OMB Circular A-133 §___.400(d)(3), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures for identifying which subrecipients will be subject to on-site monitoring review procedures.

In discussing these conditions with DHFS, officials stated that they do not believe that a specific score alone should determine when a site visit is warranted.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-31)

Recommendation:

We recommend DHFS develop comprehensive written procedures for determining which subrecipients should be selected for on-site reviews.

DHFS Response:

The Department respectfully disagrees with the finding. A high-risk score initiates a desk review at which time a determination is made as to whether a site visit is warranted. However, the Department does not believe a specific high-risk score should automatically initiate a site visit. Such a standard is an inefficient use of resources, particularly when an LEA may have just received a site visit at the end of the previous fiscal year. In fact, most of the LEAs with high-risk scores that did not have site visits in fiscal year 2008, did receive site visits in fiscal year 2007. These LEAs continued to receive additional scrutiny in fiscal year 2008 as a result of the prior site visits. In many cases, this included on-site training in lieu of a formal on-site visit.

The school year in which LEAs claims are prepared does not align with the required fiscal year audit cycle. Monitoring school claims is an on-going process that crosses fiscal years. Monitoring does not end with a site visit. Procedures for conducting a review often builds on previously completed work and may include additional training if such actions will be more effective in correcting a problem.

While the Department disagrees with establishing an automatic threshold triggering a site visit, additional review summaries have been developed to assist auditors with a better understanding of the on-going review process across fiscal years. Such summaries will document why a site visit may or may not be warranted for individual fiscal years.

Auditors' Comment:

As noted in our finding above, DHFS has established a risk based selection method for performing administrative reviews of claims and for performing on-site monitoring procedures. The risk based approach used by DHFS involves the calculation of a numerical score which is used to identify higher risk subrecipients; however, we were unable to identify a correlation between the risk score (the risk assessment) and the subrecipients subject to administrative claim and on-site reviews.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: State Children's Insurance Program
Medicaid Cluster

CFDA # and Program Expenditures: 93.767 ($348,437,000)
93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705ILUTRA/05-0805ILMSEA/05-0805IL5021 (93.767)
(CFDA Number) 05-0705IL5048/05-0805IL5048 (93.775/93.777)
05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: None

Finding 08-32 *Failure to Include Allocation Methodology in the PACAP*

DHFS did not include an allocation methodology in the Public Assistance Cost Allocation Plan (PACAP) to allocate certain cost centers to the SCHIP and Medicaid programs.

DHFS administers federal and state programs to provide healthcare coverage for Illinois adults and children. In administering these programs, DHFS incurs significant expenditures, which are directly and indirectly attributable to the administration of its programs. In order to allocate costs to the programs to which they are attributable, DHFS has prepared a PACAP describing its overall organizational structure, the federal programs it administers, and the methodologies it has developed to allocate administrative expenditures to its federal programs. The PACAP is submitted to USDHHS periodically for review and approval of the allocation methodologies used by DHFS. DHFS has developed the methodologies for allocating costs to its programs, which DHFS believes best represent the actual costs associated with the program.

During our review of costs allocated to federal programs during the quarter ended March 31, 2008, we noted the PACAP did not prescribe an allocation methodology to allocate costs for the "Special Assistant for HIPAA and Computer" cost center. As a result, DHFS used the Medical Allocation methodology prescribed for other cost centers allocated to the SCHIP and Medicaid Cluster to allocate these cost centers; however, this method was not approved for this cost center.

According to 45 CFR 95.507(b), a cost allocation plan must include all organizational units, a description of the activities performed by each organizational unit and the procedures used to allocate all costs from each organizational unit to the benefiting programs. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure all allocation methodologies used are appropriately defined in the PACAP.

In discussing these conditions with DHFS officials, they stated the expenditures associated with the Special Assistant for HIPAA and Computer were appropriately charged using an approved allocation methodology – the supportive medical allocation.

Failure to include cost allocation methodologies in the PACAP may result in disallowances of costs. (Finding Code 08-32)

Recommendation:

We recommend DHFS implement procedures to ensure allocation methodologies are included in its PACAP for all cost centers.

DHFS Response:

The Department respectfully disagrees with the finding. The Public Assistance Cost Allocation Plan (PACAP) does not contain a cost pool entitled "Special Assistant for HIPAA and Computer". Table 1-4-B in PART 1, Section 4 of the PACAP identifies the cost pools utilized in the cost allocation plan. HIPAA is a Medical APD and, per Table 1-4-E, should be allocated using the supportive medical allocation. PART 2, Section 2.2.0 will be revised from HIPAA to Supportive Medical Allocation under the charge section.

Auditors' Comment:

As identified in our finding and DHFS' response, the PACAP did not clearly identify the cost allocation methodology to be used for the Special Assistant for HIPAA and Computer cost center as required by federal regulations.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705IL5048/05-0805IL5048 (93.775/93.777)
(CFDA Number) 05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: None

Finding 08-33 *Inadequate Cash Management Procedures*

DHFS does not have adequate procedures in place to ensure Medicaid Cluster program cash draws are performed in accordance with the Treasury-State Agreement (TSA).

Annually, the State of Illinois negotiates the Treasury-State Agreement with the US Department of the Treasury which details the funding techniques to be used for the draw down of federal funds. The TSA requires DHFS to draw Medical Cluster program funds passed through to Local Education Agencies (LEA) using the direct administrative costs – drawdowns at fixed intervals method. This funding technique requires DHFS to request funds based on actual cash outlays for direct administrative costs during the month. Because the funding technique is on a reimbursement basis, it is interest neutral.

During our testwork over 60 payments to subrecipients of the Medicaid Cluster program, we noted the State's cash draws for payments to LEAs were performed on an advance basis (prior to paying the LEAs). Upon review of all cash draws for payments to LEAs during the year ended June 30, 2008, we noted the number of days cash was drawn in advance of actual cash outlays ranged from one to 125 days.

According to 31 CFR 205.11(b), a State must limit the amount of funds transferred to the minimum required to meet a State's actual and immediate cash needs. The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the cash draws are performed in accordance with the TSA.

In discussing this condition with DHFS officials, they stated that claims for federal funding and the resulting cash draws do not precede payments to Local Education Agencies.

Failure to draw funds in accordance with the US Treasury Regulations could result in an interest liability to the Federal government. (Finding Code 08-33)

Recommendation:

We recommend DHFS implement procedures to ensure cash draws are performed in accordance with the Treasury State Agreement.

DHFS Response:

The Department respectfully disagrees with the finding. The transactions reviewed by the auditors are not Medicaid payments and have no relevance to the Treasury State Agreement (TSA). The transactions reviewed are transfers of federal financial participation (FFP) that have been received by the department as a result of a prior Medicaid expenditure by the local education agency (LEA).

LEAs incur costs on behalf of the Medicaid program. The LEA transmits documentation on its costs incurred in support of the Medicaid program to the department. Those costs are included in the department's federal claim and FFP is drawn once the claim has been accepted by the federal Centers for Medicare and Medicaid Services. The non-acceptance of an LEA expenditure as a claimable transaction is a fundamental misunderstanding of the Medicaid program on the part of the auditors. LEAs may, and do, provide necessary services (*e.g.*, speech therapy) and administer certain portions of the Medicaid program. Section 2560.4(F) of the (federal) *State Medicaid Manual* states:

"For the purpose of expenditures for financial assistance under Title XIX, 'State Agency' means any agency of the State, including the State Medicaid agency, its fiscal agents, a State health agency, or any State or local organization which incurs matchable expenses . . ."

Paragraph (G)(1)(a)(1) of the same section states,

". . . the expenditure is made when it is paid or recorded, whichever is earlier, by any State agency. Public providers are those that are owned or operated by a State, county, city, or other local government agency or instrumentality."

LEAs are local governments, as federally defined, incurring Medicaid expenditures. As the qualifying Medicaid program expenditures have already been incurred by the LEAs prior to reporting the same to the department, the department is able to comply with 31 *CFR* 205.11(b) and limit the draw to the exact amount required. The transfer of federal funds reviewed by the auditors has no bearing on the TSA. In addition, the audit finding includes contradictory statements regarding interest penalties. Since claims do not precede payments, there is no risk of interest penalties.

Auditors' Comment:

As stated above, the TSA requires DHFS to draw Medical Cluster program funds passed through to LEA's (subrecipients) using a reimbursement based funding technique. The TSA specifically states: "The amount of the request shall be based on the amount of the actual cash outlays for direct administrative costs during the month." As the TSA governs the timing of cash draws between the State and the federal government, a reimbursement based funding technique requires funds to be paid to the LEA's by the State prior to requesting reimbursement from the federal government. Our testing and discussions with management identified that DHFS' practice is to draw these fund in advance of paying the LEA's which is in violation of the TSA.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Low-Income Home Energy Assistance

CFDA # and Program Expenditures: 93.568 ($137,933,000)

Award Numbers: G-0602ILLIE5/G-0702ILLIE2/G-07B2ILLIEA/G-08B2ILLIEA

Questioned Costs: None

Finding 08-34 *Failure to Include Interest Calculation Methodology in the Treasury State Agreement*

DHFS did not include a method for calculating an interest liability for the Low Income Home Energy Assistance Program (LIHEAP) in the Treasury State Agreement (TSA) for the year ended June 30, 2008.

Annually, the State of Illinois negotiates the TSA with the US Department of Treasury (the Treasury), which details the funding techniques to be used for the draw down of federal funds and the methods to be used for calculating State and Federal interest liabilities. The TSA is required to include all major federal assistance programs (defined as programs exceeding $60 million in expenditures) based on the most recent single audit data available. During our testwork over the June 30, 2007 interest liability calculation (submitted in fiscal year 2008), we noted the TSA does not include a methodology for calculating an interest liability for the LIHEAP program. As a result, DHFS calculated its 2007 interest liability using a methodology included in the TSA for another State agency (the Illinois Department of Commerce and Economic Opportunity), which followed the same funding technique for its federal programs. However, this interest liability calculation methodology has not been approved in the TSA for the LIHEAP program.

According to 31 CFR 205.9(g), a State must include the methods used by the State and the Federal agencies to calculate interest liabilities. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure the TSA includes interest calculation methods for all federal assistance programs covered by the agreement.

In discussing this matter with DHFS officials, they stated that when the LIHEAP program was transferred from the Department of Commerce and Economic Opportunity (DCEO) to the Department, the Treasury State Agreement was not updated to reflect the program move between agencies.

Failure to include methods for calculating interest liabilities in the TSA for major programs using advance funding techniques may result in an improper calculation of the State's interest liability to the Federal government. (Finding Code 08-34)

Recommendation:

We recommend DHFS work with the Governor's Office of Management and Budget to ensure the methods for calculating interest liabilities for all major federal assistance programs are included in the TSA.

DHFS Response:

The Department agrees with the finding. Upon transfer of the LIHEAP program from the Department of Commerce and Economic Opportunity (DCEO) the Department adopted the methodology of interest calculation previously approved for use by DCEO. The Treasury State Agreement for fiscal year 2009 has been revised to include the LIHEAP program in the interest calculation methodologies to be used by the Department.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658 ($172,144,000)

Award Numbers: 0801IL1401/0701IL1401/0601IL1401

Questioned Costs: $1,300

Finding 08-35 *Missing Documentation in Case Files*

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Foster Care program.

In order to be eligible to receive benefits under the program, a child must meet specific financial and non-financial eligibility criteria. One of these criterion is that the child would be eligible for the former Aid to Families with Dependent Children (AFDC) program for which eligibility is based on a child's age, among other factors. In addition, DCFS was authorized by USDHHS to conduct a subsidized guardianship waiver demonstration project, which falls under the Title IV-E Foster Care program. Under the subsidized guardianship program, the court assigns legal guardianship for a child to a private caregiver, providing the child with a more permanent, stable living arrangement as an alternative to long-term foster care while providing administrative cost savings to the program.

During our testwork of Foster Care beneficiary payments, we reviewed 50 case files for compliance with eligibility requirements and allowability of related benefits. We noted the following exceptions:

- In two cases, DCFS could not locate the child's "Order Appointing Private Guardian," evidencing that the subsidized guardianship had been granted to the child's private caregiver. DCFS claimed foster care payments on behalf of these children totaling $5,338 during the year ended June 30, 2008. Subsequent to the date of our testwork, DCFS obtained and provided copies of the original court order to eliminate the questioned costs of $5,338 during the year ended June 30, 2008.

- In one case, DCFS could not provide the initial court order removing the child from the relative's home. DCFS claimed foster care payments on behalf of this child totaling $1,300 during the year ended June 30, 2008.

- In two cases, DCFS could not provide the birth certificate evidencing the child met the age limitations of the program. DCFS claimed foster care payments on behalf of these children totaling $6,817 during the year ended June 30, 2008. However, one of the cases has already been included in the previous bullets and only $5,517 is additional questioned costs. Subsequent to the date of our testwork, DCFS noted that in accordance with the Illinois Department of Human Services Workers' Action Guide 03-04-00: Age and Student Status, they provided the social security administration record as verification of the child's age, thus eliminating the questioned costs of $5,517 during the year ended June 30, 2008.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursements contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

Eligibility for the Foster Care Program is predicated on certain eligibility criteria of the former Aid to Families with Dependent Children (AFDC) Program. According to 45 CFR 233.90, an otherwise eligible child who is under the age of 18 years may not be denied AFDC, regardless of whether she attends school or makes satisfactory grades.

In addition, a state may elect to include in its AFDC program children age 18 who are full-time students in a secondary school, or in the equivalent level of vocational or technical training, and who may reasonably be expected to complete the program before reaching age 19. Based on the foregoing, unless the specific factors are met, eligibility ceases at the child's 18th birthday.

In discussing these conditions with DCFS officials, they stated that the document requested for the case opened in 1992 was received a number of years ago and was thought to have been filed with in the original foster care case file. When the file was retrieved, the initial court order was not included and apparently had been misplaced.

Failure to maintain case file documentation, including birth certificates, relevant court orders, background checks, and licensing documentation could result in payments to ineligible beneficiaries. (Finding Code 08-35, 07-32, 06-29)

Recommendation:

We recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure birth certificates and relevant court orders exists for all children for whom foster care benefits are claimed.

DCFS Response:

The Department agrees and will review procedures for obtaining and retaining documents. Changes will be made, if necessary, to ensure copies of orders appointing private guardianship and other required documents are retained for all children. If, after further investigation by the Department and if obtaining a copy of the appointing order is not possible, the Department will make the appropriate claiming adjustment for actual amount claimed for the one beneficiary payment questioned by the auditor.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658 ($172,144,000)

Award Numbers: 0801IL1401/0701IL1401/0601IL1401

Questioned Costs: None

Finding 08-36 *Failure to Ensure That Required Judicial Determinations Were Made*

DCFS did not ensure that required judicial determinations were made in applicable court rulings, including those pertaining to "Reasonable Efforts" and "Contrary to the Welfare."

The Foster Care Program provides funds to States for the purpose of providing safe, appropriate, 24-hour substitute care for children who are under the jurisdiction of the DCFS and need temporary placement and care outside of their home. As the State administering agency of this program, DCFS receives reports and referrals of children in potentially compromising living situations, including those who are suspected to be abused or neglected. Children in imminent danger may be taken into protective custody. Otherwise, an investigation is performed to determine whether it is necessary to remove the child from the living environment, or if services can be provided to remedy the situation without placement. If removal from the living environment is required as a result of protective custody or an investigation, DCFS presents a motion to the court to gain temporary custody (also know as shelter care) of the minor, resulting from founded reports of abuse or neglect. To be eligible for reimbursement under the Foster Care program, DCFS is required to receive a judicial determination (court ruling) within 60 days as to what living arrangement is in the child's best interest and whether or not DCFS has made reasonable efforts to prevent removal by following the proper investigative procedures prior to removing the child from the home.

During our testwork over Foster Care beneficiary payments, we selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted in one case, DCFS could not provide a judicial determination that 1) reasonable efforts were made, or were not required to prevent the removal, and 2) continuing in the residence would be contrary to the welfare of the child, or that placement would be in the best interest of the child. DCFS claimed reimbursement for foster care maintenance payments made on behalf of this child totaling $1,300 during the year ended June 30, 2008. This amount is also included as questioned costs related to Finding 08-35, "Missing Documentation in Case Files" and will not be reported as questioned costs in this finding to avoid reporting the questions costs twice.

According to 45 CFR 1356.21(b), when a child is removed from his/her home, the judicial determination as to whether reasonable efforts were made, or were not required to prevent the removal, must be made no later than 60 days from the date the child is removed from the home. If the determination concerning reasonable efforts to prevent the removal is not made the child is not eligible under the title IV-E foster care maintenance payments program for the duration of that stay in foster care. Further, per 45 CFR 1356.21(b), a child's removal from the home must have been the result of a judicial determination (unless the child was removed pursuant to a voluntary placement agreement) to the effect that continuation of residence in the home would be contrary to the welfare, or that placement would be in the best interest, of the child. The contrary to the welfare determination must be made in the first court ruling that sanctions (even temporarily) the removal of a child from home. If the determination regarding contrary to the welfare is not made in the first court ruling

pertaining to removal from the home, the child is not eligible for title IV-E foster care maintenance payments for the duration of that stay in foster care.

In discussing these conditions with DCFS officials, they stated that the situation identified may be attributed in part to one or more procedural and court-related issues with which the Department has taken steps to work with the Illinois Courts to ensure required language is used and those hearings are held within required timeframes.

Failure to ensure the appropriate judicial determinations are made could result in payments being claimed for ineligible beneficiaries, which are unallowable. (Finding Code 08-36, 07-33, 06-30, 05-45)

Recommendation:

We recommend DCFS review its procedures for obtaining and documenting whether judicial determinations have been made for all beneficiaries. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of the required judicial determinations not being made.

DCFS Response:

The Department agrees and will continue to review procedures for obtaining and retaining documents pertaining to judicial determinations. Changes will be made, if necessary, to ensure determinations are made within the required timelines and that required language is included in agreements.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Foster Care – Title IV-E

CFDA # and Program Expenditures: 93.658 ($172,144,000)

Award Numbers: 0801IL1401/0701IL1401/0601IL1401

Questioned Costs: None

Finding 08-37 *Failure To Ensure That Foster Care Permanency Hearings Are Performed Within Required Timeframes*

DCFS did not ensure that foster care permanency hearings were performed within the federally required timeframes.

DCFS is required to prepare a "permanency plan" for each child in the Foster Care program which includes goals for placement of the child in a permanent living arrangement, which may include reunification, adoption, legal guardianship, placement with a fit and willing relative, or placement in another planned permanent living arrangement. This plan must also include the services that DCFS expects to perform to achieve these goals. Currently, each child's permanency plan is reviewed on a periodic basis at a permanency hearing which serves as the judicial determination that reasonable efforts to finalize the permanency plan have been made.

During our testwork over 50 case files of the Foster Care program, we noted that in one case, DCFS could not provide the necessary documentation to substantiate that the permanency hearing was performed. DCFS claimed reimbursement for foster care maintenance payments made on the behalf of this child totaling $1,300 during the year ended June 30, 2008. This amount is also included as questioned costs related to Finding 08-35, "Missing Documentation in Case Files" and will not be reported as questioned costs in this finding to avoid reporting the questions costs twice. Subsequent to the date of our testwork, DCFS obtained and provided from the courts the permanency hearing order that was issued during October 2008.

Additionally, DCFS does not have an adequate process in place to ensure permanency hearings are completed within required timeframes for all beneficiaries or to identify beneficiaries for whom permanency hearings have not been conducted.

According to 45 CFR 1356.21(b), the State agency must obtain a judicial determination that it has made reasonable efforts to finalize the permanency plan that is in effect within twelve months of the date the child is considered to have entered foster care and at least once every twelve months thereafter while the child is in foster care. If such a judicial determination regarding reasonable efforts is not made in accordance with these requirements, the child becomes ineligible under Title IV-E at the end of the month in which the judicial determination was required to have been made and remains ineligible until such a determination is made.

In discussing these conditions with DCFS officials, they stated that the delay experienced, as indicated in the sample, may be attributed in part to one or more court-related issues with which the Department has taken steps to work with the Illinois Courts to ensure required language is used. The origin of the delay was a result

of a federal requirement for specific language for permanency hearings, which required further clarification by ACF, and resulted in confusion as to the timeframe specifics of those requirements.

Failure to ensure permanency hearings are completed in a timely manner may result in payments being claimed for ineligible beneficiaries, which are unallowable. (Finding Code 08-37)

Recommendation:

We recommend DCFS implement procedures to monitor whether or not permanency hearings have been performed for all beneficiaries within federally prescribed timeframes. Such procedures should include identifying children who are not eligible for assistance under the Foster Care program as a result of permanency hearings not being performed within required timeframes.

DCFS Response:

The Department agrees and has developed and implemented a procedure for identifying and notifying foster and adoptive caretakers of hearings and reviews for permanency hearings. The Department will continue to work with the Illinois Court system to ensure permanency hearings meet the federal requirements.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($87,313,000)

Award Numbers: 0801IL1407/0701IL1407/0601IL1407

Questioned Costs: $2,460

Finding 08-38 *Missing Documentation in Adoption Assistance Eligibility Files*

DCFS could not locate case file documentation supporting eligibility determinations for beneficiaries of the Adoption Assistance program.

The Adoption Assistance Program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. In order to be eligible to receive benefits under the adoption assistance program, the child must have been removed from the home of a relative either pursuant to a voluntary placement agreement or a judicial determination that remaining in the home is contrary to the welfare of the child, the child must be under the age of 18, and the State must have determined that the child has met certain criteria which may preclude the adoption of the child without adoption assistance benefits. These criteria are defined as "special needs" and include a determination that the child cannot or should not be returned to the home of his/her parents, as well as documentation of the child's specific factor(s) or condition(s) (such as ethnic background, age, sibling group, or handicap) that precludes the child's placement for adoption without assistance benefits.

During our testwork of Adoption Assistance beneficiary payments, we reviewed 50 case files for compliance with eligibility requirements and allowability of related benefits. We noted the following exceptions:

- In two cases, DCFS could not locate the child's birth certificate evidencing the child met the age requirements of the program. DCFS claimed adoption assistance payments on behalf of these children totaling $10,478 during the year ended June 30, 2008. Subsequent to the date of our testwork, DCFS noted that in accordance with the Illinois Department of Human Services Workers' Action Guide 03-04-00: Age and Student Status, they provided the child's adoption decree as verification of the child's age, thus eliminating the questioned costs of $10,478 during the year ended June 30, 2008.

- In two cases, DCFS could not locate the initial judicial determination effecting that the child's continuation in the residence would be contrary to the welfare of the child, or that placement would be in the best interest of the child. DCFS claimed reimbursement for adoption assistance benefits made on behalf of these children totaling $7,120 during the year ended June 30, 2008. Subsequent to the date of our testwork, DCFS provided a copy of the initial judicial determination for each case to eliminate the questioned costs of $7,120 during the year ended June 30, 2008.

- In one case, DCFS could locate the final adoption decree for the child who had been placed into adoption. DCFS claimed adoption assistance payments on behalf of this child totaling $2,669 during the year ended June 30, 2008. Subsequent to the date of our testwork, DCFS obtained and provided a copy of the original court order to eliminate the questioned costs of $2,669 during the year ended June 30, 2008.

- In one case, DCFS could not locate the petition to terminate, order to terminate, or surrender of parental rights, evidencing that the child could not or should not be returned to the home of his/her parents. DCFS claimed adoption assistance payments on behalf of this child totaling $2,460 during the year ended June 30, 2008.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursements contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be necessary, reasonable, and supported by adequate documentation.

According to 42 USC 673 (a)(2)(A)(i), in order to be eligible for adoption assistance benefits, a child must have been removed from a home pursuant to a voluntary placement agreement or a judicial determination that remaining in such home would be contrary to the child's welfare. The only stipulation specified in the requirement is that the child need not be removed from the home of a relative. According to 42 USC 673 (a)(4), payments are discontinued when the child attains the age of eighteen, unless the child has a physical or mental handicap which may warrant the continuation of assistance until the age of twenty-one. In accordance with 42 USC 673(c), a child shall not be considered a child with special needs unless the State has determined that the child cannot or should not be returned to the home of his parents and the child cannot be placed with adoptive parents because of the child's specific factor(s) or condition(s), such as ethnic background, age, sibling group, or handicap. In addition, the State must have made a reasonable effort to place the child for adoption without a subsidy, unless it is against the best interests of the child because of significant emotional attachment to the prospective adoptive parent.

In discussing these conditions with DCFS officials, they stated that issues may exist in adoption case files due to the fact that private agencies and DCFS adoption staffs have the responsibility to provide all of the required documents to the Post Adoption Unit at the point of adoption finalization. If documents are missing at that time, there is little influence that the Post Adoption Unit can have to make the agencies produce the documents since they do not oversee their work. At the same time, the Post Adoption Unit has great pressure to open the adoption assistance case so the adopted child can continue to receive a subsidy. If they cannot obtain the documents at the point of finalization, it is very difficult to go back years later and try to retrieve them.

Failure to maintain case file documentation, including initial judicial determinations, birth certificates, and court orders could result in payments to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-38, 07-34, 06-32, 05-44)

Recommendation:

We recommend DCFS review its procedures for retaining and documenting how beneficiaries have met eligibility requirements and implement changes necessary to ensure judicial determinations, birth certificates, and adequate documentation of special needs exists for all children for whom adoption subsidy payments and nonrecurring expenditures are claimed.

DCFS Response:

The Department agrees and has established an inter-divisional committee that has developed new checklists that have been distributed to the private sector, DCFS staff, and post adoption staff. The Post Adoption Unit staff now will not accept new materials or open new adoption assistance cases until all of the materials on the checklist are included and delivered to the Unit. Additionally, a large portion of the subsidy requests will be sent to a central location for review before the payments are claimed.

For outstanding issues on files from the past, the staff will work to obtain the missing documents from various sources as they are identified. If, after further investigation by the Department, the issue remains, the Department will make the appropriate claiming adjustment for actual amount claimed for the one beneficiary payment questioned by the auditor.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families
Foster Care – Title IV-E
Adoption Assistance
Social Services Block Grant

CFDA # and Program Expenditures: 93.558 ($537,011,000)
93.658 ($172,144,000)
93.659 ($87,313,000)
93.667 ($127,372,000)

Award Numbers: G-0701ILTANF/G0801ILTANF (93.558)
(CFDA Number) 0801IL1401/0701IL1401/0601IL1401 (93.658)
0801IL1407/ 0701IL1407/0601IL1407 (93.659
G-0601ILSOSR2/G-0701ILSOSR/G-0801ILSOSR (93.667)

Questioned Costs: None

Finding 08-39 *Inadequate and Untimely Fiscal Monitoring of Subrecipients*

DCFS is not adequately performing fiscal monitoring procedures for subrecipients who receive awards under the Temporary Assistance for Needy Families, Foster Care Title IV-E, Adoption Assistance, and Social Services Block Grant programs.

In our sample of 50 subrecipient monitoring files out of a total of 195 subrecipients, we noted that on-site fiscal and administrative monitoring procedures have never been performed for 19 subrecipients. Upon further discussion with management, we noted that on-site monitoring procedures have only been performed for 17 of 195 total subrecipients of the Temporary Assistance for Needy Families, Foster Care Title IV-E, Adoption Assistance, and Social Services Block Grant programs during the year ended June 30, 2008. Additionally, we noted fiscal and administrative monitoring procedures did not adequately address all direct and material compliance requirements.

Per OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is required to monitor its subrecipients' activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, to ensure required audits are performed, to require the subrecipient to take prompt corrective action on any audit findings, and to evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

In discussing these conditions with DCFS officials, they stated that the desk review, which is the annual review of audited financial statements, OMB A-133 audits, and related reports from the independent CPA's (annual audit package), is the principle basis for the fiscal monitoring of sub-recipients. The annual audit package contains reports and findings issued by licensed accountants with professional credentials to review recipients of federal funding. Audit packages are received from all agencies that receive over $150,000 during the State's fiscal year. Over 200 agencies are required to submit the annual audit package, and a desk

review is performed on all annual audit packages required to be submitted. The desk review program is the most effective and cost efficient method for DCFS to monitor sub-recipients' activities, and provide reasonable assurance that the sub-recipient administers federal awards in compliance with federal requirements. On-site reviews are also used when the assessment of risk so indicates the necessity, and staff resources are available. The majority of reports received do not contain major issues and DCFS providers do not make eligibility determinations for foster care services reimbursed by the Department which would be a primary cause for ineligible services. Those sub recipients selected for field visits are generated from the desk reviews completed in the prior year that have notable negative issues. Auditors contact the Department's programmatic monitors and the licensing representatives to discuss and share any potential problems at the sub recipients to aid in the scheduling of on-site visits, and prioritize on-site audit activities.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-39, 07-36, 06-34, 05-47, 04-36, 03-34, 02-30, 01-18, 00-18, DCFS 99-6, DCFS 99-9)

Recommendation:

We recommend DCFS implement procedures to ensure on-Site fiscal and administrative reviews include procedures over all compliance requirements that are considered direct and material to the Foster Care program. Additionally, we recommend DCFS evaluate the current staffing of the fiscal monitoring department to ensure resources are adequate. DCFS should formally document its policy relating to the frequency of on-site monitoring for federal programs.

DCFS Response:

The Department agrees that on-site fiscal and administrative reviews should include procedures that consider all compliance requirements direct and material to the programs funded by the Department and to ensure compliance with contract program plan requirements established for the services approved and being obtained for children. The Department has developed and implemented procedures to address A-133 Findings noted in the sub recipients' OMB Circular A-133 reports. Additional follow up is conducted for each financial finding, programmatic findings are referred to the appropriate division for follow up, and a Decision Memo is issued.

During the next fiscal year, all but one of the 19 major sub-recipients who had not previously received an on-site review will have been visited by DCFS. Future schedules for on-site reviews will prioritize visits to agencies not previously visited, or visited years ago.

The ability of DCFS to conduct more on-site visits each year is dependent upon the Department's ability to hire additional staff, and implement improvements in efficiency. Staff size is dependent on the State's financial position. Proposals to improvements in efficiency must be developed, and evaluated in the field. Therefore, specific projections of the number of on-site fiscal reviews that will be conducted in the future can not be made at this time."

The Department also began initiatives to increase productivity by improving efficiency and increasing the size of its staff. The efforts are on-going, but the resources to implement the changes required are not currently available, therefore, efforts to increase the scope of the department's mission, improve efficiency, improve on-site monitoring tools, and increase the number of on-site visits to sub-recipients, have been adversely affected.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Child Welfare Services – State Grants

CFDA # and Program Expenditures: 93.645 ($19,746,000)

Award Numbers: G-0801IL1400/G-0701IL1400

Questioned Costs: None

Finding 08-40 *Failure to Ensure Timely Preparation of Initial Case Plans*

DCFS did not prepare initial case plans in a timely manner for Child Welfare Services beneficiaries.

The case plan serves as DCFS' written documentation of the services planned for each child taken into protective custody. The case plan describes DCFS' plans to improve or protect the welfare of the child. Information documented in the case plan includes the health and education records of the child, a description of the type of home or institution in which the child is to be placed, DCFS' plan for assuring the child receives safe and proper care and services to improve the condition of the child's home in order to facilitate his or her return home, as well as other pertinent information. Part I of Title IV-E, Child Welfare Services requires that an initial case plan must be developed for each child within 60 days of placement.

During a review of 50 case files selected for testwork, we noted fifteen of the initial case plans were completed within a range of 1 to 128 days over the 60 day federal requirement.

Part I of Title IV-E, Child Welfare Services requires that an initial case plan must be developed for each child within 60 days of placement. Per 45 CFR 1356.21(g)(2), case plans are required to be developed within a reasonable period, to be determined by the State, but no later than 60 days from the child's removal from their home. Per State requirements (705 ILCS 405/2-10.1), the State has defined a reasonable timeframe as 45 days.

In discussing these conditions with DCFS officials, they stated that timely preparation of case plans is always a concern. Unfortunately, due to staff changes and reductions, placement changes, and coordination with other procedures and agencies, there are times when case plans are not prepared within the established timeframes.

Failure to prepare case plans in a timely manner could result in Child Welfare Services not being performed/provided in accordance with Title IV-E or the State law. (Finding Code 08-40, 07-38, 06-37, 05-51, 04-37, 03-35, 02-33, 01-20, 00-20, DCFS 99-5)

Recommendation:

We recommend DCFS stress the importance of preparing and completing the initial service plans timely to all caseworkers to comply with Federal requirements.

DCFS Response:

The Department agrees and continues to stress the importance of adequate and timely documentation for child case files. Based on the fundamentals of good social work practice, requirements of the Council of Accreditation, and Federal Review Outcomes, Illinois has implemented an Integrated Assessment program that includes preparation of a comprehensive service plan where one cannot be completed without the other. A workgroup established a work plan to implement changes to procedures in order to timely prepare service plans and resolve the matters that cause delays as well as provide an on-going monitoring of timeliness. That implementation project is in progress. We continue to stress the importance of adequate and timely case planning as a key component of providing quality service to children.

State Agency: Illinois Department of Children and Family Services (DCFS)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Adoption Assistance

CFDA # and Program Expenditures: 93.659 ($87,313,000)

Award Numbers: 0801IL1407/0701IL1407/0601IL1407

Questioned Costs: Cannot be determined

Finding 08-41 *Failure to Ensure That Adoption Assistance Recertifications Are Performed On A Timely Basis*

DCFS did not ensure that adoption assistance recertifications were performed on a timely basis for children receiving recurring adoption assistance benefits.

The Adoption Assistance program provides funds to states to support the payment of subsidies and non-recurring expenses on behalf of eligible children with special needs. A child's eligibility for the program is determined initially at the time of the adoption proceedings. However, it is the State's responsibility to establish a process to ensure that children on behalf of whom the State is making subsidy payments are in the continued care of their adoptive parent(s). On a biannual basis, the State sends a recertification form to the adoptive parent(s) of a child on behalf of whom the parent is receiving adoption subsidy payments. The form contains a series of questions concerning the parents' legal and financial responsibility of the child. The adoptive parents must answer the questions, sign and return the form to DCFS to demonstrate their continued legal and financial responsibility over the child.

During our review of the eligibility for 40 beneficiaries receiving recurring subsidy payments under the adoption assistance program, we noted 4 instances in which DCFS could not locate a recertification form submitted by the adoptive parent within the most recent two year period.

According to 42 USC 673 (a)(4), payments are discontinued when the State determines that the adoptive parents are no longer legally responsible for the support of the child. Parents must keep the State agency informed of circumstances which would make the child ineligible for adoption assistance payments, or eligible for assistance payments in a different amount. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to obtain adoption recertification forms on a timely basis.

In discussing these conditions with DCFS officials, they stated that several efforts to improve and streamline this process have been made, however, adequate systems and staff support had not been available until recently to follow up on missing recertification requests.

Failure to complete the necessary eligibility recertification could result in payments to ineligible beneficiaries, which are unallowable costs. (Finding Code 08-41, 07-39, 06-36)

Recommendation:

We recommend DCFS implement procedures to ensure recertification forms are received in accordance with the State's established process and maintained in the eligibility files for children receiving recurring adoption assistance benefits.

DCFS Response:

The Department agreed that its recertification procedures needed to be a complete and accurate process of determining any changing needs and/or circumstances within an adoptive family. We recently completed implementation of a project for improving and streamlining the recertification process. In fiscal year 2008, the planning and development the recertification process was centralized in Springfield under the Division of Budget and Finance, Technical Support Unit. This shift required the hiring of two additional data input staff. The first recertification letters were mailed from Springfield location in May 2008 and within three months, the entire process based in the new Springfield location. The new process provides for the sending and tracking of first and second notices. Families that do not respond to either of these notices and require another third form of outreach will be sent to the regional post adoption staff for follow-up.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($43,835,000)

Award Numbers: 08AAILT3SP/08AAILNSIP/07AAILT3SP/07AAILNSIP

Questioned Costs: None

Finding 08-42 *Inadequate On-Site Monitoring of Subrecipients*

IDOA is not adequately monitoring subrecipients receiving federal awards for the Aging Cluster.

IDOA passes through federal funding to thirteen area agencies on aging (subrecipients) throughout the State. Each of these agencies works with IDOA to develop an annual area plan detailing how funds will be used to meet the goals and objectives of the Aging Cluster programs. IDOA has established policies and procedures for monitoring its subrecipients, which includes: performing informal evaluations (on-site reviews), reviewing periodic financial, programmatic, and single audit reports, and providing training and guidance to subrecipients as necessary. Additionally, IDOA performs on-site programmatic monitoring procedures on the Advisory Councils for each area agency once every three years. The Advisory Councils were established to advise the area agencies on matters relating to the development and administration of the area plans, but are not responsible for the direct administration of the program benefits.

During our testwork over eight subrecipients of the Aging Cluster with total expenditures of approximately $32,008,000, we noted on-site monitoring procedures had not been performed since 1998 for any the subrecipients selected. Upon further discussion with Agency personnel, we noted fiscal on-site monitoring procedures were only performed for one subrecipient during the year ended June 30, 2008. However, during the fiscal year, IDOA developed an internal control questionnaire that was sent to and completed by each of the thirteen subrecipients. The questionnaire was developed to identify the strengths and weaknesses of the subrecipient's internal control structure and to prepare all subrecipients for the onsite reviews which IDOA plans to start performing in fiscal year 2009. Total awards passed through to subrecipients were approximately $41,218,000 during the year ended June 30, 2008.

According to OMB Circular A-133 ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure on-site reviews are performed on a periodic basis.

In discussing these conditions with IDOA officials, they stated that the Department needed to update its review tool to be consistent with the latest standards outlined in OMB Circular A-133.

Failure to adequately perform subrecipent monitoring procedures could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the annual area plan. (Finding Code 08-42, 07-40, 06-38, 05-52, 04-38, 03-36)

Recommendation:

We recommend IDOA perform periodic on-site reviews of all subrecipients which include reviewing financial and programmatic records, observation of operations and/or processes to ensure their subrecipients are administering the federal program in accordance with the applicable laws, regulations, and the annual area plan.

IDOA Response:

We agree with the audit finding and will begin to perform periodic on-site programmatic and financial reviews of the thirteen Area Agencies on Aging at least once during the three year Area Plan cycle. The Department solicited information from other State Units on Aging from across the nation to determine the frequency of on-site programmatic and financial reviews, the types of documents examined and the instruments used to perform the informal reviews. A review tool has been developed and in-field testing has been completed.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($43,835,000)

Award Numbers: 08AAILT3SP/08AAILNSIP/07AAILT3SP/07AAILNSIP

Questioned Costs: None

Finding 08-43 *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

IDOA is not adequately monitoring the OMB Circular A-133 reports submitted by its subrecipients receiving federal awards for the Aging Cluster.

IDOA passes through federal funding to thirteen area agencies on aging (subrecipients) throughout the State. IDOA requires subrecipients expending more than $500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDOA staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDOA records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, IDOA staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, adverse) and issuing management decisions on reported findings within the prescribed timeframe.

During our testwork of eight subrecipients of the Aging Cluster with total expenditures of approximately $32,008,000, we noted the following regarding the desk review process:

- The expenditures reported by one subrecipient were not reconciled to the schedule of expenditures of federal awards in its OMB Circular A-133 audit report.
- A desk review was not performed for one subrecipient.

Total awards passed through to subrecipients of the Aging Cluster were approximately $41,218,000 during the year ended June 30, 2008.

According to OMB Circular A-133 ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2008, a pass-though entity is required to 1) ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDOA officials, they stated that the missing reconciliation of federal expenditures and the desk review was not completed for this client due to insufficient staffing resources to perform detailed follow-up and review with the subrecipient. Staffing re-allocations are being implemented which will provide the additional resources needed to managing this complicated subrecipient.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner may result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-43, 07-41, 06-39)

Recommendation:

We recommend IDOA establish procedures to ensure that desk reviews are performed on a timely basis for all subrecipients and that expenditures reported by the subrecipients are reconciled to the schedule of expenditures of federal awards submitted in the OMB Circular A-133 audit reports.

IDOA Response:

We agree with the audit finding and will complete our review of the singular missing reconciliation of expenditures of federal awards to the OMB Circular A-133 audit report. We will also complete the desk reviews for this same subrecipient in a more timely fashion.

State Agency: Illinois Department on Aging (IDOA)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Aging Cluster

CFDA # and Program Expenditures: 93.044/93.045/93.053 ($43,835,000)

Award Numbers: 08AAILT3SP/08AAILNSIP/07AAILT3SP/07AAILNSIP

Questioned Costs: None

Finding 08-44 *Inadequate Cash Management Procedures for Subrecipients*

IDOA does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Aging Cluster program.

IDOA passes through federal funding to thirteen area agencies on aging (subrecipients) throughout the State. The subrecipients request monthly cash advances based upon estimated accrual expenditures. IDOA will disburse estimated accrual expenditures for the requested period not to exceed 1/12th of the subrecipient's grant award. Each subrecipient is required to maintain the federal funds in an interest bearing account. Upon close out of the grant, the subrecipients certify and remit the interest earned back to IDOA. During our test work we noted IDOA does not reconcile the estimated monthly accrual expenditures to the actual monthly expenditures and does not reduce the cash advance if the subrecipient is showing excess cash on hand. Additionally, IDOA does not have a process in place to determine if the interest remitted is reasonable. During the federal fiscal year ended September 30, 2007, we noted the subrecipients remitted approximately $217,000 in interest earned on excess federal funds to IDOA.

When funds are provided in advance of expenditure, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the US Treasury and disbursement. Specifically, 45 CFR 92.37 requires that pass-through entities monitor cash advances to subrecipients to ensure those advances are for immediate cash needs only. Based on discussions with Federal agencies, we have interpreted "immediate cash needs" as 30 days or less of advance funding. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include analysis of the subrecipient's cash position prior to advancing program funds.

In discussing these conditions with IDOA officials, they stated the subrecipients are not able to provide monthly expenditure reporting, therefore, the actual expenditures are reconciled on a quarterly basis.

Providing subrecipients funding advances of greater than 30 days results in additional costs of financing for the US Treasury. (Finding Code 08-44, 07-42, 06-41)

Recommendation:

We recommend IDOA review its advance funding policies and techniques for subrecipients and implement a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis and that the subrecipient interest certified and remitted appears reasonable.

IDOA Response:

The Area Agency on Aging Monthly Cash Request report was updated in December 2007 to include a quarterly reconciliation of actual versus estimated expenditures in calculating the current month's cash needs. We have worked closely with the Area Agencies on Aging to ensure each monthly cash request is based on the most current spending information available. We will continue to collaborate with the subrecipients to improve our cash management procedures.

Auditors' Comment:

Although IDOA requires subrecipients to reconcile its expenditures each quarter, this information was not considered at the time IDOA advanced funds to its subrecipients as evidenced by earnings on excess funds in the amount of $217,000 being remitted by subrecipients during the fiscal year.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Immunization Grants

CFDA # and Program Expenditures: 93.268 ($61,525,000)

Award Numbers: 5H23IP522568-05/2H23IP522568-06

Questioned Costs: None

Finding 08-45 *Inadequate Control and Accountability for Vaccines*

IDPH did not adequately control and account for vaccines distributed under its Immunization Grants program.

IDPH receives a majority of its federal Immunization Grants program funding in the form of vaccines ("vaccines in lieu of cash") which are distributed to medical providers throughout the State. In addition to federal Immunization Grants program, IDPH operates a state funded vaccine program to provide vaccines to individuals who are not eligible for vaccination under the federal program. For the period from July 1, 2007 through May 13, 2008, the State maintained the inventory and was responsible for distributing the vaccines to medical providers. During this period, the vaccines for both the federally funded program and the state funded program were accounted for using the Center for Disease Control and Prevention's Vaccines Management software (VACMAN). However, IDPH was not able to distinguish between federally funded and state funded vaccines when recording disbursements in VACMAN. As a result, IDPH was not able to identify the amount of federally funded vaccines disbursed from inventory during the period from July 1, 2007 through May 13, 2008. IDPH stated that $64,141,000 in vaccines were distributed from inventory during this period, of which $62,794,000 was estimated to be federally funded. Additionally, we were not able to obtain a complete population of federal expenditures during this period to verify vaccines were used for activities allowed under the Immunization Grants program. Accordingly, we are unable to conclude on IDPH's compliance with regulations applicable to the Immunization Grants program.

According to 45 CRF 92.20(b)(2), grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. The A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure vaccines are used solely for the authorized purposes.

In discussing these conditions with IDPH officials, they stated that vaccine purchases are separated by funding source and documented by CDC. Vaccines are not, however, separated by funding source at the provider level. Vaccines purchased as part of the federal entitlement Vaccines for Children (VFC) program are based on eligibility determined by population estimates provided by CDC and vaccines purchased with federal 317 direct assistance (DA) are utilized as discretionary support to supplement the VFC program.

Failure to properly control and account for vaccines may result in improper usage by ineligible recipients (Finding Code 08-45, 07-43, 06-47)

Recommendation:

We recommend IDPH reviews its process for identifying vaccines disbursed under its federal Immunization Grants program and implement the changes necessary to ensure federal vaccine disbursements are identified and accounted for in accordance with the applicable program regulations.

IDPH Response:

The department concurs in the finding and recommendation. The IDPH Immunizations Section has maintained a separate inventory tracking system independent of VACMAN in order to document vaccine purchase and distribution transactions by funding source. While vaccines transactions are not tracked separately by funding source at the provider level, aggregate federal and state funded vaccine purchases and distributions are available. Aggregate federal VFC vaccine purchases and subsequent distribution totals are determined based upon eligibility survey estimates provided by the CDC. Discretionary federal 317 DA vaccine purchases are likewise tracked by IDPH in aggregate.

It is important to note that in 2008, all federal Immunizations project grantees transitioned their distribution and inventory operations to a single federal 3rd party distributor contracted by CDC. As a result, the IDPH no longer maintains physical vaccine inventories and all reporting functions related to vaccine allocations, distribution, and inventory tracking are now the responsibility of the federal contractor, McKesson Specialty.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster (93.775/93.777/93.778)
Social Security Block Grant (93.667)
HIV Care Formula Grants (93.917)

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)
93.667 ($127,372,000)
93.917 ($33,924,000)

Award Numbers: 05-0705IL5048/05-0805IL5048 (93.775/93.777)
(CFDA Number) 05-0705IL5028/05-0805IL5028 (93.778)
G-0601ILSOSR2/G-0701ILSOSR/G-0801ILSOSR (93.667)
6X07HA00013-17-01/1G24HA08494-01-00/2X07HA00013-18-00 (93.917)

Questioned Costs: Cannot be determined

Finding 08-46 *Failure to Monitor the Maintenance of Effort Requirement*

IDPH did not monitor the HIV Care Formula Grant (HIV) program maintenance of effort (MOE) requirement.

IDPH is the state agency responsible for administering the HIV program. The state is awarded federal funds each year for the HIV program based on a fiscal grant award year (grant year) ended March 31st. As a condition of receiving federal HIV funds, the State is required to maintain a level of "qualified" state funded expenditures for HIV related activities that is equal to or greater than the prior year. IDPH calculates the HIV MOE expenditures on an annual basis in connection with the preparation of the application to participate in the subsequent year's HIV program. For example, the 2007 grant year MOE expenditures are calculated when IDPH prepares the 2009 grant year application. The HIV MOE expenditures have historically been comprised of state funded programs administered by IDPH, as well as programs administered by the Illinois Department of Human Services (IDHS) and the Illinois Department of Children and Family Services (DCFS).

At the time of our testwork in October 2008, we noted IDPH had not yet calculated the amount of qualifying MOE expenditures for the grant year ended March 31, 2008, nor had they determined whether they equaled or exceeded the MOE expenditures for the prior grant year ended March 31, 2007. We also noted the following in our testing of expenditures reported in the prior year to meet the HIV MOE requirement:

- IDHS expenditures were also claimed for federal reimbursement under the Medicaid Cluster program and Social Services Block Grant (SSBG) program. These expenditures in total were $21,703,000, $22,083,000, and $22,745,000 for the grant years ended March 31, 2006, 2005, and 2004, respectively. The exact dollar amount of the expenditures claimed for each program for the grant years ended March 31, 2006, 2005, and 2004 could not be provided by management. Upon our identification of this noncompliance during the 2008 audit, IDPH subsequently eliminated the Medicaid and SSBG expenditures from the 2007 MOE calculation prior to including in the 2009 grant application.
- DCFS expenditures claimed consist of actual employee salaries and an estimated calculation of the expenditures related to HIV and youth in a placement home. DCFS calculates the estimated expenditures

to be the number of days an HIV and youth is in a placement home times the average daily rate, since the rate varies based upon the characteristics of the individual.

- DCFS and IDHS expenditures were reported in the improper period. Specifically, DCFS expenditures reported for the grant year ended March 31st included expenditures actually incurred for the State's fiscal year ending on the following June 30th, while IDHS expenditures included expenditures actually incurred for the previous State fiscal year ending June 30th.

Subsequent to our testwork, IDPH provided a schedule in December 2008 of what it believed was the qualifying State maintenance of effort expenditures for the year ended March 31, 2008. However due to the timing of receiving this calculation and the numerous errors identified in the prior year amounts (i.e. base years), we were unable to obtain sufficient and competent audit evidence to allow us to ascertain whether IDPH had complied with the MOE requirement for the HIV program. However, based on discussions with management, we did note that several of the errors and inconsistencies identified above were present in the schedule prepared for the year ended March 31, 2008, including reporting expenditures from other agencies in the improper period.

According to 42 USC 300ff-27(b), the State must provide an accounting of the amount of funds that the State has expended for such services and programs and the State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B Funds.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must be: (1) reasonable and necessary; (2) allocable; (3) consistently treated; (4) in conformance with laws, regulations, and agreements; (5) net of applicable credits; and (6) adequately documented. Additionally, costs must not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

According to 45 CFR 92.20(a)(2), the fiscal controls of the State must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restriction and prohibitions of applicable statues.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to monitor compliance with MOE requirements on a timely basis and to ensure expenditures used to satisfy MOE requirements meet the criteria specific to the program for which they are being used.

In discussing these conditions with IDPH officials, they stated that for prior reporting years, representatives from the DCFS and IDHS had been unaware that HIV program expenditures from their respective agencies were either attributed towards MOE requirements for more than one federal award, or were costs claimed for federal reimbursement under the Medicaid entitlement programs.

Failure to properly monitor the MOE requirement may result in claiming expenditures that are inconsistent with the objectives of the federal programs and the State not meeting the HIV MOE requirement. (Finding Code 08-46)

Recommendation:

We recommend IDPH establish procedures to identify and report MOE expenditures on a timely basis and to ensure federal and state expenditures incurred by other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program.

IDPH Response:

The department concurs in the finding and recommendation. In the subsequent grant cycle, the Illinois Department of Public Health will assume much more intensive oversight of interagency reporting of MOE expenditures. The greater oversight of other state agency expenditures will ensure that non-IDPH appropriated state expenditures will not be otherwise claimed as MOE expenditures for the federal Social Services Block Grant, nor will state expenditures be claimed for the MOE requirement if those expenditures were eligible for federal Medicaid reimbursements.

In order to ensure better MOE oversight, the IDPH will require each state agency submitting MOE expenditures to IDPH designate specific staff who will respond to IDPH queries and who will attend reconciliation meetings as necessary. IDPH acknowledges that there have been reporting inconsistencies across multiple state agencies due in part to inadequate communication between staffs at state agencies. Subsequently, designated IDPH staff will also ensure that reported MOE expenditures from other state agencies correspond to the appropriate grant reporting periods, thus establishing more effective internal controls of MOE requirements for the HIV Care Formula grants.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: HIV Care Formula Grants

CFDA # and Program Expenditures: 93.917 ($33,924,000)

Award Numbers: 6X07HA00013-17-01/1G24HA08494-01-00/2X07HA00013-18-00

Questioned Costs: Cannot be determined

Finding 08-47 *Inadequate Process for Determining Client Eligibility*

IDPH does not have an adequate process for performing client eligibility determinations for its HIV Care Formula Grant (HIV) program.

The HIV program administered by IDPH includes an AIDS Drug Assistance Program (ADAP) under which beneficiaries who meet certain eligibility requirements are provided drugs to treat HIV/AIDS. The eligibility criteria for ADAP require that the beneficiary: (1) has been diagnosed with HIV/AIDS; (2) is at an income level at or below 400% of the federal poverty level; (3) is not eligible for 80% or greater coverage of drugs through a third party payer; (4) is not eligible for medical assistance through the Medicaid Cluster (Medicaid); and (5) is an Illinois resident. IDPH's current process for determining eligibility involves an individual completing an application and submitting it to IDPH through the mail or in person to a member of the HIV Consortium (subrecipients of the HIV program). The application requires the applicant to submit proof of income, insurance, residency, and documentation of a medical diagnosis of HIV/AIDS. Additionally, IDPH confirms with the Illinois Department of Healthcare and Family Services that the beneficiary is not receiving benefits under Medicaid.

During our testwork of benefits provided to HIV beneficiaries, we selected 60 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits. We noted the following:

- In seventeen cases, the beneficiary's application indicated the beneficiary had no income. Although the individual's income level was below 400% of the poverty level and IDPH confirmed the individual was not receiving benefits under Medicaid, a determination of Medicaid eligibility had not been performed. As a result, no income verification procedures were performed to determine whether the income reported (or lack thereof) was accurate.
- In one case, no recertification (redetermination) of eligibility was performed during the year.
- In one case, the beneficiary file was destroyed prior to the audit. Upon further discussion with management, this occurred because it is IDPH's procedure to destroy files for deceased beneficiaries at the time of termination of services.

Additionally, we noted IDPH only recertifies (redetermines) eligibility of beneficiaries on an annual basis, instead of every six months as required by program requirements.

According to US Code 42 USC 300ff-26(b), an individual receiving benefits under the HIV program is required to 1) have a medical diagnosis of the HIV disease and 2) be a low-income individual as defined by the State. According to the Notice of Grant Award for the HIV program dated March 30, 2007, IDPH is required to implement a recertification process, at a minimum, every six months to ensure the program only serves eligible clients. According to 45 CFR 92.42(b)(1), except as otherwise provided, grantees must maintain records for a period of at least three years.

Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to collect and maintain adequate documentation to support eligibility determinations and recertifying the eligibility of beneficiaries every six months.

In discussing these conditions with IDPH officials, they stated that sound public health policy dictates presumptive eligibility for ADAP.

Failure to adequately establish a beneficiary's eligibility may result in expenditures being made to or on behalf of ineligible beneficiaries, which are unallowable costs. (Finding Code 08-47, 07-46, 06-43, 05-54, 04-40)

Recommendation:

We recommend IDPH implement procedures to:

- Verify income and insurance information with third party sources (i.e. employers, third party insurers, etc.) and other state agencies,
- Perform recertifications of eligibility every six months, and
- Maintain records in accordance with federal regulations.

IDPH Response:

The department concurs in the finding and recommendation. ADAP staff conducts regular monthly Medicaid enrollment verification with the Illinois Department of Healthcare and Family Services to ensure that ADAP clients are not dually enrolled. IDPH believes that Medicaid enrollment, not Medicaid eligibility, should be the appropriate criterion for determining a beneficiary's eligibility for ADAP which ensures that needed medicines are provided to clients at the earliest opportunity. ADAP staff will also ensure that recertifications will occur every six months.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Centers for Disease Control and Prevention – Investigations and Technical Assistance
HIV Care Formula Grants

CFDA # and Program Expenditures: 93.283 ($13,387,000)
93.917 ($33,924,000)

Award Numbers: Various (92.268)
(CFDA Number) 6X07HA00013-17-01/1G24HA08494-01-00/2X07HA00013-18-00 (93.917)

Questioned Costs: None

Finding 08-48 *Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit Reports*

IDPH does not have an adequate process for ensuring subrecipients of the Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC Investigations and Technical Assistance) and HIV Care Formula Grants (HIV) programs have complied with OMB Circular A-133 audit requirements.

IDPH requires subrecipients expending more than $500,000 in federal awards during their fiscal year to submit OMB Circular A-133 audit reports. IDPH finance staff are responsible for reviewing the reports and determining whether: (1) the audit reports meet the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records; and (3) type A programs (as defined by OMB Circular A-133) are being audited at least every three years. Additionally, finance staff are responsible for evaluating the type of audit opinion issued (i.e. unqualified, qualified, adverse) and issuing management decisions on findings reported within required timeframes.

During our testwork over 30 subrecipients of the CDC Investigations and Technical Assistance program and 8 subrecipients of the HIV program, we noted the following:

- There were three subrecipients of the CDC Investigations and Technical Assistance program and two subrecipients of the HIV program for which no OMB Circular A-133 audit reports were received. The subrecipient files did not contain any evidence that follow up procedures were performed by IDPH to obtain the missing reports.
- There were five subrecipients of the CDC Investigations and Technical Assistance Program and one subrecipient of the HIV program whose A-133 reports were not obtained within the required nine months after the subrecipients year end, and there was no evidence of follow procedures performed by IDPH. Specifically, these reports were received between 6 and 100 days after the nine month requirement.

Additionally, a standard checklist was not used to document the review of subrecipient A-133 reports to determine whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years.

Subrecipient expenditures under the federal programs for the year ended June 30, 2008 were as follows:

Program	Total Fiscal Year 2008 Subrecipient Expenditures	Total Fiscal Year 2008 Program Expenditures	Percentage
CDC Investigations and Technical Assistance Program	$5,871,000	$13,387,000	44.8%
HIV	$7,135,000	$33,924,000	21.1%

According to OMB Circular A-133 § .400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 compliance supplement, dated March 2008, a pass-though entity is required to 1) ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing these conditions with IDPH officials, they stated that staff shortages have limited their ability to meet these requirements.

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-48, 07-45, 06-46, 05-56)

Recommendation:

We recommend IDPH establish procedures to ensure all subrecipients receiving federal awards have audits performed in accordance with OMB Circular A-133. Additionally, desk reviews of A-133 audit reports should be formally documented using the A-133 desk review checklist which include procedures to determine whether the audit reports meet the audit requirements of OMB Circular A-133, federal funds reported in the schedule of expenditures of federal awards reconcile to IDPH records, and Type A programs are audited at least once every three years.

IDPH Response:

The department concurs in the finding and recommendation. The Division of Accounting Services does notify the subrecipient in writing to submit their A-133 to the department. If the subrecipient is not required to have an A-133 Single Audit completed, they are instructed to submit this to the department in writing. If the department does not receive any documentation, the subrecipient is contacted by phone. Reports are being reviewed for proper documentation and if related findings to the department are found, the audit is

referred to the appropriate program office for follow-up with the subrecipient. Accounting Services will also contact other sister agencies to request copies of audits, they may have received before the department, so audits may be reviewed within the time frame.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Centers for Disease Control and Prevention – Investigations and Technical Assistance

CFDA # and Program Expenditures: 93.283 ($13,387,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-49 *Inadequate On-Site Monitoring of Subrecipients*

IDPH is not adequately performing on-site monitoring of subrecipients receiving federal awards under the Centers for Disease Control and Prevention – Investigations and Technical Assistance (CDC Investigations and Technical Assistance) Program.

IDPH monitors subrecipients of the CDC Investigations and Technical Assistance program by: (1) reviewing periodic expenditure reports, (2) examining single audit reports and findings, (3) performing on-site reviews of compliance with programmatic requirements on a quarterly basis, and (4) periodic communication of program requirements. However, IDPH does not perform on-site monitoring procedures to review the fiscal and administrative capabilities and internal controls of any of the subrecipients. Additionally, during our testwork of 30 subrecipients of the CDC Investigations and Technical Assistance program, we noted one subrecipient was not subject to a regular on-site programmatic review. Total subrecipient expenditures for the CDC Investigations and Technical Assistance program were $5,871,000 during the year ended June 30, 2008.

In accordance with the OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is required to monitor its subrecipients' activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, to ensure required audits are performed, to require the subrecipient to take prompt corrective action on any audit findings, and to evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.

In discussing these conditions with IDPH officials, they stated staffing shortages continue to hamper some routine monitoring efforts.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 08-49, 07-44, 06-44, 05-55, 04-42)

Recommendation:

We recommend IDPH revise the on-site monitoring procedures for the CDC Investigations and Technical Assistance program to include procedures to review the subrecipient's fiscal and administrative capabilities. IDPH should also evaluate the current staffing of its monitoring department to ensure resources are adequate to complete reviews within prescribed timeframes.

IDPH Response:

The Department concurs in the finding and recommendation. Although staffing shortages may be a given and certainly contribute to the finding, it is nonetheless important to monitor our subrecipients and fulfill its required federal grant oversight function. The Department will continue to review these responsibilities and important improvements in the subrecipient review process.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Centers for Disease Control and Prevention – Investigations and Technical Assistance

CFDA # and Program Expenditures: 93.283 ($13,387,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-50 *Inadequate Cash Management Procedures for Subrecipients*

IDPH provided funds to subrecipients of the Center for Disease Control and Prevention—Investigation and Technical Assistance (CDC – Investigation and Technical Assistance) program in excess of their immediate cash needs.

During our testwork over 60 payments to subrecipients totaling $1,739,000, we noted 8 payments tested totaling $277,600 resulted in advances to subrecipients of more than 30 days of funding needs. The number of days advanced ranged from 90 to 360 days. Additionally, we noted IDPH does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Center for Disease Control and Prevention—Investigation and Technical Assistance (CDC – Investigation and Technical Assistance) program. Total payments to subrecipients of the CDC – Investigation and Technical Assistance program were $5,871,000 during the year ended June 30, 2008.

When funds are provided in advance of expenditure, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the US Treasury and disbursement. Specifically, 45 CFR 92.37 requires that pass-through entities monitor cash advances to subrecipients to ensure those advances are for immediate cash needs only. Based on discussions with Federal agencies, we have interpreted "immediate cash needs" as 30 days or less of advance funding. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include analysis of subrecipient's cash position prior to advancing program funds.

In discussing these conditions with IDPH officials, they stated that they have reduced advances from federal awards but a limited number of small dollar grants were provided an advance payment.

Providing subrecipients funding advances of greater than 30 days results in additional costs of financing for US Treasury. (Finding Code 08-50, 07-49)

Recommendation:

We recommend IDPH review its advance funding policies and techniques for subrecipients and implement a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis.

IDPH Response:

The Department concurs in the finding and recommendation. The grants identified were for small dollar amounts and many of them were processed late in the fiscal year, thus a payment upon execution was most feasible. The Department is aware of the 30 day recommendation and will continue to strive to meet the specifics of that recommendation.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: HIV Care Formula Grants

CFDA # and Program Expenditures: 93.917 ($33,924,000)

Award Numbers: 6X07HA00013-17-01/1G24HA08494-01-00/2X07HA00013-18-00

Questioned Costs: None

Finding 08-51 *Inadequate Process for Monitoring Interagency Program Expenditures*

IDPH does not have an adequate process for monitoring interagency expenditures used to satisfy the maintenance of effort (MOE) requirement for the HIV Care Formula Grants (HIV) program.

HIV program MOE expenditures are incurred by the Illinois Department of Children and Family Services (DCFS) and the Illinois Department of Human Services (IDHS). As the state agency responsible for administering the HIV program, IDPH has executed an interagency agreement with DCFS and IDHS which require periodic reporting of summary level expenditure information for preparation of the required financial reports. During our testwork over MOE expenditures, we noted IDPH does not perform monitoring procedures to ascertain that the expenditures used to meet the MOE requirement meet the specific criteria applicable to the HIV program.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure expenditures used to satisfy MOE requirements meet the criteria specific to the program for which they are being used.

In discussing these conditions with IDPH officials, they stated that representatives from the DCFS and IDHS had been unaware that expenditures from their respective agencies had been either attributed towards MOE requirements for more than one federal award, or were costs claimed for federal reimbursement under the Medicaid entitlement programs.

Failure to properly monitor interagency expenditures may result in using expenditures that are inconsistent with the objectives of the federal program to meet MOE requirements. (Finding Code 08-51, 07-50, 06-50, 05-59)

Recommendation:

We recommend IDPH review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that expenditures of other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program.

IDPH Response:

The department concurs in the finding and recommendation. IDPH acknowledges that this finding is in large part predicated by the previous MOE finding and thus our response is similar. In the subsequent HIV Care Formula grant cycle, the Illinois Department of Public Health will assume much more intensive oversight of interagency reporting of MOE expenditures. The greater oversight of other state agency expenditures will ensure that non-IDPH did not appropriate state expenditures will not be otherwise claimed as MOE expenditures for the federal Social Services Block Grant, nor will state expenditures be claimed for the MOE requirement if those expenditures were eligible for federal Medicaid reimbursements.

In order to ensure better MOE oversight, the IDPH will require each state agency submitting MOE expenditures to IDPH designate specific staff who will respond to IDPH queries and who will attend reconciliation meetings as necessary. IDPH acknowledges that there have been reporting inconsistencies across multiple state agencies due in part to inadequate communication between staffs at state agencies. Subsequently, designated IDPH staff will also ensure that reported MOE expenditures from other state agencies correspond to the appropriate grant reporting periods, thus establishing more effective internal controls of MOE requirements for the HIV Care Formula grants.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: HIV Care Formula Grants

CFDA # and Program Expenditures: 93.917 ($33,924,000)

Award Numbers: 6X07HA00013-17-01/1G24HA08494-01-00/2X07HA00013-18-00

Questioned Costs: $23,495

Finding 08-52 *Unallowable Costs Used to Meet HIV Matching Requirement*

IDPH did not obtain written approvable as required by the grant agreement for the purchase of a vehicle that was claimed as a matching expenditure under the HIV Care Formula Grants (HIV) program.

The Illinois Department of Public Health (IDPH) is the state agency responsible for administering the HIV program. As a condition of receiving federal HIV funds, the State is required to maintain a match of "qualified" state funded expenditures for programs or services benefiting eligible participants (HIV Matching and MOE requirement). During our testwork over 40 matching expenditures totaling $1,847,971, we noted one expenditure of $23,495 was for the purchase of a vehicle for which prior written approval was not obtained from USDHHS. The total amount of matching expenditures claimed by the HIV program was approximately $28,303,000 during the year ended June 30, 2008.

According to the Notice of Grant Award for the HIV program dated March 30, 2007, funds may not be used for the purchase of vehicles without written approvable by USDHHS. According to 45 CFR 92.24(a)(1), matching expenditures must meet the same criteria for allowable costs incurred by the grantee, subgrantee, or a cost type contractor under the assistance agreement. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure the expenditures used to meet the HIV Matching requirement are consistent with the applicable allowable cost criteria.

In discussing these conditions with IDPH officials, they stated this was an oversight.

Failure to obtain prior written approvals for the purchase of vehicles results in unallowable costs and could result in the State not meeting its matching requirement. (Finding Code 08-52)

Recommendation:

We recommend IDPH review the process and procedures in place to identify expenditures to be used to meet the matching requirement and implement changes necessary to ensure only allowable costs are reported.

IDPH Response:

The department concurs in the finding and recommendation. This purchase, although permitted from the applicable state funded HIV line item, should have been excluded from the maintenance of effort totals.

State Agency: Illinois Department of Public Health (IDPH)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Medicaid Cluster

CFDA # and Program Expenditures: 93.775/93.777/93.778 ($6,607,985,000)

Award Numbers: 05-0705IL5048/05-0805IL5048 (93.775/93.777)
(CFDA Number) 05-0705IL5028/05-0805IL5028 (93.778)

Questioned Costs: None

Finding 08-53 *Failure to Investigate Provider Complaints within Required Timeframes*

IDPH did not investigate complaints received relative to providers of the Medicaid Cluster within required timeframes.

The Office of Health Care within IDPH is responsible for receiving and investigating complaints received against providers of the Medicaid Cluster. State laws require the Office of Health Care to investigate complaints within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt. As the timeframes for complaint investigations included in the State's laws are more stringent than those included in the federal Medicaid regulations, the State timeframes are required to be followed.

During our testwork over 30 complaints filed against Medicaid providers during the year ended June 30, 2008, we identified fourteen complaints that were not investigated within the timeframes required by the State's law. The delays in investigating these complaints ranged from 4 to 45 days in excess of required timeframes. We also identified that two additional complaints had not been investigated as of the date our testwork was performed.

According to Section 5010 of The Centers for Medicare and Medicaid Services (CMS) State Operations Manual, each state is expected to have written policies and procedures to ensure that the appropriate response is taken for each complaint received against providers. Among other things, these policies and procedures are required to include timelines for investigating complaints which are as least a stringent as those included in federal regulations. Section 300.3310 of the Illinois Administrative Code (Title 77 Chapter 1(c)) requires complaints to be investigated within 30 days of receipt unless the complaint alleges abuse or neglect. Complaints of abuse or neglect are required to be investigated within 7 days of receipt.

In discussing these conditions with IDPH officials, they stated that a larger than expected turnover in staff, especially in the Bellwood Regional Office, contributed to several complaints not being initiated in the required timeframes.

Failure to investigate complaints against Medicaid providers within required timeframes may prevent the State from identifying and correcting health and safety violations and from protecting the welfare of Medicaid beneficiaries. (Finding Code 08-53, 07-48)

Recommendation:

We recommend IDPH review its current process for investigating complaints received against Medicaid providers and consider changes necessary to ensure all complaints are investigated within the timeframes required by State law.

IDPH Response:

The department concurs with the finding and recommendation with regard to several complaints being conducted outside of the required timeframes. The complaints were completed appropriately, just not in the required timeframe. The main reason for the lateness in conducting the noted complaint investigations was that of a continuing staffing shortage in the Bellwood Regional Office. Over the past year, we have hired 10 nurses but loss an additional 4 well trained nurses out of the Bellwood Office, for a net gain of 6 nurses. It is important to note that a new nurse is not able to do surveys on their own for a period of 6-9 months. This is due to the training curve for surveyors and required federal training courses. We will continue to use out of Region staff and overtime to complete complaints in the areas of the State where timeframes for complaints are an issue.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: US Department of Education (USDE)

Program Name: Title I Grants to Local Educational Agencies

CFDA # and Program Expenditures: 84.010 ($547,751,000)

Award Numbers: SA010A050013/ SA010A060013/SA010A070013

Questioned Costs: None

Finding 08-54 *Failure to Sanction Non-Comparable Local Education Agency (LEA) and Inadequate Documentation for Determining Comparability*

ISBE does not take adequate measures to sanction a LEA that did not meet the comparability of services requirement under the Title I Grants to Local Education Agencies (Title I) program.

LEAs must provide educational services for schools receiving Title I funds that are comparable (equal) to those that are not receiving Title I funds within the same school district ("comparability of services"). Based on information provided from a USDE audit and procedures performed during our audit in 2006, we noted one LEA which was not in compliance with comparability of services requirement. Specifically, this LEA appears to have had 16 schools receiving Title I funds that were providing educational services (based on both a teacher to pupil ratio and expenditure to pupil ratio) that are less than schools not receiving Title I funds. As of June 30, 2008, ISBE is still awaiting a response from ED on their program determination on the Inspector General's 2006 comparability finding relating to the LEA. Our current year audit for 2008 noted that ISBE worked with the LEA to adjust state and local funding to non-comparable schools within the LEA to ensure comparability for the year ended June 30, 2008.

Furthermore, the USDE performed a review of ISBE's administration of the Title I program during fiscal year 2008, in which they reported that ISBE had not ensured that its LEAs have properly calculated comparability ratios. Specifically, one LEA did not include Title I schools identified as special education, special, alternative, performance or new charter schools in its comparability calculations as is required by federal regulations. This LEA also included improper salary information in the calculation.

Finally, during our testwork of 40 LEAs for comparability in 2008, we noted two LEAs that did not properly complete all of the required comparability forms, and ISBE did not ask them to correct the missing documentation.

Section 1120A(c), of the Elementary and Secondary Education Act states that a subrecipient may receive funds under this part only if state and local funds will be used in schools served under this part to provide services that, taken as a whole, are at least comparable to services in schools that are not receiving funds under this part. Each subrecipient must maintain records that are updated biennially, documenting compliance with the comparability requirement. The State Educational Agency is ultimately responsible for ensuring that all subrecipients remain in compliance with the comparability requirement. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure that the subrecipients

are effectively monitored in order to ensure they are compliant with the comparability of services requirement.

In discussing these conditions with ISBE officials, they state that this issue was first raised in the U.S. Department of Education (USDE) Office of the Inspector General Report on Comparability issued June 7, 2007. This report states that; "Determinations of corrective action to be taken, including the recovery of funds, will be made by the appropriate Department of Education officials, in accordance with the General Education Provisions Act." ISBE must wait to receive the ED determination of corrective action before the Agency can sanction the LEA. The Agency continues to work with the LEA cited in the USDE monitoring report to ensure their comparability compliance. For the two LEAs identified as not properly completing their comparability forms, both district's forms allowed ISBE to determine that they met comparability requirements. It would not be efficient to require the LEAs to submit another form when the portion that was not completed provided no information pertinent to the comparability calculation.

Failure to ensure that LEAs remain in compliance with the comparability of services requirement may result in: 1) an inequitable education for students attending schools receiving Title I funds and 2) unallowable costs. (Finding Code 08-54, 07-52, 06-51)

Recommendation:

We recommend ISBE implement procedures to appropriately monitor and sanction LEAs not meeting the comparability of services requirement.

ISBE Response:

The Agency concurs that the LEA was not comparable and that ISBE did not sanction the LEA. The Agency is awaiting the determination by the USDE Office of Elementary and Secondary Education of the appropriate corrective action to sanction the LEA. Upon receipt of this determination, the Agency will implement the corrective action. ISBE continues to work with the one LEA cited in the USDE monitoring report to ensure their comparability calculation is in compliance with regulations. Regarding the two LEAs identified as not properly completing their comparability forms, ISBE was able to determine these LEAs met comparability requirements based on their submitted forms. It was not considered efficient to require the LEAs to submit additional forms when the portion that was not completed provided no information pertinent to the comparability calculation. Instructions for comparability form completion will be revised for fiscal year 2010.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: US Department of Education (USDE)

Program Name: Title I Grants to Local Educational Agencies
Special Education Cluster
Career and Technical Education – Basic Grants to States
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants

CFDA # and Program Expenditures: 84.010 ($547,751,000)
84.027 / 84.173 ($488,402,000)
84.048 ($44,315,000)
84.287 ($39,613,000)
84.357 ($31,809,000)
84.367 ($104,284,000)

Award Numbers:
(CFDA Number)
S010A050013/ S010A060013/ S010A070013 (84.010)
H027A050072/ H027A060072/ H027A070072 (84.027)
H173A050101/ H173A060101/ H173A070101 (84.173)
V048A050013/ V048A060013/ V048A070013 (84.048)
S287C050013/ S287C060013/ S287C070013 (84.287)
S357A050014/ S357A060014/ S357A070014 (84.357)
S367A050012/ S367A060012/ S367A070012 (84.367)

Questioned Costs: None

Finding 08-55 *Inadequate On-Site Fiscal Monitoring of Subrecipients*

ISBE is not adequately performing on-site fiscal monitoring reviews of subrecipients of the Title I Grants to Local Educational Agencies, Special Education Cluster, Career and Technical Education – Basic Grants to States, Twenty-First Century Community Learning Centers, Reading First State Grants, and Improving Teacher Quality State Grants programs (collectively referred to as the Education programs).

ISBE selects subrecipients of the Education programs to perform on-site fiscal and administrative monitoring procedures using a risk based approach. Specifically, ISBE places each subrecipient receiving funding into a risk level (low, medium, and high) category that dictates the year (annual, every 2 years, and every 3 years) in which ISBE would perform on-site fiscal and administrative monitoring procedures. These risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity.

During our audit procedures, we selected a sample of 30 subrecipients from each of the Education programs and noted the following number of subrecipients that were selected for an on-site fiscal and administrative review based on the criteria above for which an actual review was not performed:

Program	**Number of Subrecipients Scheduled, but not Reviewed**
Title I Grants to Local Education Agencies	15
Special Education Cluster	16
Career and Technical Education – Basic Grants to States	28
Twenty-First Century Community Learning Centers	19
Reading First State Grants State Grants	16
Improving Teacher Quality State Grants	13

Additionally, we noted in both the Special Education Cluster and the Twenty-first Century Community Learning Centers programs, one subrecipient included in our procedures was not included in subrecipient monitoring cycles established by ISBE. Therefore, it appears that ISBE does not have an adequate process for ensuring that all subrecipients are properly evaluated for monitoring purposes.

Finally, we noted the monitoring tools used by ISBE for on-site reviews of subrecipients do not include any procedures designed to ensure 1) compliance with providing access to federal funding for new or significantly expanded charter schools, and 2) accuracy of information reported by the LEAs that is used by ISBE in the calculation of adequate yearly progress in order to properly identify LEAs and schools in need of improvement.

According to OMB Circular A-133 .400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In discussing these conditions with ISBE officials, they stated that when the initial three-year monitoring plan was established, External Assurance had a staff of approximately 30 personnel. Less than 15 External Assurance staff was available to perform fiscal year 2008 monitoring. This reduction in staffing levels prevented the entire monitoring plan from being accomplished for fiscal year 2008. The monitoring instrument was modified for the fiscal year 2009 cycle to include charter school review, after the auditors cited this deficiency in Spring 2008, too late to modify the instrument for the 2008 monitoring cycle.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-55, 07-53)

Recommendation:

We recommend ISBE evaluate the current staffing of the External Assurance Department to ensure resources are allocated to perform this function. We also recommend ISBE re-evaluate its selection method for determining which subrecipients to perform on-site reviews to ensure that all subrecipients are properly considered when developing the monitoring plan. Finally, ISBE review and update its monitoring instruments to ensure they include procedures for all direct and material compliance requirements.

ISBE Response:

The Agency agrees that not all scheduled on-site monitoring visits in the fiscal year 2008 monitoring plan occurred. The Agency is working to fill External Assurance vacancies and is seeking additional staff for the External Assurance monitoring function. External Assurance developed a new multi-year monitoring schedule for the monitoring cycle beginning in fiscal year 2009. The cycle for monitoring coverage of subrecipients was extended to five years to allow the plan to be completed with limited staffing levels. The fiscal year 2009 monitoring plan prioritizes high-risk districts that were included in the fiscal year 2008 monitoring schedule but not completed. The monitoring instrument was modified for the fiscal year 2009 cycle to include charter school review, after the auditors cited this deficiency in Spring 2008, too late to modify the instrument for the 2008 monitoring cycle.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: US Department of Education (USDE)

Program Name: Title I Grants to Local Educational Agencies
Improving Teacher Quality State Grants

CFDA # and Program Expenditures: 84.010 ($547,751,000)
84.367 ($104,284,000)

Award Numbers: S010A050013/ S010A060013/ S010A070013 (84.010)
(CFDA Number) S367A050012/ S367A060012/ S367A070012 (84.367)

Questioned Costs: None

Finding 08-56 *Inadequate On-Site Programmatic Monitoring of Subrecipients*

ISBE is not adequately performing on-site programmatic monitoring reviews of subrecipients of the Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants programs.

On-site programmatic reviews for subrecipients of the Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants programs are performed by the External Assurance Department of ISBE in conjunction with the fiscal and administrative reviews. ISBE selects subrecipients in these programs to perform on-site monitoring using a method which combines elements of both cyclical and risk based approaches. This approach is designed to result in all subrecipients being reviewed on an annual, every 2 year or every 3 year cycle, and all programs being reviewed at least once every six years.

Specifically, ISBE places each subrecipient receiving funding into a risk level (low, medium, and high) category that dictates the year (annual, every 2 year, and every 3 year) in which ISBE would perform on-site monitoring procedures. These risk assessments are based on the funding level received by the entity, the financial status, the improvement status, any past audit findings, and the type of entity.

Additionally, ISBE officials stated that risk assessments for each program are performed based on the nature of the program (i.e. certain programs are considered higher risk), prior A-133 Findings, and information received from internal and external sources. Based on this analysis, each program is placed into a risk level category (low, medium, and high) that dictates the year (annual, every 3 year, every 6 year) in which ISBE would perform on-site monitoring procedures over the specific program.

During our audit, we selected a sample of 30 subrecipients for both Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants and noted the following number of subrecipients that were selected for an on-site fiscal and administrative review based on the criteria above for which an actual review was not performed:

Program	**Total Number of Subrecipients Schedule, but not Reviewed**
Title I Grants to Local Educational Agencies	15
Improving Teacher Quality State Grants	13

Additionally, the USDE performed a review of ISBE's administration of the Title I Grants to Local Education Agencies and Improving Teacher Quality State Grants programs. During this review, USDE identified several instances of noncompliance with program regulations at the subrecipient level, which have been attributed to deficiencies in ISBE's monitoring procedures for subrecipients of these programs. These instances of non-compliance at the subrecipient level were noted in the following areas:

- parental involvement,
- parental notification of school choice
- the provision of supplemental educational services
- the administration of schoolwide programs,
- compliance with earmarking requirements relating to choice-related transportation and parental involvement at private schools,
- services for private school children,
- compliance with supplement not supplant requirements, and
- the use of non-highly qualified teachers.

According to OMB Circular A-133 .400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In discussing these conditions with ISBE officials, they stated that when the initial three-year monitoring plan was established, External Assurance had a staff of approximately 30 personnel. Less than 15 External Assurance staff was available to perform fiscal year 2008 monitoring. This reduction in staffing levels prevented the entire monitoring plan from being accomplished for fiscal year 2008.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-56, 07-54)

Recommendation:

We recommend ISBE evaluate the current staffing of the external assurance department to ensure resources are allocated to perform this function. We also recommend ISBE update its monitoring instruments (programs) to ensure that the subrecipients' compliance with certain program requirements is properly monitored and documented.

ISBE Response:

The Agency agrees that not all scheduled on-site monitoring visits in the fiscal year 2008 monitoring plan occurred. The Agency is working to fill External Assurance vacancies and is seeking additional staff for the External Assurance monitoring function. External Assurance developed a new multi-year monitoring schedule for the monitoring cycle beginning in fiscal year 2009. The cycle for monitoring coverage of subrecipients was extended to five years to allow the plan to be completed with limited staffing levels. The fiscal year 2009 monitoring plan prioritizes high-risk districts that were included in the fiscal year 2008 monitoring schedule but not completed.

The Agency notes that compensating controls are provided through the No Child Left Behind consolidated grant application process. The consolidated application is set up to ensure subrecipients are compliant with program requirements for Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants.

State Agency: Illinois State Board of Education (ISBE)

Federal Agency: US Department of Education (USDE)

Program Name: Special Education Cluster

CFDA # and Program Expenditures: 84.027/84.173 ($488,402,000)

Award Numbers: H027A050072/ H027A060072/ H027A070072 (84.027)
(CFDA Number) H173A050101/ H173A060101/ H173A070101 (84.173)

Questioned Costs: None

Finding 08-57 *Inadequate Monitoring of Maintenance of Effort Requirement*

ISBE is not properly monitoring the maintenance of effort (MOE) requirement for the Special Education Cluster.

As a condition of receiving federal funds under the Special Education Cluster, the State is required to maintain a level of "qualified" state funded expenditures for special education and related services for children with disabilities that is equal to or greater than the prior year. During a review of the Special Education Cluster performed by the USDE Office of Inspector General in July 2008, it was determined that ISBE was using budgetary amounts (appropriations) rather than actual expenditures when monitoring its compliance with the MOE requirement (i.e. comparing fiscal year 2007 appropriations to fiscal year 2008 appropriations). ISBE subsequently recalculated the MOE requirements based on actual expenditures for both fiscal years 2007 and 2008 which demonstrated the State was in compliance with the MOE requirement for the year ended June 30, 2008.

According to 34 CFR 300.163(a), the State must not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure that the calculation of the maintenance of effort requirements is accurate. Effective internal controls should include procedures to properly monitor compliance with MOE requirements based on actual expenditures.

In discussing these conditions with ISBE officials, they stated that this issue was first raised by the U.S. Department of Education Office of the Inspector General auditors during their review of the Special Education Cluster that started July 2008. The U.S. Department of Education provides limited guidance on the meaning of "State Financial Support" in terms of 34 CFR 300.163(a) for making the determination that a State has met Special Education Maintenance of Effort requirement. The federal auditors acknowledged that State financial support is subject to interpretation and they checked with their Regional Office to ensure their interpretation was correct. ISBE understands the expenditure basis cited by the USDE Office of the Inspector General auditors and immediately recalculated State-level MOE based on their finding. ISBE met the State-level Maintenance of Effort requirement under both interpretations.

Failure to properly monitor the MOE requirement may result in claiming expenditures that are inconsistent with the objectives of the federal programs and the State not meeting the Special Education Cluster MOE requirement. (Finding Code 08-57)

Recommendation:

We recommend ISBE establish procedures to monitor the MOE requirement based on actual expenditures.

ISBE Response:

The Agency does not agree that it did not adequately monitor the State-level Maintenance of Effort requirement. The issue in this finding is with the interpretation of the meaning of "State financial support" in determining whether Maintenance of Effort requirements, for which the USDE provides very limited guidance, are met. It is reasonable that the starting point for monitoring the Maintenance of Effort requirement would be properly based on appropriation figures. Based on discussions with the USDE Office of Inspector General auditors, ISBE will utilize the auditors' interpretation in making a final determination on meeting the Maintenance of Effort requirement, utilizing expenditure figures. The Agency notes that it met the MOE requirements utilizing both appropriation and expenditure figures.

Auditors' Comment:

As stated in the finding above, ISBE was improperly using budgetary amounts instead of actual amounts when monitoring it compliance with the Maintenance of Effort (MOE) requirement. The MOE requirement must be measured using actual expenditures.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: US Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($44,315,000)

Award Numbers: V048A050013/ V048A060013/ V048A070013

Questioned Costs: None

Finding 08-58 *Failure to Perform On-Site Fiscal Monitoring of Subrecipients*

ICCB did not perform on-site fiscal monitoring reviews of subrecipients receiving federal awards under the Career and Technical Education – Basic Grants to States (Perkins IV) program.

The Illinois State Board of Education provided ICCB with an interagency grant of $17,322,086 to establish Career and Technical Education programs at community colleges throughout the State of Illinois.

ICCB selects subrecipients of the Career and Technical Education Program to perform on-site monitoring reviews using a five year cycle, established in 2005. However, we noted ICCB did not perform any on-site reviews during the year ended June 30, 2008.

Total federal awards passed through to subrecipients of the Career and Technical Education program was $16,997,965 during the year ended June 30, 2008.

In accordance with CFR Title 34, Subpart C, Section 80.40, grantees are responsible for managing the day-to-day operations of the grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program function or activity.

In discussing these conditions with ICCB officials, they stated that all of the planned subrecipients that were scheduled to be reviewed in 2008 for fiscal on-site reviews, were moved to 2009 due to agency reorganization and the resulting staff adjustments and timing difficulties.

Failure to adequately monitor subrecipients could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 08-58)

Recommendation:

We recommend ICCB perform on-site monitoring of its subrecipients in accordance with its established monitoring plan.

ICCB Response:

The ICCB underwent an agency reorganization during the fall of 2007 at which time the staff assigned to conduct on-site fiscal and administrative monitoring activities was reassigned to other agency duties. A new staff person was hired on August 1, 2008, and that will allow the agency to resume on-site fiscal and administrative monitoring activities. The ICCB staff have developed, as demonstrated in its prior fiscal year fiscal monitoring activities, a monitoring process (and instrument) and will resume its monitoring to ensure that all subrecipients are monitored during the 2006-2010 five year visit schedule.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: US Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($44,315,000)

Award Numbers: V048A050013/ V048A060013/ V048A070013

Questioned Costs: None

Finding 08-59 *Inadequate Documentation of Monitoring of Subrecipient OMB Circular A-133 Audit Reports*

ICCB is not adequately reviewing OMB Circular A-133 audit reports that are required to be received from subrecipients of the Career and Technical Education – Basic Grants to States (post-secondary education) program.

ICCB receives OMB Circular A-133 audit reports from subrecipients who expend $500,000 or more of federal awards in their fiscal year. ICCB reviews these reports to assess whether or not there are violations of program requirements (findings). As part of this review process, ICCB completes a checklist, which primarily consists of questions related to whether or not the subrecipient audit report discloses any audit findings However, no documentation exists to support that:

- ICCB performs a thorough "desk review" of the report to determine whether the audits were performed in accordance with OMB Circular A-133.
- The federal funds reported in the schedule of expenditures of federal awards reconciles to funding notifications.
- ICCB program grants that are Type A programs (as defined by OMB Circular A-133) are being audited at least every three years.

Total federal awards passed through to subrecipients of the Career and Technical Education program was $16,997,965 during the year ended June 30, 2008.

According to OMB Circular A-133 §____.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that project goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is required to 1) ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, 2)issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the app-through entity shall take appropriate action using sanctions. According to 34 CFR Sections 80.40 and 80.42, ICCB is required to have an effective internal control structure in place to ensure proper monitoring of subrecipients.

In discussing these conditions with ICCB officials, they stated they have an A-133 checklist but will update it to include the additional items.

Failure to adequately obtain, review, and perform follow-up procedures on subrecipient OMB Circular A-133 audit reports could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement.(Finding code 08-59, 07-56, 06-54)

Recommendation:

We recommend ICCB:

- Update its checklist to include additional criteria to ensure that a sufficient review is performed over the reports,
- Establish a process for updating the subrecipients files with the results of the findings follow-up review, and
- Require its subrecipients to certify that less than $500,000 was expended in total federal awards if an OMB A-133 audit report is not submitted.

ICCB Response:

The ICCB has updated its A-133 checklist to reflect the recommendations of the auditors. We have asked all providers not subject to A-133 to submit information regarding expenditures.

State Agency: Illinois Community College Board (ICCB)

Federal Agency: US Department of Education (USDE)

Program Name: Career and Technical Education – Basic Grants to States

CFDA # and Program Expenditures: 84.048 ($44,315,000)

Award Numbers: V048A050013/ V048A060013/ V048A070013

Questioned Costs: None

Finding 08-60 *Inadequate Cash Management Procedures for Subrecipients*

ICCB does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Career and Technical Education – Basic Grants to States program.

ICCB passes through federal funding to community colleges (subrecipients) throughout the State to establish career and technical education programs. A payment schedule, (i.e. monthly or quarterly, or upon request), is established by the subrecipients and ICCB during the grant application and budgeting process. ICCB makes payments to the subrecipients based upon the established payment schedule. During our testwork, we noted ICCB is not monitoring the cash position of the subrecipients throughout the year to ensure that the subrecipients do not have excess federal cash on-hand at the time of each payment.

Total federal awards passed through to subrecipients of the Career and Technical Education program was $16,997,965 during the year ended June 30, 2008.

When funds are provided in advance of expenditure, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the US Treasury and disbursement. Specifically, 34 CFR 80.37 requires that pass-through entities monitor cash advances to subrecipients to ensure those advances are for immediate cash needs only. Based on discussions with Federal agencies, we have interpreted "immediate cash needs" as 30 days or less of advance funding. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include analysis of the subrecipient's cash position prior to advancing program funds.

In discussing these conditions with ICCB officials, they stated the payment schedule was adequate but will review the process.

Failure to monitor the cash position of subrecipients could result in advances in excess of 30 days cash needs and in additional costs of financing for the US Treasury. (Finding Code 08-60)

Recommendation:

We recommend ICCB establish procedures to monitor the cash position of subrecipients. These procedures should be designed to ensure subrecipients receive no more than 30 days of funding on an advance basis.

ICCB Response:

The ICCB is developing a cash management system which will ensure subrecipients receive no more than 30 days of funding on an advance basis. The ICCB anticipates the system being implemented with the Fiscal Year 2010 grant funds.

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: US Department of Education (USDE)

Program Name: Federal Family Education Loans

CFDA # and Program Expenditures: 84.032 ($222,123,000)

Award Numbers: None

Questioned Costs: None

Finding 08-61 *Untimely Deposits into the Federal Fund*

ISAC does not deposit the federal share of borrower payments into the federal fund within the required 48 hours.

ISAC receives payments on defaulted loans directly from borrowers and indirectly through outside collection agencies. Borrower payments received by outside collection attorneys are generally remitted to ISAC bi-weekly which extends the period between receipts of the borrower payments (received from outside collection agencies) and deposited into the federal fund. During our testwork over 30 borrower payments, we noted 3 instances where borrower payments were not deposited into the federal fund within the required 48 hours. The delays were approximately 1 to 20 days. ISAC is aware of the delay, and, as a result, calculates interest on funds remitted outside of the 48 hour requirement. During the year ended June 30, 2008, ISAC transferred approximately $14,000 from the operating fund to the federal fund as interest payments on untimely remittances.

In accordance with 34 CFR section 682.419(b)(6)), the guaranty agency is required to deposit into its Federal Fund all funds received on loans on which a claim has been paid, including default collections, within 48 hours of receipt of those funds, minus any portion that the agency is authorized to deposit into the Operating Fund. Forty-eight hours means two business days. "Receipt of Funds" means actual receipt of funds by the guaranty agency or its agent, whichever is earlier.

In discussing these conditions with ISAC officials, they stated that delays in receipt of borrower payments from outside legal collection agencies were the reason for non-compliance with the 48-hour rule.

Failure to make deposits into the federal fund within the required time frame could result in lost interest earnings to the federal fund. (Finding Code 08-61, 07-59, 06-58, 05-71)

Recommendation:

We recommend ISAC establish procedures to ensure borrower payments from outside collection attorneys are received on a timely basis.

ISAC Response:

ISAC has thoroughly evaluated its deposit process and is working with the outside legal collection agencies to reduce processing time for remitting collections into the Federal Fund. In addition, ISAC continues to transfer

interest on a monthly basis for those deposits that fall outside the 48-hour deposit period into the Federal Fund.

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: US Department of Education (USDE)

Program Name: Federal Family Education Loans

CFDA # and Program Expenditures: 84.032 ($222,123,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 08-62 *Inadequate Process for Assignment of Defaulted Loans*

ISAC does not have an adequate process to ensure all defaulted loans that meet the requirements specified in 34 CFR 682.409 are assigned to the USDE.

ISAC is required to assign all defaulted loans that meet certain criteria as described below as of April 15th of each year to the USDE. During our audit of the Federal Family Education Loan Program, we noted there were approximately 6,353 defaulted loans that meet these criteria as of May 23, 2008 that should have been assigned to the USDE but were not. Management indicated it was their practice to only assign approximately 10,000 loans per year.

According to 34 CFR 682.409(a)(1), unless the Secretary notifies an agency, in writing, that other loans must be assigned to the Secretary, an agency must assign any loan that meets all of the following criteria as of April 15 of each year:

i. The unpaid principal balance is at least $100.
ii. For each of the two fiscal years following the fiscal year in which these regulations are effective, the loan, and any other loans held by the agency for that borrower, have been held by the agency for at least four years; for any subsequent fiscal year such loan must have been held by the agency for at least five years.
iii. A payment has not been received on the loan in the last year.
iv. A judgment has not been entered on the loan against the borrower.

In discussing these conditions with ISAC officials, they state that while offering no dispute relative to the interpretation of the regulation in question, the Department of Education has consistently indicated their satisfaction with ISAC's process of subrogating loans. Further, understandable time, effort and personnel limitations have prevented the immediate subrogation of all loans which might be eligible for such treatment.

Failure to assign loans to the USDE results in ISAC's noncompliance with federal regulations. (Finding Code 08-62, 07- 60, 06-59, 05-72, 04-54)

Recommendation:

We recommend ISAC assign all defaulted loans to the USDE that meet the criteria contained in 34 CFR 682.409 or obtain a written waiver which specified the number and criteria for assignment of loans to the USDE.

ISAC Response:

ISAC continues to monitor loans eligible for assignment and is seeking to assign all defaulted loans meeting the criteria stated in the Department of Education regulations. ISAC has completed the task of assigning the 10,000 loans in 2007. During 2008, ISAC was monitoring and assigning accounts to the Department of Education to comply with requirements. On May 1, 2008 the Department of Education placed a moratorium on the assignment of accounts to them. This moratorium is still in effect.

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: US Department of Education (USDE)

Program Name: Federal Family Education Loans

CFDA # and Program Expenditures: 84.032 ($ 222,123,000)

Award Numbers: None

Questioned Costs: $51,666

Finding 08-63 *Inaccurate Guaranty Agency Annual Financial Reporting*

ISAC did not accurately report the amount of federal consolidation loans cancelled as of September 30, 2007 in the Guaranty Agency Annual Financial Report (Form 2000).

ISAC is required to submit loan-level detail data to the NSLDS (National Student Loan Data System). This information is reported on the Forms 2000 report in the following four categories – Loans Guaranteed (except consolidation), All Loans Cancelled, (except consolidation), Federal Consolidation Loans Guaranteed, and Federal Consolidation, all loans cancelled on the Annual Forms 2000 report. During our testwork over 30 federal consolidation cancellation loans selected from the NSLDS extract, we noted two instances in which the cancellation amounts included in the Forms 2000 report did not agree to the guaranty loan subsidiary ledger (guaranty system), resulting in an understatement of Federal Consolidated Loans Cancelled category of approximately $27,000. As a result of these findings, ISAC reviewed the query used to calculate the Federal consolidation loans cancelled noting an error in the query. Based on an adjusted query, ISAC determined the amount of federal consolidation loans cancelled as reported on the September 30, 2007 Forms 2000 report was understated by $974,000. Additionally, as this information is used to calculate the account maintenance fee earned by ISAC for the year ended September 30, 2007, this understatement resulted in a potential overpayment of the account maintenance fees of approximately $51,666.

According to 34 CFR Section 682.414(b), a guaranty agency shall accurately complete and submit to the Secretary a report concerning the status of the agency's reserve fund and the operation of the agency's loan guarantee program at the time and in the manner that the Secretary may reasonably require. The Secretary does not pay the agency any funds, the amounts of which are determined by reference to data in the report, until a complete and accurate report is received. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure that the information included in reports to the USDE is accurate and is supported by underlying information at the Agency.

In discussing these conditions with ISAC officials, they stated the variances identified for federal consolidation loans were related to a query used for Form 2000 reporting process. The query erroneously calculated the cancellation of federal consolidation by subtracting the total disbursement amount from the original guarantee amount.

Failure to accurately report loan information to the USDE could result in an incorrect calculation of fees earned by ISAC. (Finding Code 08-63)

Recommendation:

We recommend ISAC review its policies and procedures in order to ensure that there are appropriate processes in place to ensure that the Forms 2000 report is accurate.

ISAC Response:

ISAC has corrected the error in the loan cancellation logic being applied to loans in National Student Loan Data System (NSLDS) processing. The correction was implemented for ISAC's October 2008 month end submission to NSLDS.

ISAC agrees that a reconciliation of NSLDS data and the Forms 2000 report is a useful practice to ensure reporting accuracy. Procedures are in place to review the Annual Reasonability report provided by the USDE.

The Annual Reasonability report provides ISAC the ability to compare loan level data in NSLDS to the summary level data reported on the Forms 2000 report for select attributes. The report is a gauge to identify areas where there may be reporting issues on either the NSLDS or Forms 2000 reporting sides or in some cases both.

State Agency: Illinois Student Assistance Commission (ISAC)

Federal Agency: US Department of Education (USDE)

Program Name: Federal Family Education Loans

CFDA # and Program Expenditures: 84.032 ($222,123,000)

Award Numbers: None

Questioned Costs: Cannot be determined

Finding 08-64 *Inadequate Process to Verify Unreported Loans*

ISAC does not have an adequate process to verify unreported loans.

ISAC maintains loan level information in its guaranty loan subsidiary ledger (guaranty system) for all loans guaranteed by ISAC through the Federal Family Education Loans program. This information is reported to the National Student Loan Data System (NSLDS). The information in the guaranty system is updated by lenders primarily through an electronic lender manifest (update file) submitted to ISAC on a quarterly basis.

In addition to lender manifests, ISAC has additional processes in place to identify and adjust the guaranty system records for loans with no activity reported from lenders. The first process is the "presumed paid" process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have been in repayment status for twelve years, and that have not been updated through any lender reporting in the past four years. These criteria are consistent with criteria established by the USDE for identifying loans that have been presumed paid. The status of these loans is then changed from repayment to paid in full, and reported as such to the National Student Loans Data Service (NSLDS).

The second process is called the "unreported loans" process. Through this process, ISAC runs a semi-annual report that identifies loans in the guaranty system that have not been updated through the lender manifest reporting process during the previous 180 days. Any loans included on this listing are sent to the lenders with instructions to review the loan information and update as appropriate in the next lender manifest. However, ISAC has limited means to follow-up with the lenders to verify that the lenders have made the appropriate changes. The primary mechanism available to ISAC is the bi-annual compliance reviews of the lenders performed by ISAC personnel, in which the status of the unreported loans list is noted.

During our testwork over the accuracy of the loan information included in the guaranty system, we selected a sample of 100 student loans to confirm the accuracy of the loan information with the lender and noted the following exceptions:

- For one loan, we were unable to obtain confirmation of any of the loan information. Upon further review, it was determined both the original guaranty agency and lender have gone out of business, and the borrower social security number (SSN) information in ISAC's guaranty system is a "dummy" (assigned) SSN established by ISAC when the loan was originally transferred to ISAC (because the actual SSN could not be determined). Additionally, there has been no activity reported on the loan since 1988. This loan should have been identified by ISAC as a "presumed paid" loan and excluded from ISAC's balance

of loans in repayment status. It was subsequently determined that ISAC was improperly excluding loans with invalid information, such as a social security number, from the semi-annual report to identify loans that have been presumed to be paid. ISAC officials subsequently ran a modified report to identify all loans that met the presumed paid criteria and identified approximately 740 loans totaling $2.0 million that should no longer be reported as loans in repayment status.

- For two loans in our sample, the lender indicated the loans had been paid in full through consolidation in July 2004 and July 2006, respectively. Upon further review, the loan information had not been updated by the lenders since May 15, 2004 and August 19, 2006, respectively. We noted that both of these loans were included in November 2007 and May 2008 "unreported loans" report provided to lenders. However, no follow up was performed to ISAC to determine whether the lenders properly investigated the status of these loans.

In accordance with 34 CFR Section 682.404(a)(4) and (b)(4)((ii)(G)(3) and (c), a guaranty agency shall accurately complete and submit to the Secretary Form 2000 report as the Secretary uses the ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year.

In discussing these conditions with ISAC officials, they state when the presumed paid logic was first developed it did not take into consideration the NSLDS requirement to report assigned/"dummy" SSNs in a specific format. Therefore, the presumed paid logic was not applied to these loans with assigned SSNs. In discussing the unreported loans process with ISAC officials, they state that there is not a federal requirement for lenders to respond to the unreported loans report. The industry standard requests that lenders review the loans on the report and make the necessary corrections to ensure that those unreported loans are included in the lender's next monthly lender manifest submission.

An inadequate process to verify loan information in the guaranty system could result in inaccurate reporting to the NSLDS (Finding Code 08-64)

Recommendation:

We recommend ISAC review its process to ensure that loan information is properly verified and reported to the NSLDS.

ISAC Response:

Presumed Paid Process - ISAC agrees that loans with assigned/"dummy" SSNs should not be excluded from the presumed paid process. Staff have responded to this omission in the presumed paid logic. Correct logic is being testing and will be implemented in May 2009 to include loans with assigned/'dummy' SSNs in this process.

Unreported Loans Process - Regarding follow up with lenders as to their updating of unreported loans, it is important to note that ISAC's Compliance staff includes the unreported loans report as part of regularly scheduled lender reviews.

In addition, because ISAC recognizes the importance of obtaining accurate and timely data from its lenders, a new procedure is being implemented in May 2009 to work with lenders on their unreported loans. This new procedure is described below.

Unreported Loans Follow Up

Beginning with the May 2009 Unreported Loans cycle, Lender Services will make follow up contact with lenders to determine their progress on resolving reporting issues for loans sent to them on the NSLDS Lender Manifest Report of Unreported Loans.

- 60-days following the distribution of the report - e-mail sent to remind lenders/servicers to make the necessary corrections and report loans on their Lender Manifest submission.
- 120-days following the distribution of the report - spot check loan updates and lender manifest submission for loans on the report. Phone call to lenders with little or no progress. Provide assistance where applicable.
- 150 days or 30 days prior to next Unreported loan report - e-message to make sure reporting loans and that issues for loans on the last report were resolved as a new Unreported report is upcoming.
- Specific agenda item for Lender Manifest -Unreported Loans on all Loan Partner Conference Calls.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: Cannot be determined

Finding 08-65 *Failure to Obtain Refusal to Work Certifications*

IDES does not obtain continuing certifications that claimants have not refused suitable work offers throughout the eligibility period prior to the payment of benefits under the Unemployment Insurance (UI) Program.

The UI program administered by IDES provides benefits to eligible individuals that are unemployed and able and available to work. The structure of the Federal-State UI Program partnership is based upon Federal law; however it is implemented through State law, specifically in Chapter 820, Act 405 of the Illinois Compiled Statutes (ILCS). IDES has also developed a comprehensive policies and procedures manual available on their intranet to all employees to allow for the consistent and proper administration of the UI program. According to these policies and procedures, a claimant is required to complete an application for benefits which includes, among other things, an initial certification that the claimant has not refused any suitable work offers. Additionally, a claimant must certify his or her continuing eligibility status on a weekly basis prior to receiving UI benefits using IDES' telephone application, Teleserve. The certification (via Teleserve) requires the claimant to answer questions certifying their eligibility for the period benefits will be received, including whether the claimant was able and available for work and whether the claimant actively sought work during the certification period. However, the claimant is not required to certify whether he or she refused any suitable work offers. Accordingly, IDES does not have adequate procedures to determine on a continuing (prospective) basis whether claimants have refused suitable work offers during the period for which benefits are received.

OMB Circular A-87, cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain eligibility criteria.

According to 820 ILCS 405/603, an individual shall be ineligible for benefits if he has failed, without good cause, either to apply for available, suitable work when so directed by the employment office or Director, or to accept suitable work when offered him by the employment office or an employing unit.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure all eligibility certifications are made on a continuing basis throughout the period for which benefits are paid.

In discussing these conditions with IDES officials, they stated claimants were previously required to certify that they had not refused suitable work through Teleserve on a weekly basis; however, the refusal to work certification was removed eleven years ago due to a perceived confusion from the claimants in answering the question.

Failure to obtain adequate certifications supporting the claimants' eligibility status could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 08-65)

Recommendation:

We recommend IDES implement procedures to ensure adequate eligibility certifications are obtained from all claimants on a continuing basis throughout the period for which benefits are paid.

IDES Response:

We agree. The script for the Teleserve Interactive Voice Response System will be expanded to include the refusal of work question. The new script will be implemented when IBIS goes live; the internet certification will also include the refusal of work question.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-66 *Failure to Issue Eligibility Determinations within Prescribed Timeframes*

IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

UI eligibility determinations are made during the initial intake of the claim and are monitored throughout the benefit payment period. If the claimant does not meet certain eligibility criteria either during the initial intake of the claim or throughout the benefit payment period, or if an employer disagrees with the initial eligibility determination, an issue is identified in the system and the claim appears on a pending adjudication report. The claim is then assigned to a claims adjudicator for resolution. The pending adjudication report monitors the number of days the claim has been outstanding since the initial detection date, which is the date on which IDES detected an issue on the claim which could affect past, present, or future benefit rights.

During our test work we conducted unannounced site visits to three local offices and requested the most recent pending adjudication report as of the date of our visit. We noted a significant backlog in the resolution status of claims in the adjudication process. Specifically, we noted a total of 244 claims at the three local offices were outstanding for time periods ranging from 21 to 367 days as of the date of our visits.

Additionally, during our review of the fiscal year 2009 State Quality Service Plan (Plan) submitted by IDES to the USDOL, we noted IDES did not meet the acceptable level of performance for issuing eligibility determinations on certain disqualifying issues as defined by the USDOL (non-monetary issues) for the federal fiscal year 2008, resolving only 70.3% of these determinations within 21 days of the detection date.

According to 20 CFR Part 640.3, state laws are required to include provisions for such methods of administration as will reasonably insure the full payment of unemployment benefits for eligible claimants with the greatest promptness that is administratively feasible. According to the Unemployment Insurance Program Letter No. 14-05, Attachment C, issued by the Employment and Training Administration Advisor System of the USDOL, 80% of non-monetary determinations must be made by state workforce agencies within 21 days of the detection date.

In discussing these conditions with IDES officials, they stated the time lapse has been a problem for several years when IDES lost adjudication expertise to the early retirement incentive. The under funding of the UI program in recent years has worsened the situation by preventing Illinois from fully re-staffing those vacancies.

Failure to issue eligibility determinations within prescribed timeframes could result in the improper payment or withholding of unemployment compensation. (Finding Code 08-66)

Recommendation:

We recommend IDES implement procedures to ensure all eligibility determinations are made within the prescribed timeframes.

IDES Response:

We agree that the percentage of non-monetary determinations issued within 21 days of the issue detection date is below federal standards. The increased workload has created a backlog. IDES has hired more staff, tried clustering the adjudication sites, hired 75-day staff, and pulled staff from other areas of the Department to address the backlog. We continue to tweak the corrective action plan in the State Quality Service Plan in an attempt to eliminate the backlog.

We monitor backlog on a weekly basis; backlog reduction meetings are held periodically to share best practices on the elimination of the backlog.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225($2,183,718,000)

Award Numbers: 08-A220-TGEU-4123-5TW01-000

Questioned Costs: Cannot be determined

Finding 08-67 *Inaccurate Benefit Payment Calculations*

IDES did not accurately calculate benefit payments for the Alternative Trade Adjustment Assistance (ATAA) grant administered under the Unemployment Insurance Program.

The ATAA grant is available to a subset of beneficiaries who were eligible for benefits under the Trade Readjustment Assistance (TRA) grant, which is also administered under the Unemployment Insurance Program. The objective of the TRA grant is to provide benefit payments to assist individuals who become unemployed or underemployed as a result of increased imports or a shift of production to Mexico or Canada to return to suitable employment. The objective of the ATAA grant is to provide workers 50 years of age or older with the option of receiving a temporary wage subsidy upon prompt reemployment at lower pay than their previous adversely affected employment as an alternative to other TRA benefits. The ATAA wage subsidy must be evaluated on a monthly basis to determine whether the subsidy should be adjusted to accommodate pay changes resulting from changes in employment or shift differentials. Total expenditures for the ATAA program were $810,200 for the year ended June 30, 2008.

During the period June 16-23, 2008, the U.S. Department of Labor – Employment and Training Administration (ETA) conducted a review of the Trade Adjustment Assistance (TAA), ATAA, and TRA Grants. The reviewers examined 61 participant files, interviewed state office staff, and analyzed documents related to performance, policies, types of services provided, training contracts, and expenditures. The reviewers also matched the participant files to documents and files supporting the eligibility determinations and payments. The final audit report indicated in six cases the ATAA benefit calculations were not accurate and were not re-verified monthly based upon actual paychecks. Paychecks reflecting a change in employment status or incorporating shift differentials were not considered in the calculations, and in some instances payments were not made on at least a monthly basis.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure be accurately calculated and paid in accordance with Federal guidelines.

USDOL Training and Employment Guidance Letter (TEGL) 2-03 requires the ATAA benefit calculation to be repeated if, as a result of the monthly verification exercise, the claimant's hourly wage and/or hours are determined to have changed in such a way as to affect the ATAA wage subsidy. TEGL 2-03 also requires the benefits to be paid on a weekly, biweekly, or other payment frequency not to exceed monthly.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure benefit payments are accurately calculated and paid in accordance with Federal guidelines.

In discussing these conditions with IDES officials, they stated during the period reviewed, a manual system was used to calculate payments.

Failure to accurately calculate and pay benefits could result in unallowable costs. (Finding Code 08-67)

Recommendation:

We recommend IDES implement procedures to ensure the ATAA benefit payments are properly calculated and paid on at least a monthly basis.

IDES Response:

The administration of the ATAA program was moved to the Springfield office. Formal procedures are under development to reflect the new automated system that has been put in place to ensure proper payments.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-68 *Incomplete Documentation in Client Eligibility Files*

IDES did not maintain complete documentation supporting client eligibility determinations made for the Unemployment Insurance program.

The Unemployment Insurance (UI) program administered by IDES provides benefits to eligible individuals that are unemployed and able and available to work. The structure of the Federal-State UI Program partnership is based upon Federal law; however it is implemented through State law, specifically the Illinois Unemployment Insurance Act (the Act)(820 ILCS 405). IDES has also developed a comprehensive policies and procedures manual available on their intranet to all employees to allow for the consistent and proper administration of the UI program. During our test work of the UI program, we selected 60 beneficiary payments to review for compliance with eligibility requirements and for the allowability of the related benefits, and noted the following exceptions:

- In one case, the claimant's application contained insufficient documentation to determine if the claimant had dependents and provided over half the support, however the benefit payment included a dependent allowance. After identification of this during our audit, IDES was able to subsequently contact this individual to verify that they had a dependent.
- In two cases, the UI application could not be located. The claimants had been filing transitional claims electronically for seven years. Transitional claims are allowed to be filed under the Illinois Unemployment Act by the claimant electronically for an indefinite number of years after the initial UI application is processed if the claimant meets certain criteria. Generally, transitional claims are filed by seasonal employees who collect unemployment benefits from the same employer during the off season when work is not available. IDES' records retention policies allow applications to be purged after seven years even if the claimant is still receiving benefits. In each case, we were able to verify each of the eligibility criteria through information in the electronic files.
- In nine cases, the claimant was not registered on the Illinois Skills Match system. In each of these cases, we were able to determine the individuals were actively seeking employment through the weekly certifications made to IDES.
- In one case, the claimant did not indicate on the application whether any suitable work offers had been refused since the claimant had been laid off.

Additionally, we noted that copies of claimant identification (e.g. driver's license and social security card) were maintained at certain locations, but not others.

OMB Circular A-87, cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement

contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure must be adequately documented.

According to 820 ILCS 405/401-C, with respect to any benefit year beginning on or after January 4, 2004 and before January 6, 2008, an individual with a dependent child or dependent children to whom benefits are payable with respect to any week shall, in addition to those benefits, be paid 17.2% of his or her prior average weekly wage, provided that the total amount payable to the individual with respect to a week shall not exceed 65.2% of the statewide average weekly wage.

According to 820 ILCS 405/500-C, to be eligible for benefits, an unemployed individual must be able and available for work, provided that during the period in question he was actively seeking work and has certified such. IDES has established policies and procedures that describe actively seeking work as registering with the Illinois Skills Match Program, reporting at an employment office when requested in accordance with the regulations, and certifying during the period that he/she has been actively seeking work.

According to 820 ILCS 405/603, an individual shall be ineligible for benefits if he has failed, without good cause, either to apply for available, suitable work when so directed by the employment office or Director, or to accept suitable work when offered him by the employment office or an employing unit.

According to 820 ILCS 405/700, claims for benefits shall be made in accordance with such regulations as the Director may prescribe. IDES has established policies and procedures that require each claimant to complete an application for benefits and present valid identification during the intake process. The claim processor is required to initial the application, certifying that the identification was sighted.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure eligibility determinations are adequately documented and supported.

In discussing these conditions with IDES, they stated the errors in completing the applications were oversights and claimants are advised to register in the Skills Match System, but do not always do so. Applications are retained in accordance with the agency's record retention policy..

Failure to maintain complete supporting documentation for eligibility determinations could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 08-68, 07-62, 06-61)

Recommendation:

We recommend IDES reinforce procedures to ensure all eligibility determination documentation is complete and properly maintained.

IDES Response:

We agree. IDES will reinforce with both the Regional UI Program Managers and the Region Managers that documents must be completed and properly maintained.

The agency's Plan of Service will continue to require Local Office Managers to review applications for completeness and to provide corrective action plans for individuals who do not adequately complete the application forms.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-69 *Inadequate Documentation of Eligibility Reviews Performed by the Benefits Accuracy Measurement Unit*

IDES did not maintain adequate documentation to support conclusions of eligibility reviews performed by the Benefits Accuracy Measurement (BAM) unit for the Unemployment Insurance (UI) program.

IDES is required to operate a BAM Program to assess the accuracy of UI benefit payments and denied claims. Specifically, IDES' BAM unit selects a weekly sample of payments and denied claims and performs procedures to determine whether claims were properly paid or denied. These procedures include reviewing the records and contacting the claimant, employers, and third parties to verify all of the information pertinent to the paid or denied claim that was sampled. For claims that were potentially overpaid, underpaid, or erroneously denied, the BAM unit investigator determines the amount of payment error or cause of and the responsibility for any payment error, the point in the UI claims process at which the error was detected, and actions taken by IDES and employer prior to the payment that is in error. During the year ended June 30, 2008, IDES' BAM unit reviewed a sample of 957 claims out of a total of 753,698 claims.

During our testwork over the BAM program, we selected 50 claims reviewed during the year and noted the following:

- One investigation summary document did not contain the case worker's signature.
- One file for a claimant deemed to have been improperly paid UI benefits did not include a copy of the claimant's identification.
- Four files for claimants deemed to have been properly paid UI benefits did not include a copy of the claimant's identification.
- Four files for claimants deemed to have been properly paid UI benefits did not include evidence supporting the dependency allowance paid.

According to 20 CFR 602.11, IDES is required to operate a Benefits Accuracy Measurement program to assess the accuracy of UI benefit payments and denied claims. Chapter VII of the Benefits Accuracy Measurement State Operations Handbook includes written procedures that must be followed during the BAM program investigations. Specifically, section two requires that each case file must contain, at a minimum, a copy of all agency documents from the claimant's original file in addition to any documents pertaining to the BAM investigation that were utilized. These documents include but are not limited to the claimant questionnaire, the key week certification form, a copy of the claimant's identification, the authorization to release information form, the signed statement on fact finding issues, the work search verification – employer form, and the verification of dependents form.

In discussing these conditions with IDES officials they stated that attempts are made to obtain documentation from the claimant, but they don't always respond. In addition, the BAM unit has a number of new staff.

Failure to adequately document the eligibility reviews performed by the BAM unit could result in improper conclusions on the eligibility of individuals receiving UI benefits and an inaccurate benefit accuracy rate being reported to the USDOL. (Finding Code. 08-69)

Recommendation

We recommend IDES implement procedures to ensure all required documentation is retained in the BAM unit case files.

IDES Response

We agree. All BAM staff will be retrained on the documentation requirements for Paid and Denied Claims.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-70 *Inadequate Documentation of Policies and Procedures, Resolution of Exceptions, and Supervisory Review of the Claim Exception and Monitoring Reports*

IDES has not adequately documented policies and procedures to work all claim exception and monitoring reports. Additionally, the local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports, and the reports did not always indicate that a supervisory review had been performed.

The IDES Central Office generates several system (exception and monitoring) reports to facilitate proper benefit payment that are utilized at the local office level and monitored by local office and/or regional office management. Per federal program emphasis, several of the common reports reviewed locally are designed to report claims with unresolved issues that are preventing payment, as a tool to ensure payments to eligible individuals are made timely. These reports include the following:

- SSN Verification From SSA - At the end of each work day, the Social Security Numbers (SSNs) for all new claims are extracted for submission to the Social Security Administration (SSA) for verification. All SSNs that are returned to IDES as invalid are written to a report that is sorted by local office.
- Sensitive Changes Report - The Sensitive Changes Report includes name, address and SSN changes, claim and claimant information deletions and TeleServe PIN resets. Management reviews the report to ensure that proper supporting documentation is available, where applicable, and to monitor for any unusual activity that may require further follow-up. The report also includes the terminal ID where the changes were made to facilitate tracking.
- Immigration Record Check For Unemployment – This is a daily listing of claimants who are not US citizens and was created to allow for follow-up to ensure non-citizens were registered with the federal Verification Information System (VIS).
- Combined Application Error Report – All daily claim applications appear on this report. Regional offices have the ability to request the report for any of their local offices as needed. Each transaction is reviewed to confirm that it was accepted; any rejected transactions require follow-up.
- File Maintenance Error Report and Rejected Transaction Report – All daily rejected transactions, other than applications and certifications, appear on one of these two reports. The File Maintenance Error Report lists only rejections and warning messages from system generated transactions and local office adjudication data entries. Regional offices have the ability to request both reports for any of their local offices as needed. Each transaction is reviewed to determine if corrective action is needed. If corrective action is taken, documentation of the action is required by annotating the report with the type and dates of the action. The corrected error reports are periodically reviewed by the local office supervisor.
- Media Transfer Report – All claimants must file for benefits at the local office responsible for the area in which the claimant lives. Often times a claimant will go to a different local office, thus the claim will be taken and transferred to the correct local office. All claims transferred in and out of each local office are listed on this report, and each office is responsible for verifying that all files that should be transferred in have been received.

- Daily Rejected Report – All eligibility determination rejections, as well as who made the determination and why the rejection was made. The report is reviewed for reasonableness.
- All Transactions Report – All activity that happened the previous day, including claims entered, payments processed, etc. This report is reviewed for reasonableness.
- Claims Application Error Report – All claims that were potentially paid in error based upon certain edits within the system. All claims on this report require follow-up.
- Internet Claim Deletions Report – All internet claims that were deleted from the system. The report includes information such as when the claim was set up, by whom, the eligibility determination made, and when the claim was deleted. Other than this report, there is no other documented history retained of internet claims after their deletion from the system.
- First Certification Report – All claimants certifying for the first time. All first certifications must be reviewed for eligibility.
- Certification Summary Report – All claimants certifying through the TeleServe system are included on this report. This report is reviewed for reasonableness.
- Pending Adjudication Report – All claims that are in the adjudication process and the number of days the claim has been in the process. This report is used to track the resolution of the protested claims to ensure they are resolved within 21 days.

During our test work we noted policies and procedures had not been established for the Media Transfer Report, the All Transactions Report, the Claims Application Error Report, the Internet Claims Deletion Report, the First Certification Report, and the Pending Adjudication Report. Additionally, IDES only retains claim exception and monitoring reports (except for the sensitive changes report) for a period of three months after the end of the quarter.

We conducted unannounced site visits to three local offices and requested the above claim exception and monitoring reports for the most recent date that had been reviewed by the local office staff. From each report, we reviewed exceptions to determine whether they had been properly resolved. We noted that resolution of exceptions and supervisory review was not consistently documented.

The A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure adequate timely follow up and documentation of review of claim exception reports.

In discussing these conditions with IDES officials, they not all reports and/or items on reports require resolution and supervisory review; therefore, formal procedures have not been established for all reports. _

Failure to adequately follow up and document resolution of claim exception and monitoring reports could result in the payment of UI benefits to ineligible claimants, which are unallowable costs. (Finding Code 08-70, 07-63, 06-62, 05-88)

Recommendation:

We recommend IDES formalize policies and procedures for applicable claim exception and monitoring reports, clearly complete and document the resolution of each claim in a timely manner on the exception and monitoring report (including supervisory review), and retain the reports as considered necessary to comply with federal audit requirements. IDES should also consider automating the claim exception and monitoring edit reports into the Benefits Information System in future years to facilitate a more efficient and effective process for claims exception resolution documentation

IDES Response:

IDES has reviewed and revised their procedures. Not all reports and/or items on each report require resolution. Not all reports and/or items on reports require supervisory review. We will discuss at the next UI Program Managers' meeting to ensure that all required reports and items are properly reviewed by the Local Office Manager or his/her designee.

The reports are hardcopy and we do not have adequate space to maintain and secure the reports for more than three months. Once the required items are resolved, it is not necessary internally to retain the reports any longer. With the implementation of IBIS and real time processing, fewer reports will be necessary and most will be electronic.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Employment Services Cluster
Unemployment Insurance Program

CFDA # and Program Expenditures: 17.207/17.801/17.804 ($36,717,000)
17.225 ($2,183,718,000)

Award Numbers: ES148620555/ES156930655/ES162620755 (17.207/17.801/17.804)
(CFDA Number) UI144320555/UI151190655/UI157960755/UI67440855 (17.225)

Questioned Costs: $4,945

Finding 08-71 *Inadequate Procedures over Effort Reports*

IDES did not have adequate procedures in place to ensure effort (time) reports are signed by employees.

During our testwork of 60 payroll expenditures charged to the Employment Services Cluster (ES) and Unemployment Insurance (UI) programs, we noted three effort reports were not signed by the employee. Payroll charged to the ES and UI programs related to these effort reports was $4,185 and $760, respectively. Total payroll charged to the ES and UI programs was $18,079,000 and $90,873,000, respectively, during the year ended June 30, 2008. Payroll expenditures selected for our testwork from the ES and UI programs was $109,176 and $131,840, respectively.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each personnel activity report or equivalent documentation must be signed by the employee. Additionally, the A-102 Common Rule requires non-federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure employees sign and certify their time on the effort reports.

In discussing these conditions with IDES officials, they stated one local office was using outdated policies and procedures when completing the effort reports.

Inadequate documentation and certification of actual payroll expenditures incurred may result in federal funds being expended for unallowable purposes. (Finding Code 08-71)

Recommendation:

We recommend IDES reinforce procedures to ensure all effort reports are properly signed and certified by the employees.

IDES Response:

We agree. The two individuals in question did sign daily on the Time and Attendance Reports which document the hours worked daily; however, they failed to sign the individual Time Distribution and Attendance Reports (Effort Reports). The employees have now signed the reports. Cost Center Managers will be reminded of the importance of ensuring that employees sign/certify the Time Distribution and Attendance Reports.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Employment Services Cluster

CFDA # and Program Expenditures: 17.207/17.801/17.804 ($36,717,000)

Award Numbers: ES148620555/ES156930655/ES162620755

Questioned Costs: None

Finding 08-72 *Improper Calculation of Earmarking Requirement*

IDES did not properly calculate the earmarking requirement applicable to the Employment Services (ES) program.

IDES is required to expend ten percent (earmarking requirement) of the Wagner Peyser Act (the Act) allotment (CFDA No. 17.207) to provide certain specified services in accordance with the Act, including performance incentives for public employment service offices and programs, services for groups with special needs, and the extra costs of exemplary models for delivering services of the types described in subsection (a) of the Act. IDES monitors this earmarking requirement by establishing a budgetary reserve in the system, which tracks actual expenditures compared to the budgetary reserve. During our testwork of the grant award beginning October 1, 2007, we noted IDES improperly calculated the budgetary reserve (earmarking requirement) as $2,907,353, which was $56,241 less than the required amount of $2,963,594. As of the date of our testwork, actual expenditures for the required specified services exceeded the ten percent earmarking requirement and, accordingly, IDES appeared to be in compliance with the earmarking requirement.

According to 29 USC 49f(b), ten percent of the sums allotted to each state shall be reserved to provide services and activities including: (1) performance incentives for public employment service offices and programs, consistent with performance standards established by the Secretary, taking into account direct or indirect placements (including those resulting from self-directed job search or group job search activities assisted by such offices or programs), wages on entered employment retention, and other appropriate factors; (2) services for groups with special needs, carried out pursuant to joint agreements between the employment service and appropriate local workforce investment boards and chief elected official or officials or other public agencies or private nonprofit organizations; and (3) the extra costs of exemplary models for delivering services of the types described in subsection (a) of the Act. Additionally, the A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

In discussing these conditions with IDES, they stated the agency received a grant modification that included additional funding for the program to cover postage costs which have historically been paid directly by USDOL. The earmarking requirement was calculated shortly after receipt of the initial grant award and did not include the additional funds subsequently awarded for the program.

Failure to accurately calculate the earmarking requirement could result in expenditures claimed that are inconsistent with the objectives of the federal programs and the State not meeting the Employment Services earmarking requirement. (Finding Code 08-72)

Recommendation:

We recommend IDES establish procedures to ensure earmarking requirements are properly calculated based on total grant awards.

IDES Response:

We agree.

State Agency: Illinois Department of Employment Security (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI44320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-73 *Inaccurate ATAA Special Report*

IDES did not accurately report expenditures in the Alternative Trade Adjustment Activities (ATAA) Special Report.

The ATAA Special Report is required to be submitted on a quarterly basis to report key workload data used by the USDOL to measure program activities and to allocate program and administrative funds to the state agencies administering the Alternative Trade Adjustment Assistance grant under the Unemployment Insurance (UI) program.

During our review of the June 30, 2008 quarterly ATAA Special report, we noted IDES did not reconcile the total expenditures reported for the ATAA to the general ledger. We also noted that the ATAA special report was prepared and submitted by the same individual and was not sufficiently reviewed by a supervisor prior to submission. Upon our request, IDES reconciled the expenditure amounts to the general ledger for each quarter and noted the following variances:

Quarter Ended	Reported Expenditures	Actual Expenditures	Variance
September 30, 2007	$ 221,447	194,077	27,370
December 31, 2007	228,834	203,390	25,444
March 31, 2008	178,186	225,797	(47,611)
June 30, 2008	114,701	186,936	(72,235)

According to 20 CFR Part 617.61, a state agency shall furnish to the Secretary such information and reports and conduct such studies as the Secretary determines are necessary or appropriate for carrying out the purposes of the Trade Adjustment Assistance for Workers program. USDOL Training and Employment Guidance Letter No. 2-03 requires state workforce agencies to submit a report detailing quarterly activities regarding ATAA participation in their States. The A-102 Common Rule requires non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure reported expenditures are reconciled to the general ledger and the report is reviewed by an appropriate individual with knowledge of the reporting requirements.

In discussing these conditions with IDES officials, they stated during the audit period, a manual system was used to compile the report data.

Failure to accurately report information regarding ATAA participation in the State of Illinois prevents the USDOL from effectively monitoring the Alternative Trade Adjustment Assistance grant under the UI program. (Finding Code 08-73, 07-66)

Recommendation:

We recommend IDES review the process and procedures in place to prepare the ATAA Special Report to ensure expenditures are accurately reported and reconciled to the general ledger.

IDES Response:

We agree. IDES has established a procedure to ensure quarterly reconciliations are performed and the accurate submission of the ATAA Special Report. The report is reviewed and signed by the State UI Program Manager.

State Agency: Illinois Department of Employment Services (IDES)

Federal Agency: US Department of Labor (USDOL)

Program Name: Unemployment Insurance Program

CFDA # and Program Expenditures: 17.225 ($2,183,718,000)

Award Numbers: UI144320555/UI151190655/UI157960755/UI167440855

Questioned Costs: None

Finding 08-74 *Inadequate Documentation of Controls over Information Systems*

IDES does not have adequate documentation of access and program development controls over the information systems that support the Unemployment Insurance (UI) Program.

The information technology systems that support the UI Program include the following:

- The Benefit Information System (BIS)
- The Wage Information System (WIS)
- The Benefit Funding System (BFS)
- The Benefit Charging System (BCS)

The BIS is the centrally-maintained legacy system that embodies the requirements of the UI Act rules, policies and procedures applicable to the UI benefit payments. It interfaces with the WIS, which is the system that includes all of the employer wage data and remittance information for the payroll taxes. The BFS includes the employer setup information and the rate calculation process and the BCS is the system that charges the employment tax rates to the employer accounts.

Access to the information systems that support the UI Program is done through the mainframe system utilizing a security software system. The security software utilizes specific, individually-assigned identifiers which control/limit access to the systems that support the UI Program.

Requests for new system access or termination of access must be approved by the cost center manager through the use of the TSS-001 Form. The user IDs are automatically deleted once employment has terminated as each pay period a job is run which checks employee status against the personnel data base. When this job identifies employees who have terminated, the user ID for the individual is removed. Any modification of access must also be approved by the cost center manager through the use of the TSS-006 Form. It is the cost center manager's responsibility to determine the proper on-line access for each employee.

During our testwork over the access, program change and development, and computer operations controls of the mainframe system, we noted the following:

- The policy in place for terminating access rights was not consistently followed. Specifically, we selected 15 employees terminated during the year ended June 30, 2008 and noted that one employee who terminated employment still had active system access

- One retired individual still had active administrative access
- One administrator password account used to move changes into production is shared by two individuals
- Powerful system ID's and accounts (Super User ID's) were being used on a non-emergency basis to resolve transaction or application related problems that occurred during the regular day or night batch processing.
- Three individuals had inappropriate access to the computer resources room
- A data recovery test was not performed during the fiscal year ended June 30, 2008.
- Policies and procedures are not updated in a timely manner. Specifically, we noted the Program Development Methodology has not been updated since 1991.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management controls in place.

In discussing these conditions with IDES officials, they stated:

- Technical Services and Security (TSS) automatically revokes access as terminations appear in the Payroll system. Access rights may not be timely terminated if HRM does not update employee status in the payroll database and the employee's manager does not notify TSS of the termination.
- The administrative access was maintained for the employee cited in the test-work notes in anticipation of his returning as a 75-day employee within one month of his retirement.
- The shared ID had not been used in many years by other than the primary user and should have been changed to a non-shared status.
- TSS was unaware (until the audit finding) that at least one individual identified as having inappropriate access to the computer room had changed positions and, therefore, no longer required access.
- Staffing resources are often not available to follow the normal process for fixing data errors, particularly errors occurring when converting benefit transactions in the Benefit Information System (BIS) to benefit charges in the Benefit Charging System (BCS). The use of Super ID's is the most expeditious method for ensuring that benefit transactions are processed correctly in BIS. Correcting such errors is critical as benefit charges are a key component of employer tax rate calculations.
- The Department has decided not to conduct data recovery testing of the legacy benefit system until after cutover to a new benefit system.
- Until recently, no one was identified as being responsible for update of the Department's program development methodology procedures.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 08-74, 07-65, 06-68, 05-93)

Recommendation:

We recommend IDES ensure information system policies and procedures are adequately documented, updated, and consistently followed.

IDES Response:

We agree. We will complete our updating of program development methodology procedures. We will improve enforcement of facility and system access rights and will restrict the sharing of administrative passwords to non-routine/emergency situations. With respect to Super ID's, the Department will seek additional Information Services resources, subject to budget constraints, to correct non-emergency production problems without using Super ID's.

Data recovery testing is suspended pending conversion to a new benefit system (IBIS). Contingency Testing will resume once conversion is complete.

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: US Department of Housing and Urban Development (USHUD)

Program Name: Community Development Block Grant (CDBG)

CFDA # and Program Expenditures: 14.228 ($27,121,000)

Award Numbers: B-00-DC-17-0001/B-01-DC-17-0001/B-02-DC-17-0001/B-03-DC-17-0001
B-04-DC-17-0001/B-05-DC-17-0001/B-06-DC-17-0001/B-07-DC-17-0001

Questioned Costs: None

Finding 08-75 *Inaccurate Performance and Evaluation Report*

DCEO did not accurately report financial information in the Performance and Evaluation Report for the Community Development Block Grant (CDBG) Program.

DCEO is required to prepare the Performance and Evaluation Report (OMB No. 2506-0085) on an annual basis. This report includes a description of the use of funds, an assessment of the grantee's use for the priorities and objectives identified in the plan, and various financial status information. During our testwork of the Performance and Evaluation Report for the year ended December 31, 2007, we noted amounts included in the report did not agree (reconcile) to the general ledger and supporting schedules. The differences identified were as follows:

Grant Number B-07-DC-17-0001

Title	As Reported	Actual	Variance
Part 1. Financial Status:			
Section B - State Administration			
Administration	$ 775,124	755,174	(19,950)
Part 2. National Objectives:			
Section B - Amount Used To			
Benefit to Low/Moderate Income Persons	$ 22,469,069	22,485,569	16,500
Local Administration	1,280,221	1,263,721	(16,500)

Grant Number B-06-DC-17-0001

Title	As Reported	Actual	Variance
Part 1. Financial Status:			
Section D - Funds Activities			
Funds Re-Obligated	$ -	1,185,718	1,185,718

Grant Number B-02-DC-17-0001

Title	As Reported	Actual	Variance
Part 2. National Objectives:			
Section B - Amount Used To			
Benefit to Low/Moderate Income Persons	$ 35,151,473	35,777,883	626,410
Local Administration	2,661,407	2,034,997	(626,410)

Grant Number B-01-DC-17-0001

Title	As Reported	Actual	Variance
Part 2. National Objectives:			
Section B - Amount Used To			
Benefit to Low/Moderate Income Persons	$ 35,468,181	36,033,122	564,941
Local Administration	2,597,172	2,032,231	(564,941)

According to 24 CFR 91.520 (a) and 24 CFR 91.520 (c), each jurisdiction that has an approved consolidated plan shall annually review and report, in a form prescribed by HUD, on the progress it has made in carrying out its strategic plan and its action plan within 90 days after the close of the jurisdiction's program year. For CDBG recipients, the report shall include a description of the use of CDBG funds during the program year. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure amounts reported in required financial reports are accurate.

In discussing these conditions with DCEO officials, they stated although a corrective action plan was implemented as a result of the prior year audit, the plan was deficient in that it only required a review of financial elements provided from the DCEO Accounting system and did not address programmatic information. The review process has since been redesigned to include a full verification of the report by Accounting staff prior to filing by program staff.

Failure to accurately report amounts in the Performance and Evaluation Report prevents the USHUD from effectively monitoring the Community Development Block Grant Program. (Finding Code 08-75, 07-67)

Recommendation:

We recommend DCEO review the process and procedures in place to prepare the Performance and Evaluation Report to ensure amounts are reported correctly and are reconciled to the general ledger and supporting schedules.

DCEO Response:

The department agrees with the recommendation and has redesigned the review process to include all elements of the report by Accounting staff prior to official filing by program staff.

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: US Department of Labor (USDOL)

Program Name: Trade Adjustment Assistance Program

CFDA # and Program Expenditures: 17.245 ($10,399,000)

Award Numbers: TA-14377-05-55/TA-15300-06-55/TA-15896-07-55

Questioned Costs: Cannot be determined

Finding 08-76 *Failure to Properly Issue and Evaluate Training Waivers and Failure to Properly Calculate Job Search Allowance*

DCEO did not properly issue and evaluate training waivers and did not properly calculate the job search allowance for the Trade Adjustment Assistance (TAA) Program.

The purpose of the TAA and the North American Free Trade Agreement-TAA (NAFTA-TAA) programs are to assist individuals who become unemployed or underemployed as a result of increased imports or a shift of production to Mexico or Canada to return to suitable employment. The Trade Adjustment Assistance Reform Act of 2002 (TAA Reform Act) repealed the NAFTA-TAA program and created a reformed TAA program, which was implemented beginning November 4, 2002. The objective of the reformed TAA program is to assist individuals who become unemployed or underemployed as a direct or indirect result of increased imports or a shift in production to certain foreign countries to return to suitable employment. Workers certified under TAA or NAFTA-TAA petitions, filed prior to November 4, 2002, will continue to be served under the program regulations as they were in effect before November 4, 2002.

The reformed TAA program requires the State to serve as agents of the USDOL for administering the worker adjustment assistance benefit provisions of the TAA Act. Through the State's One Stop Career Centers and other local offices, the State must arrange for training for eligible program participants. In addition, eligible individuals may receive a job search allowance, a relocation allowance, and a transportation and/or subsistence allowance for the purpose of attending approved training outside the normal commuting distance of their regular place of residence.

The TAA program is administered in Illinois by DCEO through Local Workforce Investment Areas and other local providers. DCEO is responsible for written determinations concerning client eligibility for training or training waivers. DCEO utilizes their local workforce investment agencies to administer the program and document the eligibility determinations and training waivers in the Illinois Workforce Development System (IWDS).

During the period June 16-23, 2008, the U.S. Department of Labor – Employment and Training Administration (ETA) conducted a review of the Trade Adjustment Assistance (TAA), Alternative Trade Adjustment Assistance (ATAA), and Trade Readjustment Assistance (TRA) Programs. The reviewers examined 61 participant files, interviewed state office staff, and analyzed documents related to performance, policies, types of services provided, training contracts, and expenditures. The reviewers also matched the participant files to documents and files supporting the eligibility determinations and payments. The final audit report indicated the following:

- In four cases the waiver effective dates did not match the waiver issue dates. This indicated waiver forms were being signed without actually evaluating the claimant's current circumstances, and then were issued at a later date.
- In two cases, the waiver date in the system did not match the waiver date on the paper form.
- In one case, the waiver was effective for 12 months
- In three cases, the files did not indicate that a review of the conditions upon which the waiver was granted had taken place every 30 days
- In two cases, the job search allowance was calculated incorrectly. In one case, the cost of gas was reimbursed rather than using a mileage rate. In another case, the claimant was paid 90% of the cost of gas to travel to the location of the interview, rather than being paid at the appropriate mileage rate.

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that each expenditure be adequately documented.

Section 114(b) and 115(c) of the Trade Adjustment Reform Act of 2002 (Pub. L. No. 107-210) requires that workers must be enrolled in their approved training within eight weeks of the issuance of the certification or within 16 weeks of their most recent qualifying separation, whichever is later, unless this requirement is waived. In accordance with 20 CFR Section 617.11, to be eligible for weekly TRA payments, a worker must be enrolled in or have completed an approved job training program, unless a waiver from the training requirement has been issued after a determination is made that training is not feasible or appropriate. In accordance with 20 CFR Section 617.19 (3)(c), State agencies must have a procedure for reviewing regularly (i.e., every 30 days or less) all waivers issued under this section to individuals, to ascertain that the conditions upon which the waivers were granted continue to exist. DCEO has adopted a policy to review the waivers every 30 days. USDOL Training and Employment Guidance Letter (TEGL) 11-02 Section D_3 states that a waiver should not be issued for more than a six month period.

In accordance with 20 CFR 617.34(a), the amount of a job search allowance shall be 90 percent of the total costs of transportation and subsistence (if the participant is eligible for subsistence). For travel, the expenses reimbursed at 90 percent shall be the actual cost of roundtrip travel by the least expensive means of travel available, or the cost per mile at 90 percent of the prevailing mileage rate authorized by the Federal Travel Regulations. Such reimbursement is based on the mileage rate and not the cost of gas alone.

In discussing these conditions with DCEO officials, they reaffirmed that these issues were identified previously in the audit period during a federal review of the program. The deficiencies were caused by grantee(s) not adhering to established procedures and program requirements regarding client assistance.

Failure to properly issue and evaluate waivers and failure to properly calculate job search allowances could result in federal funds being awarded to ineligible beneficiaries and unallowable costs. (Finding Code 08-76)

Recommendation:

We recommend DCEO implement procedures to ensure waiver forms are properly issued and evaluated every 30 days. Additionally, we recommend DCEO implement procedures to ensure job search allowances are properly calculated.

DCEO Response:

The department agrees with the recommendation and will ensure adequate procedures are in place and the local workforce investment areas are trained and provided with technical assistance to ensure waivers are properly issued and evaluated and job search allowances are properly calculated.

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Federal Agency: US Department of Labor (USDOL)

Program Name: Workforce Investment Act Cluster

CFDA # and Program Expenditures: 17.258/17.259/17.260 ($144,845,000)

Award Numbers: AA-14673-05-55/AA-15477-06-55/AA-16026-07-55

Questioned Costs: None

Finding 08-77 *Inadequate Documentation of Supervisory Review and Untimely Communication of On-Site Monitoring Findings*

DCEO did not adequately document supervisory reviews of on-site monitoring procedures and did not communicate the resulting findings on a timely basis for the Workforce Investment Act Cluster (WIA) program.

DCEO passes through federal funding to 55 formula and discretionary grantees (subrecipients) throughout the State. Each of these agencies works with DCEO to develop an annual area plan detailing how funds will be used to meet the goals and objectives of the WIA program. DCEO has established policies and procedures for monitoring its subrecipients, which includes: performing fiscal and programmatic on-site reviews, reviewing periodic financial, programmatic, and single audit reports, and providing training and guidance to subrecipients as necessary.

During our testwork of 14 subrecipients of the WIA program with total expenditures of $83,000,000, we noted:

- Supervisory reviews of monitoring procedures were not documented for three fiscal and three programmatic on-site reviews.
- The findings and management recommendations for four fiscal and two programmatic on-site monitoring reviews were not communicated to the subrecipients as of the date of our testwork.
- The findings and management recommendations for three fiscal and two programmatic on-site monitoring reviews were not communicated to the subrecipients in a timely manner. The number of days elapsed between the exit conference and the communication of the findings ranged from 126 to 347 days.

Total awards passed through to subrecipients of the WIA program were approximately $134,309,000 during the year-ended June 30, 2008.

According to OMB Circular A-133 ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to

ensure on-site reviews are appropriately reviewed by DCEO personnel and findings are communicated to subrecipients on a timely basis.

In discussing these conditions with DCEO officials, they stated that the untimely communication of on-site monitoring findings was attributed to program staff vacancies during a critical period of time with increased program activity, funding and training participant levels. Monitoring staff witnessed an increased activity level as result of the overall downturn in the national and state economy as they attended more Rapid Response events (plant closings) during this period. In addition monitoring resources were also assigned to the program's annual DOL data validation efforts which required review of approximately 1,500 participant files during this time period. The implementation of the program's new automated monitoring system during this time period also impacted the timeliness of the monitoring and staff completing new procedures for data entry into the system for validation of supervisory review.

Failure to adequately perform supervisory reviews of on site monitoring procedures and to communicate the resulting findings may result in subrecipients not properly administering federal programs in accordance with laws, regulations, and grant agreements. (Finding Code 08-77)

Recommendation:

We recommend DCEO adequately document supervisory reviews and communicate findings and management recommendations for on-site reviews on a timely basis.

DCEO Response:

The department agrees with the recommendation and will review existing procedures and implement necessary changes to ensure program staff adequately documents supervisory reviews and communicates findings and management recommendations for on-site reviews on a timely basis. The department has also developed a plan to hire additional program staff to meet the requirements of the program and the additional funding provided by the American Recovery and Reinvestment Act of 2009.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($90,481,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-78 *Inadequate On-Site Monitoring of Subrecipients*

IDOT is not performing on-site reviews of subrecipients receiving federal awards for the Airport Improvement program and has not developed formal policies and procedures for on-site reviews.

IDOT passed through approximately $50,734,000 to 39 subrecipients of the Airport Improvement program during the year ended June 30, 2008. The majority of the subrecipient grants pertain to construction projects for airport improvement or noise abatement projects. As a pass though entity, IDOT monitors subrecipients of the Airport Improvement program primarily by reviewing grant applications, receiving periodic expenditure reports, reviewing invoices for noise abatement projects, and receiving OMB Circular A-133 Audit Reports. However, IDOT does not perform on-site reviews of its subrecipients.

According to OMB Circular A-133 ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is responsible for monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved.

In discussing this condition with IDOT officials, they state that although the Division of Aeronautics has always "informally" monitored local let projects, a verifiable procedure was not in place to document these reviews during fiscal year 2008.

Failure to adequately perform subrecipient monitoring procedures could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-78, 07-70, 06-71, 05-76)

Recommendation:

We recommend IDOT develop formal policies and procedures to perform periodic on-site reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations.

IDOT Response

The Department agrees with the recommendation. We have implemented a procedure, that documents on the Form AER 50 "*Local Let Project Tracking Worksheet and Documentation*" was utilized for all local let projects that began in fiscal year 2009. Although the Division has always "informally" monitored local let projects, a verifiable procedure is now in place.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)

Program Name: Highway Planning and Construction Program

CFDA # and Program Expenditures: 20.205 ($1,229,855,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-79 *Failure to Obtain Suspension and Debarment Certifications from Subrecipients*

IDOT did not obtain required certifications that subrecipients were not suspended or debarred from participation in Federal assistance programs for the Highway Planning and Construction Program.

During our review of 30 grant agreement notifications to subrecipients of the Highway Planning and Construction Program, we noted IDOT did not include a suspension and debarment certification in one of the grant agreements. As a result, IDOT did not receive a certification that this subrecipient of the Highway Planning and Construction Program was not suspended or debarred from participation in Federal assistance programs. Additionally, IDOT did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for its subrecipients. During the year ended June 30, 2008, IDOT passed through approximately $104,027,000 to approximately 290 subrecipients of the Highway Planning and Construction Program.

According to 49 CFR 18.35, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, ''Debarment and Suspension.'' The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with IDOT officials, they state that one division was using an outdated grant agreement that did not include the suspension and debarment certifications.

Failure to obtain the required certifications or perform verification procedures with the EPLS could result in the awarding of Federal funds to subrecipients that are suspended or debarred from participation in Federal assistance programs. (Finding Code 08-79)

Recommendation:

We recommend IDOT establish procedures to ensure grantees receiving individual awards for $25,000 or more certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance program.

IDOT Response:

We concur. We will establish and implement procedures to ensure compliance for individual awards over $25,000 or more are not suspended or debarred or otherwise excluded from participation in federal assistance programs.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)
US Department of Homeland Security (USDHS)

Program Name: Airport Improvement Program
Highway Planning and Construction Program
Homeland Security Cluster

CFDA # and Program Expenditures: 20.106 ($90,481,000)
20.205 ($1,229,855,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: Various (20.106)
(CFDA Number) Various (20.205)
2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/
2007-GE-T7-0022 (97.004/97.008/97.053/97.067/97.073/97.074)

Questioned Costs: None

Finding 08-80 *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

IDOT does not have an adequate process to review subrecipient OMB Circular A-133 reports on a timely basis.

IDOT passed through $104,027,259, $50,733,583, and $123,329 to subrecipients of the Highway Planning and Construction, Airport Improvement, and Homeland Security Cluster programs, respectively, during the year ended June 30, 2008. During our testwork, we selected 15 subrecipient monitoring files (fourteen from the Highway Planning and Construction program, four from the Airport Improvement program, and one that received funding from all three programs) and noted one subrecipient report was received on February 21, 2008 and had not been reviewed as of the date of our test work. In addition, the checklist used by IDOT to perform A-133 desk reviews does not address procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported by the subrecipient.

Per OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is required to monitor the activities of subrecipients to provide reasonable assurance that the subrecipients administer the federal awards in compliance with federal requirements, to ensure required audits are performed, to require the subrecipients to take prompt corrective action on any audit findings, and to evaluate the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations. Additionally, pass-through entities are required to issue a management decision on audit findings within 180 days after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all audit findings.

In discussing these conditions with IDOT officials, they state that with respect to the one report that was received in February of 2008 for which a review had yet to be issued, this report was purposely being held pending the completion of a site audit of the subrecipient. The Department is revising procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported by the subrecipient; however, the procedures were not fully implemented in the audit period.

Failure to review subrecipient OMB Circular A-133 audit reports in a timely manner could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations and the grant agreement. (Finding Code 08-80, 07-72, 06-72, 05-77, 04-62, 03-54, 02-48)

Recommendation:

We recommend IDOT implement procedures to ensure the OMB Circular A-133 audit reports are reviewed within sixty days of receipt. Additionally, we recommend IDOT implement procedures to ensure amounts reported by subrecipients in the schedule of expenditures of federal awards are reconciled to departmental records.

IDOT Response:

We concur. The Department will implement procedures to incorporate a process to reconcile the Department's cash payments with subrecipients' schedules of expenditures of federal awards. The checklist has also been revised to reflect procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported in the subrecipients' OMB Circular A-133 audit reports.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)
US Department of Homeland Security (USDHS)

Program Name: Airport Improvement Program
Highway Planning and Construction Program
Homeland Security Cluster

CFDA # and Program Expenditures: 20.106 ($90,481,000)
20.205 ($1,229,855,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: Various (20.106)
(CFDA Number) Various (20.205)
2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/
2007-GE-T7-0022 (97.004/97.008/97.053/97.067/97.073/97.074)

Questioned Costs: None

Finding 08-81 *Failure to Notify Subrecipients of Federal Funding*

IDOT did not provide required program information relative to federal funds passed through to the subrecipients of the Highway Planning and Construction, Airport Improvement, and Homeland Security Cluster programs for the year ended June 30, 2008.

During our testwork of 16 subrecipients who received $45,222,115 in Highway Planning and Construction program funds, 16 subrecipients who received $48,768,799 of the Airport Improvement program funds, and three subrecipients who received $123,329 in Homeland Security Cluster funds, we noted IDOT did not communicate the specific program or CFDA number under which federal funding had been provided in grant award documents or in funding notification letters sent to subrecipients. IDOT did not communicate the need for an audit in accordance with OMB Circular A-133 or program regulations for 13 of the 16 subrecipients tested who received funding from the Highway Planning and Construction program, for 7 of the 16 subrecipients tested who received funding from the Airport Improvement Program. Additionally, two subrecipients who received funding from the Homeland Security Cluster were not identified as subrecipients on the list used to track the receipt of the OMB Circular A-133 reports and as such, did not receive a letter from IDOT requesting the OMB Circular A-133 report. Subrecipient expenditures under the federal programs for the year ended June 30, 2008 were as follows:

Program	Total Fiscal Year 2008 Subrecipient Expenditures	Total Fiscal Year 2008 Program Expenditures	%
Airport Improvement Program	$50,734,000	$90,481,000	56.1%
Highway Planning and Construction Program	$110,573,000	$1,229,855,000	9.0%
Homeland Security Cluster	$123,000	$48,941,000	0.3%

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, and award year. The pass through entity is also required to advise subrecipients of requirements imposed on them by federal laws and regulations.

In discussing these conditions with IDOT officials, they state that corrective action had not been implemented as thoroughly as it should have been with regard to both new and already active project agreements.

Failure to inform subrecipients of federal award information could result in subrecipients improperly omitting expenditures from their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 08-81, 07-73, 06-74, 05-78, 04-63)

Recommendation:

We recommend IDOT review its current process for preparing subrecipient funding notifications to ensure all required information is properly communicated to its subrecipients.

IDOT Response:

We concur. The details of this repeated finding, as well as the corrective action and appropriate language to include in all active and new project agreements, has been shared with appropriate personnel in a department-wide memorandum issued on May 13, 2009. This memorandum revised and reiterated the corrective action requirements issued previously by the department. In addition, we will establish and implement monitoring procedures to ensure contracts comply with the memorandum.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: None

Finding 08-82 *Failure to Draw Funds Only for Immediate Cash Needs*

IDOT did not minimize the time elapsing between the draw down of federal funds from the U.S. Treasury and their disbursement for program purposes, and did not deposit the Homeland Security Cluster funds into an interest-bearing account.

During our review of 25 expenditures totaling $683,016 related to federal fiscal 2005 Homeland Security Cluster grants, we noted a warrant was not issued for one expenditure totaling $16,895 within 120 business days of receiving federal funds intended to finance the expenditure. Specifically, the warrant was issued 322 days after receiving the federal funds. Additionally, we noted that IDOT did not deposit the funds in an interest bearing account and did not track the interest earned on those funds. Total expenditures for the Homeland Security Cluster program administered by IDOT were $866,111 during the year ended June 30, 2008.

According to the OMB Circular A-133 Compliance Supplement dated March, 2008, grantees are permitted to draw down funds up to 120 days prior to expenditure/disbursement, but must place those funds in an interest-bearing account, and the interest earned must be submitted to the U.S. Treasury. Chapter III.B of the 2005 Homeland Security Program Guidelines and Application Kit (HSP Guidelines), Chapter V.C.3 of the 2006 HSP Guidelines, and Appendix B Section B of the 2007 HSP Guidelines applicable to the Homeland Security Cluster Grants state that funds received by both grantees and subgrantees must be placed in an interest-bearing account. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures in place to minimize the time elapsing between the receipt and disbursement of federal funds.

In discussing these conditions with IDOT officials, they stated that the prior year's audit corrective action plan including the funding procedures and separate appropriation account for Homeland Security funds were not implemented until July 2008. With regard to the $16,895 expenditure resulting in a lengthy delay in the issuance of the warrant, this event was due to an unfortunate issue with the vendor that needed to be resolved before payment could be processed.

Failure to draw and disburse federal funds in accordance with program regulations and failure to deposit federal advances in an interest-bearing account results in lost interest earnings due to the U.S. Treasury. (Finding Code 08-82, 07-75, 06-76)

Recommendation:

We recommend IDOT implement procedures to ensure cash drawn in advance is disbursed in accordance with program regulations, federal funds received are deposited in an interest-bearing account, and interest is calculated and remitted to the U.S. Treasury as required under the regulations.

IDOT Response:

We concur. We will also implement procedures to ensure the homeland security funds received in advance are deposited in an interest bearing account and will track the interest earned in accordance with the regulations.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)

Program Name: Airport Improvement Program

CFDA # and Program Expenditures: 20.106 ($90,481,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-83 *Inadequate Cash Management Procedures*

IDOT does not have procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement.

Annually, the State of Illinois negotiates the Treasury-State Agreement (TSA) with the US Department of the Treasury (the Treasury) which details the funding techniques to be used for the draw down of federal funds. The TSA specifies that IDOT draw funds for the Airport Improvement Program using the pre-issuance method, an advance funding technique. This method requires IDOT to request funds such that they are deposited in a state account not more than three days prior to the day the state makes a disbursement. During our review of 60 expenditures totaling approximately $36,856,165, we noted warrants were not issued for 13 expenditure vouchers totaling approximately $4,980,000 within three business days of receiving the federal funds intended to finance these expenditures. The number of days between receipt and the issuance of warrants ranged from four to 20 business days.

The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the cash draws are performed in accordance with the US Treasury Regulations.

In discussing this condition with Department officials, they state that the Office of the Comptroller requires IDOT to draw down the federal funds and have them available at the time the vouchers are presented to the Comptroller for processing and payment. In order to comply with the Treasury-State Agreement (TSA) requirement that IDOT draws funds for the Airport Improvement Program by using the pre-issuance method requiring the requested funds are deposited in a state account not more than three days prior to the day the state makes a disbursement, the Division of Aeronautics has adopted a procedural change to draw down the federal funds from ECHO/Delphi after confirmation with the Bureau of Business Services FOA system to determine that the schedule has been vouchered before processing a Letter of Credit draw down from ECHO/Delphi. This is the last step before the funds need to be available before dispersing the funds.

Failure to draw funds in accordance with the US Treasury Regulations could result in an interest liability to the Federal government. (Finding Code 08-83, 07-76)

Recommendation:

We recommend IDOT implement procedures to ensure cash draws are performed in accordance with US Treasury Regulations.

IDOT Response:

We concur. We will recalculate our clearance pattern for inclusion in the TSA agreement.

State Agency: Illinois Department of Transportation (IDOT)

Federal Agency: US Department of Transportation (USDOT)

Program Name: Airport Improvement Program
Highway Planning and Construction

CFDA # and Program Expenditures: 20.106 ($90,481,000)
20.205 ($1,229,855,000)

Award Numbers: Various

Questioned Costs: None

Finding 08-84 *Inadequate Controls over Information Systems*

IDOT does not have adequate access, change management, and computer operations controls over the key systems that support the IDOT Integrated Transportation Project Management system.

The information technology systems that support the IDOT Integrated Transportation Project Management system include the following:

- The Electronic Contract Management System (ECM)
- The Electronic Letting Management System (ELM)
- The Illinois Construction Records System (ICORS)
- The Bureau of Contract Management System (BCM)
- The Fiscal Operations and Administration System (FOA)
- The Federal Payment Control System (FPC)

The ECM and ELM systems are used during the initial letting stages of the construction contract. The ECM houses the estimates made for the projects and the ELM system stores the bids from the contractors. The ICORS system is used by the resident engineers to record the progress of each job for billing purposes, which is interfaced with the BCM system. The data from the BCM system is interfaced with the FOA system to generate the payment to the contractor, and is also interfaced with the FPC system to generate the federal billing.

Requests for new system access, modification of current system access, or termination of access are initiated by the bureau chief designated as the Security Software administrator via the "User Request Form." This form is forwarded to the system owner who must review and approve the form, which is then sent to the Bureau of Information Processing for action. The change management and program development requests are initiated using an "Action Request" form, and require approval from the manager of the requesting user. Application enhancements or maintenance require testing prior to migration into the production environment. Frequency of backup for the systems is documented in the Disaster Recovery Plan.

During our test work over the access, program change and development, and computer operations controls of the systems, we noted the following:

Plans, Policies and Procedures:

- The IDOT RACF Administration Guide was updated in 2008, however it is still in draft form.

Change Management Control:

- IDOT does not have a process in place to follow-up with CMS to review program changes requested by IDOT and migrated into production by CMS.

Access Control:

- Two of 25 terminated users tested still had active RACF IDs.
- Developers have access to move changes into production on the NOMAD platform, where the FPC system resides.

During our test work over access to specific applications, we obtained an overall list of users with access to the ELM, BCM, FOA and FPC systems and noted the following exceptions:

- Four users had access to the ELM system but did not have any job responsibilities related to the bidding process that would require such access.
- Twenty-one users had access to the BCM system, however it appears access may not be necessary as the IDs had not been used over an extended period of time, ranging from 10-18 months.
- Thirty-four users had access to the FOA system, however it appears access may not be necessary as the IDs had not been used over an extended period of time, ranging from 10-18 months.
- Three users tested had access to the FPC system but did not have any responsibilities related to the federal billing that would require such access. None of these users had accessed the FPC system during the audit period.

The A-102 Common Rule requires non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include ensuring the information systems associated with the administration of the federal programs are adequately secured and have proper change management and computer operations controls in place.

In discussing these conditions with IDOT officials, they state that IDOT has begun efforts to resolve the issues noted in the audit and implement improved RACF security measures to address the control items above.

Failure to adequately secure the information systems that are used to administer the federal programs could result in noncompliance with laws, regulations and the grant agreement. (Finding Code 08-84, 07-77, 06-81, 05-82)

Recommendation:

We recommend IDOT implement procedures to ensure all information systems are adequately secured.

IDOT Response:

The Department agrees with the finding.

The Department is working on enhancements to the RACF Security Manual and policies to verify separated employees access has been removed from the systems within a designated timeframe. The Department continues to work with CMS pursuant to Public Act 93-0839 in which CMS has assumed responsibility for the statewide Information Technology infrastructure. The Department continues to work with CMS on communication notifications related to program changes CMS implements into production.

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: Cannot be determined

Finding 08-85 *Failure to Deposit Funds in an Interest-Bearing Account*

IEMA did not deposit Homeland Security Cluster program funds received in advance of issuing warrants into an interest-bearing account.

During the year ended June 30, 2008, IEMA received approximately $37,066,000 in draws under the Homeland Security Cluster program that were not deposited into an interest bearing account. Additionally, IEMA did not calculate or remit any potential interest liability owed to the U.S. Treasury on funds received in advance of disbursement.

According to the OMB Circular A-133 Compliance Supplement dated March, 2008, grantees are permitted to draw down funds up to 120 days prior to expenditure/disbursement, but must place those funds in an interest-bearing account, and the interest earned must be submitted to the U.S. Treasury. Additionally, Chapter III.B of the 2005 Homeland Security Program Guidelines and Application Kit (HSP Guidelines), Chapter V.C.3 of the 2006 HSP Guidelines, and Appendix B, Section B, of the 2007 HSP Guidelines applicable to the Homeland Security Cluster Grants state that funds received by both grantees and subgrantees must be placed in an interest-bearing account.

In discussing these conditions with IEMA personnel, they stated that the Agency believed that the intent of program guidance requiring the deposits into interest bearing accounts was for cash advancements and not payments considered to be reimbursements. IEMA had followed its procedures of weekly drawdown of federal funds to ensure that minimum cash is on hand for immediate payment or within 72 hours.

Failure to deposit federal advances in an interest-bearing account results in lost interest earnings to the U.S. Treasury. (Finding Code 08-85)

Recommendation:

We recommend IEMA deposit all federal funds received in an interest-bearing account and calculate and remit interest owed to the U.S. Treasury.

IEMA Response:

Accepted. The Agency will pursue the establishment of an interest bearing account through legislation as required by state law.

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: None

Finding 08-86 *Failure to Obtain Suspension and Debarment Certifications from Vendors*

IEMA did not obtain required certifications that vendors were not suspended or debarred from participation in Federal assistance programs for the Homeland Security Grant program.

During our review of 30 vendors of the Homeland Security Grant program, we noted IEMA did not include a suspension and debarment certification in its vendor agreements. As a result, IEMA did not receive certifications that the vendors of the Homeland Security Grant program were not suspended or debarred from participation in Federal assistance programs. Additionally, IEMA did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for its vendors. During the year ended June 30, 2008, IEMA expended approximately $690,000 to vendors of the Homeland Security Grant program.

According to 44 CFR 17.200, grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, ''Debarment and Suspension.'' The A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure the required certifications for covered contracts and subawards are received, documented, and not made with a debarred or suspended party.

In discussing these conditions with IEMA officials, they stated they believed the suspension and debarment language included in the contract which referred to the Illinois Compiled Statutes was adequate.

Failure to obtain the required certifications or perform verification procedures with the EPLS could result in the payment of Federal funds to vendors that are suspended or debarred from participation in Federal assistance programs. (Finding Code. 08-86)

Recommendation:

We recommend IEMA establish procedures to ensure vendors certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance programs.

IEMA Response:

Accepted. The Agency has implemented procedures and now includes language to specifically refer to the federal law in all contracts that involve the use or disbursement of federal (Homeland Security) funds. The Agency is requiring its internal bureaus to more clearly indicate whether Federal funds are being used to procure goods and services. Further, Agency personnel may investigate via EPLS to verify whether a potential vendor is debarred or suspended from doing business with the Federal Government.

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: None

Finding 08-87 *Inadequate On-Site Monitoring of Subrecipients*

IEMA is not performing on-site reviews of subrecipients receiving federal awards under the Homeland Security Cluster.

The Illinois Terrorism Task Force (ITTF) within IEMA passes through Homeland Security program funding to various local governments to develop, maintain, and improve the responsiveness of Illinois local governments to terrorist acts. A significant portion of the grants made to these subrecipients was intended to fund the purchase of special equipment to be used in the event of terrorist attacks. ITTF monitors its subrecipients by reviewing equipment invoices, expenditure reports, equipment inventory reports , and receiving OMB Circular A-133 audit reports. However, during our audit we noted IEMA did not perform on-site equipment observations during the year ended June 30, 2008.

Total federal awards passed through to subrecipients of the Homeland Security Cluster were approximately $31,972,000 during the year ended June 30, 2008.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

In discussing these conditions with IEMA officials, they stated they had recently developed on-site subrecipient monitoring procedures, however those procedures had not been implemented during the fiscal year ended June 30, 2008.

Failure to adequately perform subrecipient monitoring procedures could result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-87)

Recommendation:

We recommend IEMA perform periodic on-site reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations.

IEMA Response:

Accepted. IEMA believes that a good subrecipient monitoring program has been established. We acknowledge that additional site visits could be conducted, and the ITTF has established a policy for conducting them as well as developing a reporting form for the visits. However, we also believe that subrecipients are monitored by a variety of alternate means that are in some ways more effective than site visits. These methods include deployment exercises to stage response equipment at a central location for review and inspection and hands-on validation exercises for the special teams created, equipped, and trained by ITTF.

Additionally, IEMA has a robust informal monitoring program where program managers and other staff remain in close contact with subgrantees through telephone and e-mail interactions in addition to monthly ITTF meetings and subgrantee policy board meetings. In 2008, a staff member was assigned to the Chicago area to act as a direct point of contact for the Non-Profit and Transit subgrantees and as a resource for Chicago and Cook County UASI. Finally, IEMA pays most grant funds on a reimbursable basis after the subrecipient submits a valid vendor invoice or documentation of administrative costs, minimizing the risk of funds being expended for unallowable purposes.

Neither OMB Circular A-133, or any guidance from the awarding agency specifies that on-site monitoring is mandatory. The Compliance Supplement to Circular A-133 suggests that the SAA can review financial and progress reports submitted by subrecipients or schedule site visits to review records and observe operations. In addition they can review sub recipient's Single Audit reports. The level of scrutiny and type of monitoring activities are based on the risk assigned to the subgrantee and the complexity of the individual grant's compliance requirements. We believe that our interaction with subgrantees already has reduced that risk.

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: None

Finding 08-88 *Inaccurate Federal Award Information Provided to Subrecipients*

IEMA did not provide accurate federal award information to the Illinois Department of Transportation (IDOT) resulting in an incorrect Catalog of Federal Domestic Assistance (CFDA) number being reported to subrecipients of the Homeland Security Cluster Program.

As the state agency responsible for administering the Homeland Security Cluster program, IEMA executed an interagency agreement with IDOT which documents various federal program requirements, including federal award information. During our review of the interagency agreement, we noted IEMA included the wrong CFDA number for one program (97.073 instead of 97.067). As a result, IDOT communicated the same incorrect CFDA number to three subrecipients for which it passed through approximately $123,000 under this program during the year ended June 30, 2008.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, and award year.

In discussing these conditions with IEMA officials, they stated that based on conflicting information from the federal government, they believe that the CFDA number that was included in the grant agreement with IDOT was correct at the time the grant was issued. The fiscal year 2005 grant guidance actually listed two CFDA numbers. One (97.067) was on Page 10 of the guidance as the umbrella CFDA number for the entire Homeland Security Grant Program (HSGP). However, Page 2 listed individual CFDA numbers for each of the separate grant programs that make up the HSGP, including the State Homeland Security Program (97.073), the specific program from which the IDOT grant was issued.

Like fiscal year 2005, fiscal year 2006 listed 97.067 as a general CFDA number, but it did not mention that the specific grant numbers, including the State Homeland Security Program, had been migrated under 97.067. Not knowing that, IEMA continued to use the number that had been specifically assigned to the State Homeland Security Program in an attempt to be as specific as possible

Failure to inform subrecipients of accurate federal award information could result in subrecipients improperly reporting expenditures in their schedule of expenditures of federal awards, expending federal funds for unallowable purposes, or not receiving a single audit in accordance with OMB Circular A-133. (Finding Code 08-88)

Recommendation:

We recommend IEMA review its current process for preparing award notifications in interagency agreements to ensure all required information is properly communicated.

IEMA Response:

Accepted. We now are using the general CFDA number of 97.067.

State Agency: Illinois Emergency Management Agency (IEMA)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: Cannot be determined

Finding 08-89 *Failure to Advance Only the Immediate Cash Needs to Subrecipients*

IEMA provided funds to a subrecipient of the Homeland Security Cluster Program in excess of its immediate cash needs during the year ended June 30, 2008.

During the October, 2008, the Illinois Office of Internal Audit (IOIA) conducted a review of the Homeland Security Cluster Program. The draft audit report indicated on July 11, 2008 IEMA made a duplicate payment to a subrecipient totaling approximately $2,600,000 and did not formally request the funds be returned until October 30, 2008, approximately 111 days after the duplicate payment was made.

According to 28 CFR 66.20(b)(7), grantees must implement procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement whenever advance payment procedures are used. Additionally, 28 CFR 66.37(a)(4) requires advances of grant funds to subgrantees to conform substantially to the same standards of timing that apply to cash advances by Federal agencies. Based upon discussions with Federal agencies, cash advances to subgrantees should be for immediate cash needs and should not exceed 30 days. In addition, the A-102 Common Rule requires non-federal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures in place to ensure funds are not advanced to subrecipients in excess of immediate cash needs.

In discussing these conditions with IEMA officials, they stated the duplicate payment was the result of the City of Chicago submitting some invoices that previously had been submitted and reimbursed.

Providing subrecipients funding advances of greater than 30 days results in additional costs of financing for the U.S. Treasury. (Finding Code 08-89)

Recommendation:

We recommend IEMA review its advance funding policies and techniques for subrecipients and implement policies, techniques and a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis.

IEMA Response:

Accepted. The duplicate payment was discovered by ITTF staff during a screening of payments for inventory control. We informed Chicago by letter of our intent to reduce their next reimbursement by the amount of the duplicate payment, and we did so.

The ITTF has adopted a policy stating that all invoices must be submitted for reimbursement within 60 days of receipt of the invoice to help reduce the risk of things like duplicate invoices being submitted from previous reimbursements. Also, bill payment procedures have been modified and an invoice-based transmittal worksheet has been developed for subgrantees to submit claims for reimbursement. Eventually, ITTF intends to migrate all invoices and payments into an automated grants management system (GMS) that has been in development for more than two years. The GMS will flag any duplicate invoice numbers upon entry and before payment, a further safeguard to prevent payments for duplicate invoices.

State Agency: Illinois State Police (State Police)

Federal Agency: US Department of Homeland Security (USDHS)

Program Name: Homeland Security Cluster

CFDA # and Program Expenditures: 97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)

Award Numbers: 2004-GE-T4-0027/2005-GE-T5-0002/2006-GE-T6-0025/2007-GE-T7-0022

Questioned Costs: Cannot be determined

Finding 08-90 *Failure to Deposit Funds in an Interest-Bearing Account*

State Police did not deposit Homeland Security Cluster program funds received in advance of issuing warrants into an interest-bearing account.

During the year ended June 30, 2008, State Police received approximately $1,131,000 in draws under the Homeland Security Cluster program that were not deposited into an interest bearing account. Additionally, State Police did not calculate or remit any potential interest liability owed to the U.S. Treasury on funds received in advance of disbursement.

According to the OMB Circular A-133 Compliance Supplement dated March, 2008, grantees are permitted to draw down funds up to 120 days prior to expenditure/disbursement, but must place those funds in an interest-bearing account, and the interest earned must be submitted to the U.S. Treasury. Additionally, Chapter III.B of the 2005 Homeland Security Program Guidelines and Application Kit (HSP Guidelines), Chapter V.C.3 of the 2006 HSP Guidelines, and Appendix B, Section B, of the 2007 HSP Guidelines applicable to the Homeland Security Cluster Grants state that funds received by both grantees and subgrantees must be placed in an interest-bearing account.

In discussing these conditions with State Police personnel, they stated individuals responsible for the draws of these funds failed to notice this requirement.

Failure to deposit federal advances in an interest-bearing account results in lost interest earnings to the U.S. Treasury. (Finding Code 08-90)

Recommendation:

We recommend State Police deposit all federal funds received in an interest-bearing account and calculate and remit interest owed to the U.S. Treasury.

State Police Response:

We concur. The State Police will work with the lead agency in determining a resolution.

State Agency: Illinois State Board of Elections (SBOE)

Federal Agency: US Election Assistance Commission (USEAC)

Program Name: Help America Vote Act Requirements Payments

CFDA # and Program Expenditures: 90.401 ($8,785,000)

Award Numbers: None

Questioned Costs: None

Finding 08-91 *Inadequate Monitoring of Subrecipients*

SBOE is not performing on-site reviews of subrecipients receiving federal awards under the Help America Vote Act Requirements Payments (HAVA) program.

SBOE passed through approximately $5,300,000 to subrecipients of the HAVA program during the year ended June 30, 2008. The majority of funding was passed through to local election authorities to implement voter education programs and to purchase equipment to improve the election systems in Illinois. As a pass-through entity, SBOE monitors subrecipients of the HAVA program by receiving and reviewing periodic expenditure reports. However, SBOE does not perform on-site reviews of its subrecipients.

According to OMB Circular A-133 ___.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure the federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 2008, a pass-through entity is responsible for monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and provisions of contracts or grant agreements and that performance goals are achieved.

In discussing this condition with SBOE officials, they state that the agency is presently unable to do extensive on-site monitoring of sub-recipients due to the extremely limited staff resources available within the agency. In addition, the agency continues to feel that the extensive monitoring activities already performed by SBOE staff at the office level (desk reviews, documentation requirements and other policies/procedures) provide reasonable assurance of sub-recipient compliance with program guidelines.

Failure to adequately monitor subrecipients may result in subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-91, 07-81, 06-89)

Recommendation:

We recommend SBOE develop and implement formal monitoring procedures to perform on-site reviews to ensure subrecipients are administering its HAVA program in accordance with the applicable laws and regulations.

SBOE Response:

Concur – SBOE continues to assert that present sub-recipient monitoring activities in use by the agency (mandatory reporting, regular contact and other administrative means) provide reasonable assurance of sub-recipient compliance with program guidelines. After notification of the previous finding, SBOE staff requested documented guidance and information from the EAC regarding the proper content and process of a HAVA 'site visit'; however, significant guidance and/or instruction regarding proper site visit procedures have not been received from the EAC.

SBOE wishes to work with the EAC and relevant auditing entities to develop a sub-recipient review program that satisfactorily monitors sub-recipient activities within present State budget, HAVA funds availability and operational manpower limitations. In speaking with the EAC this week, it was indicated the State of Texas had implemented a site monitoring program. After contacting Texas they have indicated they will provide some materials to us. The EAC also indicated they are in the process of preparing a Grants Manual which should be made available to the states later this year.

State Agency: Illinois State Board of Elections (SBOE)

Federal Agency: US Election Assistance Commission (USEAC)

Program Name: Help America Vote Act Requirements Payments

CFDA # and Program Expenditures: 90.401 ($8,785,000)

Award Numbers: None

Questioned Costs: None

Finding 08-92 *Failure to Obtain and Review Subrecipient OMB Circular A-133 Audit Reports*

SBOE did not obtain or review OMB Circular A-133 audit reports for subrecipients of the Help America Vote Act Requirements Payments (HAVA) program.

During our review of 30 subrecipient monitoring files for the HAVA program, we noted SBOE had not obtained or reviewed OMB Circular A-133 audit reports for any of the subrecipients selected for our testwork. Upon further review, we determined that OMB Circular A-133 audits reports had not been obtained or reviewed for any HAVA subrecipients. SBOE passed through approximately $5,300,000 to subrecipients of the HAVA program during the year ended June 30, 2008.

According to OMB Circular A-133 §__.400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to the OMB Circular A-133 Compliance Supplement, dated March 20078a pass-though entity is required to 1) ensure that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, 2) issue a management decision on audit findings within six months after receipt of the subrecipient's audit report, and 3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In the cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

In discussing this condition with SBOE officials, they state that qualifying sub-recipients are now required to submit copies of their A-133 audit reports to SBOE, per notification sent to all sub-recipient entities in August 2008.

Failure to obtain and review subrecipient OMB Circular A-133 audit reports may result in federal funds being expended for unallowable purposes and subrecipients not properly administering the federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 08-92, 07-82)

Recommendation:

We recommend SBOE develop and implement procedures to ensure all subrecipients receiving federal awards have audits conducted in accordance with OMB Circular A-133. Such procedures should include provisions for:

- following up on delinquent reports
- performing desk reviews over the reports
- issuing management decisions within required timeframes
- following up on the subrecipient's implementation of its corrective action plan

SBOE Response:

Concur – SBOE implemented procedures in August 2008 to require that local jurisdiction Single Audit reports of HAVA activities (for those jurisdictions meeting the audit requirement) were submitted to SBOE in compliance with the March 2008 A-133 Compliance Supplement. Local jurisdictions now submit relevant Single Audit reports to SBOE. Presently, SBOE does not have sufficient operational manpower resources to perform comprehensive desk reviews of all submitted HAVA audit reports and ensure follow-up compliance by local jurisdictions (in addition to follow-up compliance performed by the jurisdiction's own auditing/oversight entities).

State Agency: Illinois State Board of Elections (SBOE)

Federal Agency: US Election Assistance Commission (USEAC)

Program Name: Help America Vote Act Requirements Payments

CFDA # and Program Expenditures: 90.401 ($8,785,000)

Award Numbers: None

Questioned Costs: None

Finding 08-93 *Failure to Meet HAVA Matching Requirement*

SBOE failed to meet the matching requirement of its Help America Vote Act Requirements Payments (HAVA) program.

HAVA program regulations require the State to provide a matching contribution of five percent of total program expenditures. The matching contribution is required to be deposited into the fund established for the HAVA program (known as the Vote Fund) upon receipt of the federal share of program funding.

During our testwork, we noted the State appropriated $5 million for the HAVA program; however, the amount appropriated was not sufficient to meet the matching requirement of $5,189,000. The amount appropriated was incorrectly calculated as five percent of the federal portion of program funding versus as five percent of total program expenditures. In addition, the matching contribution was not deposited into the Vote Fund when HAVA funding was received. As a result, SBOE did not meet the matching requirement applicable to the HAVA program as of June 30, 2008.

According to HAVA Section 253(b)(5) (42 US Code 15403), the State must appropriate funds for carrying out the activities for which the requirements payment is made in an amount equal to five percent of the total amount to be spent for such activities (taking into account the requirements payment and the amount spent by the State). Additionally, HAVA Section 254 (b)(1) requires states to deposit the funds appropriated to match the requirements payments into a state election fund which is described as a fund established in the treasury of the State government and consisting of the following amounts: (1) amounts appropriated or otherwise made available by the State for carrying out the activities for which the requirements payment was made to the State; (2) the requirements payment made to the State; (3) such other amounts as may be appropriated under law; and (4) interest earned on deposits of the fund.

In discussing these conditions with SBOE officials, they stated that sufficient additional appropriation to fund this reimbursement was received in August 2008, and that refunding of the underfunded match payment (plus appropriate interest) was in process to the dedicated HAVA fund.

Failure to meet matching requirements results in lost interest earnings on HAVA program funds deposited in the Vote Fund. (Finding Code 08-93, 07-83, 06-93)

Recommendation:

We recommend SBOE deposit the required state matching contribution, as well as lost interest, into the Vote Fund.

SBOE Response:

Concur – In August 2008 SBOE received the necessary Fiscal Year 2009 appropriation authority to refund the calculated amount of State Match underfunding plus interest penalty (total of $341,749) to the State's dedicated HAVA fund. Due to the State's ongoing fiscal crisis, a reimbursement check was not received from the State Comptroller until late January. After receipt by SBOE, the reimbursement check was deposited in the dedicated HAVA fund in late January 2009. Documentation of the Comptroller check and verification of deposit in the HAVA fund (Help Illinois Vote Fund – fund 206) are attached to this response.

State Agency: Illinois Department of Central Management Services (DCMS)

Federal Agency:
US Department of Agriculture (USDA)
US Department of Housing and Urban Development (USHUD)
US Department of Labor (USDOL)
US Department of Transportation (USDOT)
US Department of Education (USDE)
US Election Assistance Commission (USEAC)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)
US Department of Homeland Security (USDHS)

Program Name:
Food Stamp Cluster
Child Nutrition Cluster
Special Supplemental Nutrition Program for Women, Infants and Children
Child and Adult Care Food Program
Community Development Block Grant
Employment Services Cluster
Unemployment Insurance
Trade Adjustment Assistance – Workers
Workforce Investment Act Cluster
Airport Improvement Program
Highway Planning and Construction Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster
Federal Family Education Loans – Guaranty Program
Career and Technical Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Special Education – Grants for Infants and Families with Disabilities
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants
Help America Vote Act Requirements Payments
Aging Cluster
Immunization Grants
Centers for Disease Control and Prevention – Investigations and Technical Assistance
Temporary Assistance for Needy Families
Child Support Enforcement
Low-Income Home Energy Assistance
Community Services Block Grant
Child Care Development Funds Cluster
Foster Care – Title IV-E
Adoption Assistance
Social Services Block Grant
State Children's Insurance Program
Medicaid Cluster
HIV Care Formula Grants
Block Grants for the Prevention and Treatment of Substance Abuse
Social Security – Disability Insurance
Homeland Security Cluster
Disaster Grants Public Assistance (Presidentially Declared Disasters)

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
10.553/10.555/10.556/10.559 ($379,780,000)
10.557 ($206,089,000)
10.558 ($105,087,000)
14.228 ($27,121,000)
17.207/17.801/17.804 ($36,717,000)
17.225 ($2,183,718,000)
17.245 ($10,399,000)
17.258/17.259/17.260 ($144,845,000)
20.106 ($90,481,000)
20.205 ($1,229,855,000)
84.010 ($547,751,000)
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93.775/93.777/93.778 ($6,607,985,000)
93.917 ($33,924,000)
93.959 ($78,421,000)
96.001 ($66,638,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)
97.036 ($26,739,000)

Questioned Costs: Cannot be determined

Finding 08-94 *Inadequate Process for Monitoring Internal Service Fund Balances*

DCMS did not establish adequate procedures to identify fund balances in excess of maximum amounts allowed under OMB Circular A-87.

Certain administrative functions of the State, including communications, statistical services, and facilities management, are coordinated on a statewide basis through the use of internal service funds. DCMS is responsible for administering the internal service funds and determining the rates to be charged for the services provided. In determining the rates, DCMS estimates the costs of providing the administrative services on a statewide basis and the level of service to be provided. Because these rates are estimates and may be charged to the State's federal programs, DCMS is required to evaluate the fund balances within the internal service funds to ensure they do not exceed 60 days of cash expenses for normal operations incurred for the period.

During our audit, we noted DCMS had accumulated fund balances in its Communications Revolving Fund (CRF) and Statistical Services Revolving Fund (SSRF) funds in excess of amounts allowed under OMB Circular A-87 during state fiscal years 2004, 2005, 2006, and 2007. Upon further review, the fiscal year 2008 fund balances of these funds were determined to be in excess of amounts allowed under A-87. The excess fund balances, including prior year carryforward balances were estimated to be $3,533,000 and $9,789,000 as of June 30, 2008 for the CRF and SSRF, respectively.

Additionally, we noted DCMS is not properly reconciling federal internal service fund reports to its GAAP based financial statements as evidenced by the following unidentified reconciling items:

- Commission income totaling $1,410,000 earned in CRF was not reported as revenue in the 2007 GAAP basis financial statements, but was reported for federal purposes in 2007;
- Encumbrances in the CRF totaling $1,667,000 were properly not reported in the 2007 GAAP basis financial statements, but were reported for federal purposes in 2007;
- Increases of $270,000 and $161,000 in the compensated absences liability balances in CRF and SSRF, respectively, were reported in the fiscal year 2007 GAAP basis financial statements, but were not reported for federal purposes in 2007;
- Equipment totaling $2,869,000 purchased in the CRF during the fiscal year 2007 lapse period was reported in the fiscal year 2007 GAAP basis financial statements, but was expensed in fiscal year 2008 for federal purposes;
- Equipment totaling $715,000 purchased in the SSRF during the fiscal year 2007 lapse period was reported in the fiscal year 2007 GAAP basis financial statements, but was expensed in fiscal year 2008 for federal purposes; and
- Accrued interest expense of $1,041,000 in the Facilities Management Revolving Fund was reported in the fiscal year 2007 GAAP basis financial statements, but was not reported for federal purposes in 2007.

The majority of the differences identified above represent timing differences which may have significantly altered the annual calculation of excess fund balances. As the reconciling items identified above have not been associated with a specific billed service, we are unable to determine the impact of these items on the federal share of the excess fund balances.

According to the OMB Circular A-133 Compliance Supplement dated March 2008, working capital reserves (fund balances) are generally not allowed to exceed more than 60 days of cash expenses for normal operations. A working capital reserve exceeding 60 days may be approved by the cognizant federal agency. Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal control should include establishing procedures to

evaluate and reconcile the fund balances of internal service funds on a periodic basis to identify whether amounts in excess of those allowed under federal regulations exist.

In discussing these conditions with DCMS officials, they stated that they believed they were in compliance with the federal guidelines.

Failure to properly monitor fund balances of internal service funds may result in claiming of unallowable costs. (Finding Code 08-94, 07-84, 06-95)

Recommendation:

We recommend DCMS establish a process for evaluating internal service fund balances and implement the necessary procedures to ensure these fund balances do not exceed the 60 day threshold allowed under OMB Circular A-87. DCMS should also implement procedures to ensure only expenditures meeting allowable cost criteria are used in establishing rates for expenditures charged to federal programs.

DCMS Response:

The Department concurs with the recommendations.

Fund Balances: The Department believes that its adjustment methods are acceptable. The Department does agree that adjustments should be timely. DCMS continues to adjust rates annually (c) and adjust central service cost allocations annually (d) to reduce exposure to excess balances. However, these annual adjustments cannot guarantee that excess balances will be entirely eliminated, since rates and costs are projections and are usage-sensitive. Billing credits (b), like cash refunds, take multiple years to apply, so the adjustment occurs no faster than a negotiated payback and requires significantly more up-front cash which the state does not have. Therefore, direct negotiated paybacks (a) have always been, and will likely continue to be, a part of the remedy for excess balances. The timeliness of direct paybacks is dependent on the federal review cycle. USDHHS includes imputed interest in the payback calculations in recognition of, and as compensation for, any delay in remedying the excess balances.

Reconciling Items: We have developed a more clear presentation of the reconciliation process for fiscal year 2008, and we are adjusting our practices where feasible to reduce the total number of reconciling items.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

State Agency: Illinois Department of Central Management Services (DCMS)

Federal Agency:
US Department of Agriculture (USDA)
US Department of Housing and Urban Development (USHUD)
US Department of Labor (USDOL)
US Department of Transportation (USDOT)
US Department of Education (USDE)
US Election Assistance Commission (USEAC)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)
US Department of Homeland Security (USDHS)

Program Name:
Food Stamp Cluster
Child Nutrition Cluster
Special Supplemental Nutrition Program for Women, Infants and Children
Child and Adult Care Food Program
Community Development Block Grant
Employment Services Cluster
Unemployment Insurance
Trade Adjustment Assistance – Workers
Workforce Investment Act Cluster
Airport Improvement Program
Highway Planning and Construction Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster
Federal Family Education Loans – Guaranty Program
Career and Technical Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Special Education – Grants for Infants and Families with Disabilities
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants
Help America Vote Act Requirements Payments
Aging Cluster
Immunization Grants
Centers for Disease Control and Prevention – Investigations and Technical Assistance
Temporary Assistance for Needy Families
Child Support Enforcement
Low-Income Home Energy Assistance
Community Services Block Grant
Child Care Development Funds Cluster
Foster Care – Title IV-E
Adoption Assistance
Social Services Block Grant
State Children's Insurance Program
Medicaid Cluster
HIV Care Formula Grants
Block Grants for the Prevention and Treatment of Substance Abuse
Social Security – Disability Insurance
Homeland Security Cluster
Disaster Grants Public Assistance (Presidentially Declared Disasters)

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
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10.557 ($206,089,000)
10.558 ($105,087,000)
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93.959 ($78,421,000)
96.001 ($66,638,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)
97.036 ($26,739,000)

Questioned Costs: Cannot be determined

Finding 08-95 *Inadequate Supporting Documentation for Payroll Costs*

Adequate supporting documentation does not exist to substantiate payroll costs paid by the Communications Revolving Fund (CRF) and Statistical Services Revolving Fund (SSRF) which are allocated for reimbursement under federal programs operated by the State.

During our audit testwork, we noted DCMS does not obtain effort certifications from employees who perform activities or services applicable to CRF and/or SSRF to verify that payroll expenditures reported in each of these funds correlate to the costs assignable to these funds. Specifically, we noted DCMS allocated 50% of the payroll costs for approximately 61 employees paid from SSRF to CRF and allocated 50% of the payroll costs for approximately 21 employees paid from CRF to SSRF. We noted the amounts allocated between the CRF and SSRF funds approximated $1,791,000 and $782,000, respectively. Total payroll and fringe benefit expenditures reported in CRF and SSRF during the year ended June 30, 2007 were $20,717,000 and $57,777,000, respectively.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must meet certain general criteria. Those criteria require, among other things, that the expenditure be adequately documented. If an employee works on multiple activities, monthly personnel activity reports must be completed and signed by the employee. The personal activity report is required to be an after-the-fact distribution of effort and must account for 100% of the employee's activity.

In discussing these conditions with DCMS officials, they stated that they believed they were in compliance with the federal guidelines.

Inadequate documentation for payroll expenditures may result in federal funds being expended for unallowable purposes. (Finding Code 08-95, 07-85)

Recommendation:

We recommend DCMS obtain effort certifications or personal activity reports where required for payroll and fringe benefit expenditures allocated to its federal programs through internal service fund charges.

DCMS Response:

The Department concurs with the recommendation, and has already changed this process for the fiscal year 2008 federal reporting period.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

State Agency: Illinois Department of Central Management Services (DCMS)

Federal Agency:
US Department of Agriculture (USDA)
US Department of Housing and Urban Development (USHUD)
US Department of Labor (USDOL)
US Department of Transportation (USDOT)
US Department of Education (USDE)
US Election Assistance Commission (USEAC)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)
US Department of Homeland Security (USDHS)

Program Name:
Food Stamp Cluster
Child Nutrition Cluster
Special Supplemental Nutrition Program for Women, Infants and Children
Child and Adult Care Food Program
Community Development Block Grant
Employment Services Cluster
Unemployment Insurance
Trade Adjustment Assistance – Workers
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Airport Improvement Program
Highway Planning and Construction Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster
Federal Family Education Loans – Guaranty Program
Career and Technical Education – Basic Grants to States
Rehabilitation Services – Vocational Rehabilitation Grants to States
Special Education – Grants for Infants and Families with Disabilities
Twenty-First Century Community Learning Centers
Reading First State Grants
Improving Teacher Quality State Grants
Help America Vote Act Requirements Payments
Aging Cluster
Immunization Grants
Centers for Disease Control and Prevention – Investigations and Technical Assistance
Temporary Assistance for Needy Families
Child Support Enforcement
Low-Income Home Energy Assistance
Community Services Block Grant
Child Care Development Funds Cluster
Foster Care – Title IV-E
Adoption Assistance
Social Services Block Grant
State Children's Insurance Program
Medicaid Cluster
HIV Care Formula Grants
Block Grants for the Prevention and Treatment of Substance Abuse
Social Security – Disability Insurance
Homeland Security Cluster
Disaster Grants Public Assistance (Presidentially Declared Disasters)

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
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93.959 ($78,421,000)
96.001 ($66,638,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)
97.036 ($26,739,000)

Questioned Costs: Cannot be determined

Finding 08-96 *Unallowable Costs Recorded in Internal Service Funds*

DCMS recorded costs that are not allowed under OMB Circular A-87 in its internal service funds.

Certain administrative functions of the State, including communications, statistical services, and facilities management, are coordinated on a statewide basis through the use of internal service funds. DCMS is responsible for administering the internal service funds and determining the rates to be charged for the services provided. In determining the rates, DCMS estimates the costs of providing the administrative services on a statewide basis and the level of service to be provided based upon the costs recorded in its internal service funds.

During our audit, we noted other auditors had identified that DCMS had recorded unallowable costs in each of its internal service funds. Specifically, the auditors judgmentally selected a sample of 30 cash disbursements (totaling $1,510,022) from DCMS' internal service funds and found five of the disbursements tested (totaling $1,433) were for costs that did not pertain to the fund in which they were recorded or were not necessary or reasonable in relation to the services provided by the fund. Total expenditures recorded in these funds approximated $686,450,000.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. To be allowable under federal awards, costs must be: (1) reasonable and necessary; (2) allocable; (3) consistently treated; (4) in conformance with laws, regulations, and agreements; (5) net of applicable credits; and (6) adequately documented.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure only allowable costs are charged to internal service funds.

In discussing these conditions with DCMS officials, they stated that they believed they were in compliance with the federal guidelines for the majority of these expenditures.

Failure to properly determine the allowability of costs in accordance with federal regulations may result in unallowable costs being claimed to federal programs. (Finding Code 08-96, 07-86)

Recommendation:

We recommend DCMS implement procedures to ensure only expenditures meeting allowable cost criteria are used in establishing rates for expenditures charged to federal programs.

DCMS Response:

The Department concurs with the recommendation. For administrative purposes, certain small expenditures supporting multiple funds are targeted to individual appropriations, but only allowable expenditures pertaining to fund operations are included in cost recovery/rates.

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

State Agency: Illinois Department of Central Management Services (DCMS)

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US Department of Agriculture (USDA)
US Department of Housing and Urban Development (USHUD)
US Department of Labor (USDOL)
US Department of Transportation (USDOT)
US Department of Education (USDE)
US Election Assistance Commission (USEAC)
US Department of Health and Human Services (USDHHS)
US Social Security Administration (USSSA)
US Department of Homeland Security (USDHS)

Program Name:
Food Stamp Cluster
Child Nutrition Cluster
Special Supplemental Nutrition Program for Women, Infants and Children
Child and Adult Care Food Program
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Employment Services Cluster
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Reading First State Grants
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Help America Vote Act Requirements Payments
Aging Cluster
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Centers for Disease Control and Prevention – Investigations and Technical Assistance
Temporary Assistance for Needy Families
Child Support Enforcement
Low-Income Home Energy Assistance
Community Services Block Grant
Child Care Development Funds Cluster
Foster Care – Title IV-E
Adoption Assistance
Social Services Block Grant
State Children's Insurance Program
Medicaid Cluster
HIV Care Formula Grants
Block Grants for the Prevention and Treatment of Substance Abuse
Social Security – Disability Insurance
Homeland Security Cluster
Disaster Grants Public Assistance (Presidentially Declared Disasters)

CFDA # and Program Expenditures: 10.551/10.561 ($1,779,116,000)
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96.001 ($66,638,000)
97.004/97.008/97.053/97.067/97.073/97.074 ($48,941,000)
97.036 ($26,739,000)

Questioned Costs: Cannot be determined

Finding 08-97 *Inadequate Process for Billing Costs to Users*

DCMS does not have an adequate process in place to bill State agencies for the use of services from the Statistical Services Revolving Fund (SSRF).

During our audit testwork, we noted certain State agencies using SSRF information technology services were billed in an inconsistent manner. Specifically, State agencies whose information technology services were consolidated into DCMS during fiscal year 2007 in accordance with Public Act 93-25, were billed the payroll and fringe benefit costs of the information technology personnel previously assigned to the State agency in a consolidated amount rather than at the rates established by CMS for the specific unit of service provided. We noted the units of services and rates calculated for each of the affected State agencies were specific to the State agency and were not calculated using the same methodology used to establish the standard SSRF billing rates. The State agencies subject to the consolidated billing process included the Illinois Department of Human Services, the Department of Public Health, the Department of Healthcare and Family Services, the Department of Revenue and the Department of Transportation. The amounts billed to State agencies using the consolidated billing approach totaled $8,817,000 for the year ended June 30, 2008.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state and local governments. In accordance with Attachment C, Section C, to be allowable under federal awards, central service cost allocation plan must include all central service costs that will be claimed (either as a billed or an allocated cost). Section II of the Cost Allocation Agreement dated July 23, 2008 (covering the year ending June 30, 2008) categorizes services from the Statistical Services Revolving Fund as billed services. Section III of this Agreement states that billed cost services are required to be billed in accordance with the rates established by the State.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards to establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure internal service fund costs are billed in a manner consistent with the Cost Allocation Agreement.

In discussing these conditions with DCMS officials, they stated that they believed they were in compliance with the federal guideline.

Failure to properly bill internal service fund costs in accordance with the approved Cost Allocation Agreement and federal regulations may result in unallowable costs being claimed to federal programs. (Finding Code 08-97, 07-87)

Recommendation:

We recommend DCMS ensure that all State agencies are billed internal service fund costs in a consistent manner in accordance with OMB Circular A-87.

DCMS Response:

The Department partially concurs. The auditor's assertion is that any form of pass through charges is unallowable. We can find no language in A-87 prohibiting such billings. A direct billing is an individual rate for a dedicated service, and includes measured usage of that service. Further, the Department generally describes its billing methodology for pass through charges in its SWCAP submission.

The Department does agree that pass through charges should be minimized, and the charges referenced in the finding above were entirely eliminated in fiscal year 2009.

Auditors' Comment:

As stated in the finding above, Section II of the Cost Allocation Agreement dated July 23, 2008 (covering the year ending June 30, 2008) categorizes services from the Statistical Services Revolving Fund as billed services and Section III of this Agreement states that billed cost services are required to be billed in accordance with the rates established by the State. Billing agencies directly for all payroll and fringe benefit costs associated with certain SSRF employees is not consistent with the rate setting methodology used to establish standard SSRF billing rates for similar services to other State agencies.

State Agency: Illinois Department of Human Services (IDHS)

Prior Year Finding 07-02

IDHS did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-14

IDHS did not enforce sanctions required by the State Plan for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) program who did not cooperate with child support enforcement efforts. In the current audit period, IDHS implemented procedurs to ensure sanctions were enforced when beneficiaries failed to cooperate with child support enforcement.

Prior Year Finding 07-17

IDHS did not follow its established policies and procedures for performing on-site monitoring reviews of subrecipients of the Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation) and Child Care Development Fund Cluster (Child Care) programs. In the current audit period, IDHS performed on-site monitoring reviews consistent with its established policies and procedures.

Prior Year Finding 07-18

IDHS provided funds to subrecipients of the Rehabilitation Services – Vocational Rehabilitation Grants to States (Vocational Rehabilitation) program in excess of their immediate cash needs during the year ended June 30, 2007. In the current audit period, IDHS implemented procedures to limit advances to the immediate cash needs of VR subrecipients.

Prior Year Finding 07-21

IDHS did not adequately coordinate benefits paid on the behalf of beneficiaries of the Temporary Assistance for Needy Families (TANF) and Child Care Development Fund Cluster (Child Care) programs. In the current audit period, IDHS implemented procedures to coordinate benefits paid on the behalf of the TANF and Child Care beneficiaries.

State Agency: Illinois Department of Healthcare and Family Services (DHFS)

Prior Year Finding 07-30

DHFS did not follow up on on-site monitoring review findings of subrecipients of the Low Income Home Energy Assistance Program (LIHEAP). In the current audit period, DHFS implemented procedures to follow up on on-site monitoring review findings for LIHEAP subrecipients.

Prior Year Finding 07-31

DHFS did not have an adequate process to ensure that subrecipients of the Low Income Home Energy Assistance Program (LIHEAP) have complied with OMB Circular A-133 audit requirements. In the current audit period, DHFS implemented procedures to collect and review OMB Circular A-133 reports from LIHEAP subrecipients.

State Agency: Illinois Department of Children and Family Services (DCFS)

Prior Year Finding 07-03

DCFS did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-35

DCFS made recurring and nonrecurring payments of adoption assistance benefits that were not properly supported by adoption assistance agreements. In the current audit period, DCFS implemented additional review procedures to ensure payments of adoption assistance benefits were properly supported by adoption assistance agreements.

Prior Year Finding 07-37

DCFS did not accurately allocate costs to its federal program in accordance with the Public Assistance Cost Allocation Plan (PACAP). In current audit period, DCFS allocated costs to its federal programs in accordance with the PACAP.

State Agency: Illinois Department of Public Health (IDPH)

Prior Year Finding 07-04

IDPH did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-47

IDPH did not provide subrecipients of the Immunization program with required federal award information. In the current audit period, USDHHS issued guidance that stated that there are no subrecipient relationships related to the Immunization Grants program. As a result, federal award information is not required to be provided.

State Agency: Illinois State Board of Education (ISBE)

Prior Year Finding 07-05

ISBE did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-51

ISBE did not properly allocate federal funds to subrecipients of the Reading First program during the year ended June 30, 2007. In the current audit period, ISBE modified the funding model in the State Plan to conform to the funding model used in practice. The revised State Plan was approved by the U.S. Department of Education.

Prior Year Finding 07-55

ISBE did not accurately report its state matching expenditures in the Annual Report of State Revenue Matching (FNS-13) for the year ended June 30, 2007. In the current audit period, ISBE implemented procedures to ensure that state matching expenditures used to meet the maintenance of effort requirement of the TANF program were not reported on the FNS-13 report.

State Agency: Illinois Community College Board (ICCB)

Prior Year Finding 07-57

ICCB did not adequately document on-site fiscal and administrative reviews of subrecipients receiving federal awards for the Vocational Education – Basic Grants to States (post-secondary education) program. In the current period, ICCB suspended its on-site fiscal and administrative reviews in order to re-design its on-site review process as noted in finding 08-58.

State Agency: Illinois Student Assistance Commission (ISAC)

Prior Year Finding 07-58

ISAC did not comply with the regulations regarding the submission and processing of reinsurance claims. In the current audit period, ISAC received notification from the USDE that the post-claims review process implemented in the second quarter of calendar year 2006 is acceptable.

State Agency: Illinois Department of Employment Services (IDES)

Prior Year Finding 07-07

IDES did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-61

IDES did not properly calculate benefit payments and was unable to locate case file documentation supporting client eligibility determinations for the Trade Adjustment Assistance (TAA) program. In the current period IDES properly calculated benefit payments and had documentation supporting the client eligibility determinations for the TAA program.

Prior Year Finding 07-64

IDES did not implement formal review and approval procedures for the ETA 563 performance report submitted for the Trade Adjustment Assistance (TAA) program. In the current period IDES documented the supervisory review of the ETA 563 performance report.

State Agency: Illinois Department of Commerce and Economic Opportunity (DCEO)

Prior Year Finding 07-68

DCEO did not perform the required annual on-site monitoring of local workforce areas receiving federal awards under the Workforce Investment Act Cluster (WIA) program. In the current audit period, on-site monitoring was performed, however DCEO did not adequately document the supervisory reviews of the on-site monitoring procedures and did not communicate the resulting findings on a timely basis. See finding 08-77

State Agency: Illinois Department of Transportation (IDOT)

Prior Year Finding 07-06

IDOT did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-69

IDOT did not obtain required certifications that subrecipients were not suspended or debarred from participation in the Federal assistance programs for the Airport Improvement Program. In the current period IDOT included the required certifications in the standard subrecipient agreements for the Airport Improvement Program.

Prior Year Finding 07-71

IDOT did not perform on-site reviews of subrecipients receiving federal awards under the Homeland Security Cluster program. In the current period, IDOT conducted on-site monitoring procedures for subrecipients under the Homeland Security Cluster program.

Prior Year Finding 07-74

IDOT did not test materials used for construction activities under the Highway Planning and Construction Program in accordance with their approved sampling and testing program. In the current period, IDOT tested materials used for construction activities in accordance with their approved sampling and testing program.

State Agency: Illinois Emergency Management Agency (IEMA)

Prior Year Finding 07-08

IEMA did not have an adequate process to ensure that financial information submitted to the Illinois Office of the Comptroller (IOC) was accurate and timely. Although the deficiencies relative to the CAFR and SEFA financial reporting processes have been reported by the auditors for a number of years, problems continue with the State's ability to provide accurate and timely external financial reporting. Corrective action necessary to remediate these deficiencies continues to be problematic. See finding 08-01.

Prior Year Finding 07-78

IEMA did not have adequate procedures in place to ensure cash draws are performed in accordance with Homeland Security Cluster program regulations. Specifically, IEMA did not monitor the other state agencies to ensure cash advances were only for immediate cash needs, IEMA did not ensure cash requests were drawn from the appropriate grant award, and IEMA did not require a formal independent supervisory review of its cash draw calculations and related monthly reconciliations. In the current period, IEMA revised its procedures for cash draws to ensure cash advances to state agencies were only for immediate cash needs and to ensure cash requests were drawn from the appropriate grant awards. Additionally, IEMA implemented a formal independent supervisory review of its cash draw calculations and related monthly reconciliations.

Prior Year Finding 07-79

IEMA did not provide subrecipients of the Homeland Security Cluster program with the required federal award information (the Catalog of Federal Domestic Assistance (CFDA) title and number). In the current period, IEMA provided the required federal award information (CFDA title and number) to its subrecipients of the Homeland Security Cluster program.

State Agency: Illinois State Police (State Police)

Prior Year Finding 07-80

State Police did not minimize the time elapsing between the draw down of federal funds from the US Treasury and their disbursement for program purposes under the Homeland Security Cluster program. In the current period, State Police modified its voucher processing procedures to ensure vouchers for the Homeland Security Cluster program were processed within the required timeframe under the Homeland Security Cluster program regulations.

State of Illinois
Single Audit Report
For the Fiscal Year Ended June 30, 2008

Agency Corrective Action Plans
and
Table of Current and Prior Findings

Statements from Audited Officials
and
Corrective Action Plans
FY 2008

I. Finding(s), Agency and Contact Person Information	Page Reference
Finding 08-01	A-1 to A-4
Office of the Governor and State Comptroller	
Contact Persons:	
Jack Lavin, Stimulus Czar (Office of the Governor)	
James R. Thompson Center	
FL 016 STE 100	
Chicago, IL 60601	
Telephone: (312) 814-2121	
Don Templeman, Assistant Comptroller - Operations (Office of State Comptroller)	AA-1 to AA-2
325 West Adams	
Springfield, IL 62704-1858	
Telephone: (217) 782-5258	
Findings 08-02 through 08-15	B-1 to B-10
IL Department of Human Services	
Contact Person:	
Albert Okwuegbunam	
100 South Grand Avenue, East	
Springfield, IL 62762	
Telephone: (217) 785-7797	
Finding 08-16	C-1 to C-4
IL Department of Revenue	
Contact Person:	
Jose Borjon, Audit Liaison	
101 West Jefferson Street	
Springfield, IL 62702	
Telephone: (217) 785-1348	
Findings 08-17 through 08-34	D-1 to D-19
IL Department of Healthcare & Family Services	
Contact Person:	
Peggy Edwards	
Audit Liaison	
Springfield, IL 62763-0002	
Telephone: (217) 785-9764	
Findings 08-35 through 08-41	E-1 to E-8
IL Department of Children and Family Services	
Contact Person:	
Mathew Grady III	
Deputy Director of Budget and Finance and Chief Financial Officer	
406 East Monroe, Station #440	
Springfield, IL 62701	
Telephone: (217) 524-2224	
Findings 08-42 and 08-44	F-1 to F-2
IL Department on Aging	
Contact Person:	
Alan Fowler	
421 East Capitol Avenue, #100	
Springfield, IL 62701-1798	
Telephone: (217) 785-3381	
Findings 08-45 through 08-53	G-1 to G-10
IL Department of Public Health	
Contact Person:	
Gary T. Robinson, Deputy Director, Office of Finance and Administration	
535 West Jefferson	
Springfield, IL 62761-0001	
Telephone: (217) 785-2033	

I. Finding(s), Agency and Contact Person Information	Reference
Findings 08-54 through 08-57 IL State Board of Education Contact Person: Lisa Labonte, Chief Internal Auditor 100 North First Street Springfield, IL 62777-0001 Telephone: (217) 782-2237	H-1 to H-5
Findings 08-58 and 08-60 IL Community College Board Contact Person: Ellen Andres 401 East Capitol Avenue Springfield, IL 62701-1711 Telephone: (217) 785-0085	I-1 to I-4
Findings 08-61 through 08-64 IL Student Assistance Commission Contact Person: John Sinsheimer, Chief Financial Officer 1755 Lake Cook Road Deerfield, IL 60015-5209 Telephone: (800) 899-4722, Ext. 3302	J-1 to J-5
Findings 08-65 through 08-74 IL Department of Employment Security Contact Person: Kathy Harlan, Audit Liaison 33 South State Street Chicago, IL 60603-2802 Telephone: (312) 793-9246	K-1 to K-11
Findings 08-75 and 08-77 IL Department of Commerce and Economic Opportunity Contact Person: Scott Harry, Chief Accountability Officer 620 East Adams Springfield, IL 62701-1615 Telephone: (217) 524-4438	L-1 to L-4
Findings 08-78 through 08-84 IL Department of Transportation Contact Person: Ron McKechan, Chief of Audits Audit Section 2300 South Dirksen Parkway, Room 124 Springfield, IL 62764 Telephone: (217) 785-4593	M-1 to M-8
Findings 08-85 through 08-89 IL Emergency Managent Agency Contact Person: Jennifer Ricker, Chief of Staff 1035 Outer Park Drive Springfield, IL 62704 Telephone: (217)	N-1 to N-4

I. Finding(s), Agency and Contact Person Information	Reference
Finding 08-90 IL State Police Contact Person: Michael Yokley 807 S. Seeventh Street, Suite 700-S Springfield, IL 62794 Telephone: (217) 557-6010, Ext. 4441	O-1 to O-2
Findings 08-91 through 08-93 IL State Board of Elections Contact Person: Daniel White, Executive Director 1020 South Spring Street Springfield, IL 62708 Telephone: (217) 782-4141	P-1 to P-4
Finding 08-94 through 08-97 IL Department of Central Management Services Contact Person: David Boyd, Audit Liaison 715 Stratton Office Building 104 South Spring Street Springfield, IL 62706 Telephone: (217) 524-0539	Q-1 to Q-5

State of Illinois

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For the Fiscal Year Ended June 30, 2008

I. Statements from Audited Officials and Corrective Action Plans

II. Table of Current and Prior Year Findings

I. Agency Corrective Action Plans
(Including Statements from Audited Officials)

STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

SPRINGFIELD 62706

PAT QUINN
GOVERNOR

July 23, 2009

Sam Stiles
Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703-3154

Re: Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Following is the Updated Corrective Action Plan for the Office of the Governor in response to the Statewide Single Audit for the year ended June 30, 2008 we have updated the plan as requested by removing references to collaboration with the Illinois Office of the Comptroller.

Please contact my office if there are any further questions or concerns.

Sincerely,

Ginger Ostro
Director

Cc: Jerome Stermer, Chief of Staff, Office of the Governor
Jack Lavin, Chief Operating Officer, Office of the Governor
Greg Wass, Chief Information Office, Office of the Governor
Carol Kraus, Chief Internal Auditor, Office of Internal Audit
Don Templeman, Assistant Comptroller, Office of the Comptroller

Single Audit
Corrective Action Plan

NAME OF AUDIT: SFY 2008 Single Audit
FINDING NUMBER 08-01 Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards
Finding Synopsis: The State does not have an adequate accounting and grants management systems and processes or qualified personnel in place to permit the timely compilation of a complete and accurate schedule of expenditures of federal awards (SEFA).

Action Steps:
The Office of the Governor and State Agencies, Boards and Commissions will establish and implement the following:

- Establish clear roles and responsibilities for federal program administrative staff and fiscal staff within the Agencies;
- Provide additional training to responsible staff;
- Develop checklists and sign off procedures certifying adequate documentation of amounts reported as part of the reporting requirements in additional to the SCO forms;
- Engage Internal Audit to perform analytical review procedures for high risk federal programs;
- Developed and implement additional personnel titles to ensure that those responsible for preparing the SEFA meet minimum requirements to ensure that staff have an adequate educational and skill set necessary to accurately prepare necessary information on a timely basis;

Responsible Persons – Agency Chief Financial Officers and Chief Internal Auditors
Due Date – Ongoing
Status- Ongoing

NAME OF AUDIT: SFY 2008 Single Audit
FINDING NUMBER: 08-1 Financial Reporting Weakness
Finding Synopsis: The State of Illinois does not have adequate controls over financial reporting to ensure that financial statements are fairly stated in accordance with generally accepted accounting principles.
Action Steps
Continue to work with the Office of the Governor and State Agencies, Boards and Commissions to establish and implement the following:

- Establish a Fiscal Control Team responsible for establishing policies and procedures to enhance fiscal controls;
- Provide additional training to responsible staff;
- Develop checklists and sign off procedures certifying adequate documentation of amounts reported as part of the GAAP reporting process;
- Engage Internal Audit to perform review procedures for significant balance sheet accounts at material agencies;
- Developed and implement additional personnel titles to ensure that those responsible for preparing the SEFA meet minimum requirements to ensure that staff have an adequate educational and skill set necessary to accurately prepare necessary information on a timely basis;

Responsible Persons – Agency Chief Financial Officers and Chief Internal Auditors
Due Date – Ongoing
Status- Ongoing

NAME OF AUDIT: SFY 2008 Single Audit
FINDING NUMBER: 08-2 (Delays in Financial Reporting)
Finding Synopsis: The State of Illinois current financial reporting process does not allow the State to prepare a complete and accurate CAFR or SEFA in a timely manner.

Action Steps:

- Establish a Fiscal Control Team to act as a Help Desk to assist fiscal staff in resolving complex accounting issues;
- Establish clear roles and responsibilities between programmatic and fiscal staff;
- Developed and implement additional personnel titles to ensure that those responsible for preparing the SEFA meet minimum requirements to ensure that staff have an adequate educational and skill set necessary to accurately prepare necessary information on a timely basis;
- Provide additional training to responsible staff;
- Develop checklists and sign off procedures certifying adequate documentation of amounts reported as part of the reporting requirements in additional to the SCO forms.
- Continue working with the General Assembly to obtain capital funding to implement a statewide accounting and grants management system.

Responsible Persons –Greg Wass, Agency Chief Financial Officers and Chief Internal Auditors
Due Date – Ongoing
Status- Ongoing

NAME OF AUDIT: SFY 2008 Single Audit
Finding 08-3 (Delays in Required Filings)
Finding Synopsis: Due to issues raised in findings 08-1 and 08-2, the audited financial statements were not completed timely and therefore were not available to be submitted to the repositories as required.

Action Steps: See Action Steps for findings 08-1 and 08-2.

Responsible Person –Ginger Ostro
Due Date – Ongoing
Status- Ongoing

DANIEL W. HYNES
COMPTROLLER

www.ioc.state.il.us

Writer's Direct Line
217/782-5258

June 30, 2009

Mr. Sam Stiles
Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703

CORRECTIVE ACTION PLAN TO SEFA AUDIT

Dear Sam:

Attached is our Corrective Action Plan to the FY2008 SEFA audit.

If you have any questions, please do not hesitate to call me at the above referred to number or Scott Reeser at 217/782-2104.

Sincerely,

Don Templeman

Don W. Templeman
Assistant Comptroller, Operations

DWT:lf

attachment

cc: Rusti Cummings, Chief Internal Auditor
Scott Reeser, Director of Financial Reporting

Please respond to:

☐ State House
Springfield, Illinois 62706-0001
217/782-6000

☐ James R. Thompson Center
100 West Randolph, Suite 15-500
Chicago, Illinois 60601-3252
312/814-2451

☐ 325 West Adams
Springfield, Illinois 62704-1871

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ILLINOIS OFFICE OF THE COMPTROLLER
DEPARTMENT OF FINANCIAL REPORTING

ACTION PLAN

NAME OF AUDIT: SFY 2008 Single Audit

FINDING NUMBER: 08-01 Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards

Finding Synopsis: The State of Illinois' current financial reporting process does not allow the State to prepare a complete and accurate Comprehensive Annual Financial Report (CAFR) or the Schedule of Expenditures of Federal Awards (SEFA) in a timely manner.

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
Continue to provide consultation and technical advice to State agencies in relation to financial reporting in order to increase the likelihood that State agencies will report financial information and federal award expenditure information in a timely manner.	Scott Reeser	Ongoing	O
Seek legislation that provides enforcement tools to compel state agencies to comply with necessary reporting deadlines.	Don Templeman	Ongoing	O

O = Open, C = Closed

Prepared by: Scott Reeser

Approved by: Don Templeman

Date: June 30, 2009

Pat Quinn, *Governor*

Illinois Department of Human Services

100 South Grand Avenue, East • Springfield, Illinois 62762
401 South Clinton Street • Chicago, Illinois 60607

MEMORANDUM

DATE: July 15, 2008

TO: Sam Stiles, Single Audit Manager
Illinois Office of the Auditor General

FROM: Solomon Oriaikhi, Director
Office of Fiscal Services

RE: FY2008 Statewide Single Audit Corrective Action Plan

Attached are the Department's Corrective Action Plans for the Single Audit findings for the period ended June 30, 2008.

If you require any additional information or have questions, please contact Albert Okwuegbunam at 217/785-7797.

cc: Carol L. Adams, Ph.D.
Robert Stanek

ILLINOIS DEPARTMENT OF HUMAN SERVICES

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-02	Inadequate Process for Monitoring Interagency Program Expenditures	Agree In Progress	Solomon Oriaikhi	**38.75 %**	A 2/23/2009	TANF Workgroup to review all interagency agreements **UPDATE - JUNE 11, 2009** 1). All interagency agreements have been submitted to legal for review.
					B 2/23/2009	IDHS asks responsible agency officials to submit signed certifications each quarter stating the expenditures have not been used on any other federal grant, used as match, or used to meet any other state spending requirements of a federal program. **UPDATE - JUNE 11, 2009** 1). Beginning with quarter ended 9/08, all certifications have been signed.
					C 2/23/2009	A summit meeting of all agencies is going to be held to discuss issues and attempt to resolve each agencies concerns.
					D 6/11/2009	DHS has requested the Illinois Office of Internal Audit (IOIA) to audit (in SFY2009) the internal controls and expenditures (of other Agencies) that are on the TANF and Child Care Block Grants administered by DHS. - This request is being made to assist DHS in implementing a corrective action
FY2008 Statewide Single Audit						
08-03	Failure to Perform Eligibility Redeterminations within Prescribed Timeframes	Disagree Not Accepted	Marva Arnold	**100.00 %**	A 2/23/2009	Disagree - The Department disagrees with the recommendation. - The Department is in compliance with federal regulations which require states to make every effort to complete redeterminations timely and accurately. - Federal guidelines remain silent as to a percentage of timely redeterminations required. - We continue to make redetermination currency a priority.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP	Date	Corrective Action Plan
FY2008 Statewide Single Audit							
08-04	Failure to Properly Maintain and Control Case File Records	Partially Agree In Progress	Marva Arnold	**66.67 %**	A	6/11/2009	DHS staff have been encouraged to perform timely purges of canceled case files, which in turn allows for more efficient storage of active files. Purge protocol was updated and distributed in July 2008.
					B	6/11/2009	Targeted reviews are handled by supervisory and administrative staff on a regular basis to ensure proper documentation and storage of case files. - Regional managers will continue to communicate the importance of case file documentation and organization in monthly regional meetings with FCRC management.
					C	6/11/2009	Regional managers will continue to communicate the importance of case file documentation and organization in monthly regional meetings with FCRC management.
FY2008 Statewide Single Audit							
08-05	Inadequate Process for Preventing Individuals Convicted of Drug Felonies from Receiving TANF Benefits	Agree In Progress	Marva Arnold	**60.00 %**	A	2/23/2009	New policy has been implemented that introduced a new denial reason that is used in denying applicants who have been convicted of a drug related felony that makes them ineligible for cash.
					B	2/23/2009	A request is pending with MIS to add questions to the AIS system that will assist in the identification of the inelgible drug felon **UPDATE - JUNE 11, 2009** 1). The MIS request is scheduled to be completed by June 29, 2009. 2). It will add the proper questions to the electronic application so as to identify ineligible drug felons, in addition to deleting Workers' Action Guide (WAG) reference to a crossmatch is not being utilized.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-06	Failure to Provide Adequate Food Instrument Disposition Documentation	Partially Agree Implemented	Ivonne Sambolin-Jones	**100.00 %** A	2/23/2009	The Department has notified the WIC food payement contractor that the SAS709 report is required to cover the full year

UPDATE - JUNE 11, 2009

1). The Department has notified the WIC food payement contractor that the SAS709 report is required to cover the full year.

2). Ernst & Young is conducting the CSC SAS70 Type II audit for Illinois WIC Banking with the audit period this year from July 1, 2008 through June 30, 2009.

3). As Covansys was acquired by CSC the previous audit concluded the period of June 30, 2008.

3). We are back on our annual full year period for the program.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-07	Failure to Obtain Documentation of Assignment of Medical Support Rights	Agree In Progress	Marva Arnold	**66.67 %**	A 2/23/2009	We are in the process of streamlining our combined application to assist staff and customers in fulfilling this requirement. **UPDATE - JUNE 11, 2009** 1). The combined application form has been streamlined so as to secure one signature, ensuring the assignment of rights properly issued.
					B 2/23/2009	FCRC and Regional staff regularly review case records to ensure proper assignment of rights signatures are present in case files. **UPDATE - JUNE 11, 2009** 1). FCRC and Regional staff regularly review case records to ensure proper assignment of rights signatures are present in case files.
					C 2/23/2009	The obtaining of both child support assignment of rights will be discussed and stressed in all FCRC staff meetings. **UPDATE - JUNE 11, 2009** 1). The obtaining of both child support assignment of rights will be discussed and stressed in all FCRC staff meetings.
FY2008 Statewide Single Audit						
08-08	Missing Documentation in Beneficiary Eligibility Files	Partially Agree In Progress	Marva Arnold	**75.00 %**	A 2/23/2009	Central HCD staff spoke at all regional meetings reiterating the importance of proper and necessary documentation.
					B 2/23/2009	Cases are reviewed regularly at various staffing levels for proper documentation of eligibility factors.
					C 2/23/2009	Proper documentation of eligibility factors will continue to be integral piece of training curricula.
					D 2/23/2009	The importance of proper documentation will be discussed and stressed in FCRC all staff meeting. **UPDATE - JUNE 11, 2009** 1). The importance of proper documentation will be discussed and stressed in FCRC all staff meeting.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-09	Failure to Determine Eligibility in Accordance With Program Regulations	Agree In Progress	Marva Arnold	**0.00 %**	A 5/26/2009	Written communication will be sent to all staff indicating the importance of addressing all eligibility factors. **UPDATE – JUNE 11, 2009** 1). Written communication will be sent to appropriate staff regarding the importance of addressing the eligibility factors cited in the filing.
					B 5/26/2009	Refresher training will be mandated with the LOA and appropriate staff in the office that maintains the case cited in this finding. **UPDATE – JUNE 11, 2009** 1). Refresher training will be mandated with the Local Office Administrator (LOA) and appropriate staff in the office that maintains the case cited in this finding.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-10	Unallowable Expenditures Charged to the Vocational Rehabilitation Program	Agree In Progress	Rob Kilbury	**34.00 %**	A 2/23/2009	DRS will issue a first page reminder regarding the importance of printing and signing all appropriate forms. **UPDATE - JUNE 11, 2009** 1). DRS is Drafting a first page to emphasis the importance of timely and proper documentation.
					B 2/23/2009	DRS will add additional emphasis during new employee orientation to the importance of proper documentation **UPDATE - JUNE 11, 2009** 1). Next New Employee Orientation is beginning on 6/19/09 and will include reminders about making sure documents are timely and signed.
					C 2/23/2009	At zone meetings, DRS will include a statement regarding the importance of printing and signing documentation **UPDATE - JUNE 11, 2009** 1). Next Zone meetings have not been scheduled. Once scheduled, reminders will be included in the programming.
					D 2/23/2009	Quality assurance will review completed documentation of plans as part of their case review process. **UPDATE - JUNE 11, 2009** 1). Quality Assurance continues to review cases for all aspects of appropriate case work.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-11	Failure to Determine Eligibility In Accordance with Program Regulations	Agree In Progress	Rob Kilbury	**48.75 %**	A 2/23/2009	DRS will send a first page reminder regarding the importance of timely eligibility determinations. **UPDATE - JUNE 11, 2009** 1). DRS is Drafting a first page to emphasis the importance of timely and proper documentation.
					B 2/23/2009	DRS will add additional emphasis during new employee orientation to the importance of timely determinations. **UPDATE - JUNE 11, 2009** 1). Next New Employee Orientation is beginning on 6/19/09 and will include reminders about making sure documents are timely and signed.
					C 2/23/2009	At zone meetings, DRS will include a statement regarding the importance of timely determinations. **UPDATE - JUNE 11, 2009** 1). Next Zone meetings have not been scheduled. Once scheduled, reminders will be included in the programming.
					D 2/23/2009	The DRS Quality Assurance Unit (QA) will review timely eligibility determinations as part of their case review process **UPDATE - JUNE 11, 2009** D-1). QA continues to review cases for all aspects of appropriate case work. D-2). DRS will also work to add a reminder within the Case Management system to remind counselors when a case is nearing the 60 day deadline

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP	Date	Corrective Action Plan
FY2008 Statewide Single Audit							
08-12	Failure to Amend the Public Assistance Cost Allocation Plan	Agree Implemented	Solomon Oriaikhi	**100.00 %**	A	2/23/2009	Amend PACAP to include cost centers AE070 & MS440
					B	2/23/2009	Meet with HR to determine if cost center MT701 is valid
					C	2/23/2009	Amend PACAP to include cost center MT701 if necessary or remove cost center from cost allocation
FY2008 Statewide Single Audit							
08-13	Inaccurate Interest Liability Calculations	Disagree Not Accepted	Solomon Oriaikhi	**100.00 %**	A	2/23/2008	Disagree. The Department disagrees with this finding. The Agency is calculating the interest liability using the proper methodology. A calculation of the clearance time is done annually and is used in the interest calculation. The FY2007 Treasury State Agreement (TSA) did not contain the correct information related to the number of days in the clearance time. The agency has calculated new clearance times and the final version of the amended FY08 TSA has these new clearance times. Also, the interest calculation and the supporting detail are sent to an individual in the Governor's Office of Management and Budget (GOMB), who is familiar with the TSA for review.

Finding Number	Topic Statement	Status	Primary Contact	% Compl	CAP Date	Corrective Action Plan
FY2008 Statewide Single Audit						
08-14	Untimely Review of OMB Circular A-133 Audit Reports	Agree Implemented	Sally Hardwick-Adams	**100.00 %** A	2/19/2008	Implement improved review priority scheduling and complete initial reviews within 60 days of report receipt
FY2008 Statewide Single Audit						
08-15	Inadequate Monitoring of Food Stamp Service Organization	Disagree Not Accepted	Marva Arnold	**0.00 %** A	2/23/2009	Disagree. - The Department disagrees with the recommendation. - Procedures are in place to monitor service organizations and examinations are performed in accordance with regulations. Prior to conducting the FY 2008 SAS70 audit, the timeframe exception was agreed upon by the Illinois Department of Human Services (IDHS), Northrop Grumman Information Technology (NGIT), USDA Food and Nutrition Services (FNS) and the KPMG auditors. - FNS accepted SAS70 audit reports for Illinois, Maine, Arkansas and Iowa, all affected by NGIT's Data Center move, for the 10-month timeframe, and this was not an issue at the time. FNS did not instruct the states that they needed waivers. - This was not the first time Illinois had a shorter than one year timeframe for the annual SAS70 audit. - In FY2004, the year that Illinois converted to Link II (new contract), the SAS70 audit timeframe was October 1, 2003 – June 30, 2004 because the "old" environment and processing for the period July 1, 2003 – Sept. 30, 2003 no longer existed. - The NGIT Data Center move was a unique event that will not occur again for the remainder of the contract. The timeframe for next year's SAS70 will be for 12 months.

Illinois Department of Revenue
101 West Jefferson Street
Springfield, Illinois 62702

June 30, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

Dear Mr. Stiles:

Attached is the Department's Corrective Action Plan to the Statewide Single Audit finding for the period ended June 30, 2008.

If you require additional information or have questions, please contact Jose Borjon, Audit Liaison, at (217)785-1348.

Sincerely,

Brian Hamer
Director of Revenue

Attachment

Cc: Jose Borjon
Audit Liaison

Illinois Department Of Revenue
Auditor General Finding

ACTION PLAN

Name of Audit: State of Illinois - Single Audit Report

Finding Number: 08-16 Inadequate Process for Determining the Allowability of Earned Income Tax Credits.

Finding Synopsis: IDOR has not established adequate procedures to determine whether earned income tax credits claimed under the Temporary for Needy Families (TANF) program meet the federal allowability criteria.

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
IDOR will work with IDHS to get a more formal response Than the current guidance that will ensure only amounts eligible for claiming are reported to IDHS.	Becky Moore	10/31/2009	O

O = Open C = Closed

Prepared by: Jose Borjon .

Date: June 30, 2009

State Agency: Illinois Department of Revenue (IDOR)

Federal Agency: US Department of Health and Human Services (USDHHS)

Program Name: Temporary Assistance for Needy Families

CFDA # and Program Expenditures: 93.558 ($537,011,000)

Award Numbers: G-0701ILTANF/G-0801ILTANF

Questioned Costs: $236

Finding 08-16 *Inadequate Process for Determining the Allowability of Earned Income Credits*

IDOR has not established adequate procedures to determine whether earned income tax credits claimed under the Temporary Assistance for Needy Families (TANF) program meet the federal allowability criteria.

The State of Illinois, through IDOR, has established an earned income tax credit program to provide a tax refund to low income families residing in Illinois. Certain amounts refunded to taxpayers under this program are claimed by the Illinois Department of Human Services (IDHS) under the TANF program. To be allowable for claiming under TANF, the earned income tax credit must be determined in accordance with the State's earned income tax credit regulations and must be disbursed to the taxpayer through a refund. IDHS and IDOR have executed an interagency agreement which requires IDOR to identify and periodically report to IDHS the tax credits which qualify for claiming under the federal TANF program.

During our testwork, we noted IDOR's procedures for verifying the validity of taxpayer's earned income tax credit claims with federal tax returns are not completed prior to preparing the earned income tax credit claiming report for IDHS. IDOR performs a series of data edits designed to identify individuals who may not meet the earned income tax credit criteria; however, the edit checks are subject to data verification procedures once the federal tax return is received from the federal Internal Revenue Service. The data verification procedures are not performed until the middle of the following year and have historically resulted in adjustments to amounts previously claimed.

Additionally, during our testwork of 60 earned income tax credits (totaling $6,635) claimed under the TANF program, we noted one earned income tax credit claimed ($236) was refunded to a taxpayer whose mailing address was outside of the state of Illinois. Upon further inquiry of IDOR personnel, we noted IDOR's procedures for identifying claimable earned income tax credits do not include verifying whether taxpayers with addresses outside of Illinois meet the earned income tax credit state residency requirement. IDOR's practice is to eliminate earned income tax credits paid to taxpayers with addresses outside of Illinois in connection with the IRS verification procedures discussed above. As a result, IDOR had not determined whether or not the earned income tax credit for this taxpayer was allowable under the TANF program.

Earned income tax credits claimed under the TANF program were $17,274,904 during the year ended June 30, 2008.

According to 45 CFR 260.33(b), only the refundable portion of a State or local tax credit is considered to be an allowable expenditure. The refundable portion that may be counted as an expenditure is the amount that exceeds a family's State income tax liability prior to the application of the earned income tax credit.

Additionally, the A-102 Common Rule requires non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures to ensure expenditures meet the applicable program allowability criteria prior to claiming.

The Department of Revenue stated that it is operating an effective program within the constraints of information on the tax return and the within verification requirements of the federal TANF program. Rather than utilizing alternative procedures, all of which would materially delay refunds to taxpayers; the department has adopted a post-drawdown verification as the most prudent course.

Failure to establish effective procedures to ensure expenditures claimed under federal programs meet allowability requirements results in unallowable costs. (Finding Code 08-16, 07-24, 06-20, 05-31)

Recommendation:

We recommend IDOR review the process and procedures in place to identify earned income tax credit expenditures claimed under the TANF program and implement changes necessary to ensure only amounts eligible for claiming are reported to IDHS.

IDOR Response:

The Department of Revenue agrees with the recommendation. The issue here is the appropriate verification before the drawdown of federal TANF funds. It is important to note that the department believes that it has implemented a verification process that meets federal requirements and has been told by Washington D.C. staff at the U.S. Department of Health & Human Services that: "The State has a reasonable verification procedure in place. . . ."

However, the department will work with IDHS to get a more formal response than the current guidance.

It should be noted the one earned income tax credit claimed ($236) whose mailing address was outside the state was properly refunded.

ILLINOIS DEPARTMENT OF
Healthcare and
Family Services

Rod R. Blagojevich, Governor
Barry S. Maram, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1233
TTY: (800) 526-5812

July 30, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Iles Park Plaza
Springfield, IL 62703

Re: Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Attached are the IL Department of Healthcare and Family Services Corrective Action Plans to the Statewide Single Audit findings for the period ended June 30, 2008.

If you require additional information or have any questions, please contact me at (217) 785-9764.

Sincerely,

Laura Zaremba

Laura Zaremba
Deputy Director

Attachment

E-mail: hfswebmaster@illinois.gov

Internet: http://www.hfs.illlinois.gov/

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-17 Inadequate Procedures for Performing Eligibility Redeterminations

Finding Synopsis: Eligibility redetermination procedures implemented by DHFS for the Medicaid Cluster (Medicaid) and State Children's Insurance Program (SCHIP) are not adequate.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department will continue to follow the guidance received from the Federal Centers for Medicare & Medicaid Service (CMS) for Medicaid and SCHIP program redeterminations.	Division of Medical Programs	Ongoing	O
The Department will continue to work with the Illinois Department of Human Services to review the feasibility of reprogramming the data system to track administrative renewals across both agencies.	Division of Medical Programs	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-18 Failure to Determine Eligibility in Accordance with Program Regulations

Finding Synopsis: DHFS did not determine the eligibility of beneficiaries under the State Children's Insurance Program (SCHIP) and Medicaid Cluster programs in accordance with federal regulations.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department and Illinois Department of Human Services will continue to work on pilot projects that would allow for shared imaged files, which would prevent the loss of files in the future.	Division of Medical Programs	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-19 Failure to Process Medical Claims within Prescribed Timeframes

Finding Synopsis: DHFS is not processing medical claims for individuals receiving benefits under the State Children's Insurance Program (SCHIP) and Medicaid programs in accordance with timeframes required by federal regulations.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department has dedicated additional resources to ensure compliance with 42 CFR 447.45(d). In addition, the Department is providing the Comptroller with payment priorities to assure federal compliance.	Bureau of Program Rate and Analysis Bureau of Medical Programs	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-20 Failure to Complete Provider Audits in a Timely Manner

Finding Synopsis: DHFS did not complete audits of providers of the State Children's Insurance Program (SCHIP) and Medicaid Cluster programs in a timely manner.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Office of Inspector General is assessing the status of each case on the tracking system to determine its proper disposition and reviewing procedures to better define a provider audit period.	Office of Inspector General	8/15/2009	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-21 Untimely Completion of Medicaid Eligibility Quality Control Reviews

Finding Synopsis: DHFS did not complete Medicaid Eligibility Quality Control (MEQC) reviews in a timely manner.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Office of Inspector General has ceased conducting various non-QC related responsibilities and has taken procedural steps to ensure the required MEQC reports are submitted timely.	Office of Inspector General	7/1/2009	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-22 Improper Reporting of Adjustments for the SCHIP Program

Finding Synopsis: DHFS does not have an adequate process for identifying allowable costs under its "Unborn Amendment" waiver for the State Children's Insurance Program (SCHIP) program.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Procedures were changed to incorporate additional review steps to quarterly claim adjustments. These procedures included when preparing quarterly claims, the Bureau of Federal Finance (BFF) will review current quarter and prior period adjustments for Unborn Amendment. If no current quarter adjustment is reported, BFF will research with Office of Information Services (OIS) staff to determine validity of the report. If the prior period adjustment exceeds established threshold, BFF will research with OIS staff to determine validity of the report.	Bureau of Federal Finance	4/1/09	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-23 Inadequate On-Site Monitoring Procedures

Finding Synopsis: DHFS did not perform adequate on-site monitoring procedures for subrecipients of the Child Support Enforcement (Child Support) program.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department is in the process of reassessing its DCSE subrecipient financial monitoring guidelines	Division of Child Support Enforcement	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-24 Failure to Issue Management Decisions on Subrecipient A-133 Findings

Finding Synopsis: DHFS did not issue management decisions on OMB Circular A-133 findings for subrecipients of its Child Support Enforcement program and Low-Income Home Energy Assistance program (LIHEAP).

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department implemented a Corrective Action Review Sheet identifying DHFS' CFDA number along with description of corrective action and whether action is acceptable.	Division of Finance	February 2009	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-25 Inadequate Process for Accurately Reporting Subrecipient Refunds

Finding Synopsis: DHFS did not accurately report refunds from Local Administering Agencies (subrecipients) on the annual SF-269.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Established a process whereby the Office of Energy Assistance (OEA) employees notified Bureau of Federal Finance (BFF) staff of subrecipient refunds as received.	Office of Energy Assistance and Bureau of Federal Finance	Issue was identified internally and corrective action was implemented prior to beginning of the FY'08 audit.	C
OEA employees identified the subrecipient from which the refund was received and the amount of the refund.	Office of Energy Assistance and Bureau of Federal Finance	Issue was identified internally and corrective action was implemented prior to beginning of the FY'08 audit.	C
OEA employees researched the Category of Service (COS) to which the refund applied and reported COS to BFF staff.	Office of Energy Assistance and Bureau of Federal Finance	Issue was identified internally and corrective action was implemented prior to beginning of the FY'08 audit.	C
BFF staff monitored the refund activity through the account balancing process and reported refund activity on the annual SF-269.	Office of Energy Assistance and Bureau of Federal Finance	Issue was identified internally and corrective action was implemented prior to beginning of the FY'08 audit.	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-26 Unallowable Costs Used to Meet the TANF Maintenance of Effort

Finding Synopsis: State funded energy assistance expenditures and certain state funded medical expenditures were improperly used to meet the maintenance of effort (MOE) requirement of the Temporary Assistance for Needy Families (TANF) program.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Improper expenditures used to meet TANF MOE were corrected on the final FFY08 TANF Report, certified on November 14, 2008.	Bureau of Federal Finance	11/14/2008	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-27 Inaccurate Allocation of Costs

Finding Synopsis: DHFS did not accurately allocate costs to its federal programs in accordance with the Public Assistance Cost Allocation Plan (PACAP).

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Amended Part 2, Section 2.2.0 of the PACAP to reflect the appropriate allocation method for the "Special Assistant for Hospital Policy".	Bureau of Federal Finance	5/20/09	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-28 Failure to Properly Perform Non-Custodial Parent Location Procedures

Finding Synopsis: DHFS did not conduct interviews with custodial parents in a timely manner and did not adequately document its attempts to locate non-custodial parents within the Key Information Delivery System (KIDS).

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department requested and received a policy interpretation from the OCSE Regional office clarifying that the act of setting a date within 20 days of receipt of an application for a future client interview meets the regulatory requirement in 45 CFR 303.2(b). (The interview does not need to be conducted/ completed within 20 days)	Division of Child Support Enforcement	5/4/09	C
The Department will remind staff to ensure that cases needing a follow-up interview be placed in the scheduling queue in a timely manner.	Division of Child Support Enforcement	Ongoing	O
The Department included a review of the interview scheduling process in its newly established Intake Continuous Process Improvement (CPI) team.	Division of Child Support Enforcement	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-29 Failure to Properly Manage and Document Interstate Cases Within KIDS

Finding Synopsis: DHFS did not adequately perform case management procedures for initiating interstate cases and failed to accurately and adequately document interstate cases within the Key Information Delivery System (KIDS).

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department will remind staff to initiate the appropriate referral action to the responding states.	Division of Child Support Enforcement	Ongoing	O
The Department's Continuous Process Improvement team continues to review and update the Division's Interstate processes. A resource for staff when contacting other states has been issued to staff.	Division of Child Support Enforcement	Ongoing	O
Clean up of Interstate problem cases via the Interstate Case Reconciliation (ICR) reports from OCSE continues on an on-going basis.	Division of Child Support Enforcement	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-30 Failure to Establish Support Orders Within Required Timeframe

Finding Synopsis: DHFS did not adequately perform procedures to ensure support orders were established within required time frames or did not document failed attempts to serve process.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department continues to work with legal representative to improve timeliness and documentation of legal actions taken.	Division of Child Support Enforcement	Ongoing	O
The Department reminds staff on a continuous basis at monthly and quarterly meetings about the necessity to document all actions taken on a case.	Division of Child Support Enforcement	Ongoing	O

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-31 Inadequate On-Site Monitoring of Subrecipients

Finding Synopsis: DHFS is not adequately performing on-site monitoring for subrecipients of the Medicaid Cluster.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department has procedures in place established to determine which subrecipients receive an on-site visit and thus believes that no corrective action is warranted.	Division of Medical Programs	N/A	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-32 Failure to Include Allocation Methodology in the PACAP

Finding Synopsis: DHFS did not include an allocation methodology in the Public Assistance Cost Allocation Plan (PACAP) to allocate certain cost centers to the SCHIP and Medicaid programs.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Amended Part 2, Section 2.2.0 of the PACAP to list "Supportive Medical Allocation" as the appropriate cost pool under the charge section.	Bureau of Federal Finance	5/20/09	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-33 Inadequate Cash Management Procedures

Finding Synopsis: DHFS does not have adequate procedures in place to ensure Medicaid Cluster program cash draws are performed in accordance with the Treasury-State Agreement (TSA).

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The Department has reviewed its claiming procedures and remains confident that existing procedures are fully compliant with the TSA and thus believes that no corrective action is warranted.	Division of Medical Programs	N/A	C

ILLINOIS DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES

ACTION PLAN

Name of Audit: FY 2008 Single Audit

Finding Name and # 08-34 Failure to Include Interest Calculation Methodology in the Treasury State Agreement

Finding Synopsis: DHFS did not include a method for calculating an interest liability for the Low Income Home Energy Assistance Program (LIHEAP) in the Treasury State Agreement (TSA) for the year ended June 30, 2008.

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
The SFY'09 Treasury State Agreement was revised to allow DHFS to utilize its approved interest calculation methodologies for the LIHEAP program.	Bureau of Federal Finance	7/1/2008	C

Pat Quinn
Governor

Erwin McEwen
Director

DCFS

Illinois Department of Children & Family Services

June 18, 2009

KPMG
Mr. Jeff Markert, Partner
303 East Wacker
Chicago, IL 60601

Dear Mr. Markert:

I want to thank you for the opportunity to comment on the draft findings for DCFS for the 2008 OMB Circular A-133 Audit of the State of Illinois. We agree in general with the conclusions included in the draft findings and offer the attached cause statements and responses for the findings as well as the plan of correction.

Thank you again for the opportunity to comment.

Yours truly,

Matthew A. Grady III
Deputy Director, Budget & Finance

cc: Mr. Sam Stiles,
Audit Manager

406 E. Monroe Street • Springfield, Illinois 62701
217-785-2509 • 217-524-3715 / TTY

ACCREDITED • COUNCIL ON ACCREDITATION FOR CHILDREN AND FAMILY SERVICES

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-35

Synopsis: Missing documentation in foster care case file

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Continue search for document until located, replaced, or other conclusion for each case:	FFP	Sep 2009	O
2. Adjust claim for questioned cost if not located.	Claiming unit	Dec 2009	O

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-36

Synopsis: Failure to ensure that required judicial determinations were made

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Investigate identified exception identified in the previous finding. (See previous finding for further work).	Operations	Sep 2009	O

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-37

Synopsis: Failure to Ensure That Foster Care Permanency Hearings Are Performed Within Required Timeframes

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Implement procedure for identifying and notifying adoptive caretakers of hearings and reviews	Post Adoption Unit		C

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-38

Synopsis: Missing documentation in adoption assistance case files

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Continue search for document until located, replaced, or other conclusion for each case:	Post Adoption unit	Sep 2009	O
2. Continue with centralization and review of subsidy case requests.	FFP	Oct 2009	O
3. Adjust claim for questioned cost if not located.	Claiming unit	Dec 2009	O

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-39

Synopsis: Inadequate and untimely fiscal monitoring of subrecipients

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Review procedures to select providers for field audit and establish process to ensure all are reviewed and consider procedures for future reviews.	Monitoring Division and Office of Field Audits	Sep 2009	O
2. Develop and implement process	Field Audits	Feb 2010	O

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-40

Synopsis: Failure to Ensure Timely Preparation of Initial Case Plans

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Continue to stress the importance of adequate and timely documentation for child case files	Operations Division and Monitoring Division	July 2009	O
2. Continue case system requirement where preparation of the Integrated Assessment and the comprehensive service plan cannot be completed without the other.	Same	Sep 2009	O

DCFS Contact: Ray Piiparinen 217 785 3417

Department of Children and Family Services
Corrective Action Plan

Name of Audit: SFY 2008 Single Audit
Finding Number: 08-41

Synopsis : Failure to ensure that adoption assistance recertifications are performed within required timeframes

Action Steps	Responsible Unit	Due Date	Status (O or C)
1. Review and investigate exceptions reported by the auditor.	FFP		C
2. Complete implementation of project to improve and streamline process in Springfield location.	FFP		C

DCFS Contact: Ray Piiparinen 217 785 3417

Illinois Department on Aging

Governor Pat Quinn
Director Charles D. Johnson

421 East Capitol Avenue, #100, Springfield, Illinois 62701-1789
Phone: 217-785-3356, Fax: 217-785-4477, Web: www.state.il.us/aging

July 29, 2009

Mr. Sam Stiles
Illinois Office of the Auditor General
740 East Ash
Springfield, Illinois 62703

Dear Mr. Stiles:

Enclosed please find the Corrective Action Plan to the FY 2008 Single Audit findings for the Illinois Department on Aging.

Please contact me with any questions you may have regarding this matter.

Sincerely,

Alan Fowler, Acting Chief
Bureau of Business Services
Division of Finance and Administration

cc: Charles D. Johnson, Director
Mary Killough, Division of Home and Community Services

Illinois Department on Aging
Single Audit Report as of June 30, 2008
Corrective Action Plan

Finding	Description	Corrective Action	Contact	Due Date
08-42	Inadequate On-Site Monitoring of Subrecipients	The Department has developed the on-site financial monitoring tool and internal control questionnaires have been completed by the Area Agencies. Additionally, the Department has developed a plan to review the Area Agencies so that all thirteen will have been visited by the end of January 2010.	Alan Fowler	January 31, 2010
08-43	Inadequate Monitoring of Surecipient OMB Circular A-133 Reports	The City of Chicago A-133 Audit Report requires a different analytical approach in the desk review process than the other 12 Area Agencies on Aging. The Department has reached out to the financial staff of the City of Chicago and requested an additional schedule to reconcile their A-133 reporting. This new process will be enhanced and developed during the Fall of 2009 and will be applied the the City's Audit Report for Year Ended 12/31/2008, which should be completed and submitted to the Department by September 2009.	Alan Fowler	November 30, 2009
08-44	Inadequate Cash Management Procedures for Subrecipients	The cash management procedures have been modified by the Department to monitor the cash balance that each subrecipient has on hand when they submit their monthly cash request. This is evidenced by the amount of interest that was returned by the subrecipients for the year ended 09/30/08 ($98K) as compared to the amount of interest returned in the prior year ($217K). The Department will review and revisit the cash request procedure and make it a part of the on-site financial monitoring to ensure that the advance of cash is for 30 days operating expenditures.	Alan Fowler	October 31, 2009

Illinois Department of
PUBLIC HEALTH

Pat Quinn, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

July 24, 2009

Sam Stiles
Single Audit Manager
Office of the Auditor General
Iles Park Plaza
Springfield, IL 62703

Re: Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Attached are the Department of Public Health's Corrective Action Plans to the applicable Statewide Single Audit findings for the year ended June 30, 2008.

If you require any additional information or clarification, please feel free to contact me by email or at (217)785-2033.

Sincerely,

Gary T. Robinson
Deputy Director
Office of Finance and Administration

Attachment

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-45

FINDING SYNOPSIS: Inadequate Control and Accountability of Vaccines

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
Maintenance of spreadsheet application to verify and track transactions performed by McKesson Specialty	**Virginia Cook/Mark Amerson**	**Ongoing**	**C**
Review of daily shipping logs, backorder and canceled orders reports as provided by McKesson Specialty to confirm providers' orders	**Virginia Cook/Mark Amerson**	**Ongoing**	**C**
Review and comply with replenishment reports as issued by CDC related to purchases of vaccine with GRF	**Mark Amerson**	**Ongoing**	**C**

Although each action is ongoing, this is the standard practice/requirement implemented by CDC within the Vaccine Management Business Improvement Project that included funds management by CDC as the funding agency (DA no longer awarded to grantees but obligated to manufacturers' contracts instead) and transition of all 64 federal project areas to 3rd party centralized distribution. Therefore, status is considered closed.

O = Open C = Closed

Prepared by: Karen Mcmahom

Approved by: Dawn T. Bull, MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-46

FINDING SYNOPSIS: Failure to Monitor the Maintenance of Effort Requirement

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
IDPH will require each state agency submitting MOE expenditures to IDPH designate specific staff who will respond to IDPH queries and who will attend reconciliation meetings as necessary.	**Matt Charles**	**On-going**	**O**
IDPH staff will also ensure that reported MOE expenditures from other state agencies correspond to the appropriate grant reporting periods, thus establishing more effective internal controls of MOE requirements for the HIV Care Formula grants	**Matt Charles**	**On-going**	**O**
ADAP staff will also ensure that recertifications will occur every six months.	**Matt Charles**	**On-going**	**O**

O = Open C = Closed

Prepared by: Matt Charles

Approved by: Dean R. Arnold, MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: SFY 08 Single Audit

FINDING NUMBER: 08-47

FINDING SYNOPSIS : Inadequate Process for Determination of Client Eligibility

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
ADAP staff will conduct regular monthly Medicaid enrollment verification with the Illinois Department of Healthcare and Family Services to ensure that ADAP clients are not dually enrolled.	**Matt Charles**	**On-going**	**O**
ADAP staff will also ensure that recertifications will occur every six months.	**Matt Charles**	**On-going**	**O**

O = Open C = Closed

Prepared by: Matt Charles

Approved by: [illegible] MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-48

FINDING SYNOPSIS: Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit Reports

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
The Division of Accounting Services has a control process which tracks the receipt of required A-133 audit reports.	**Gary Robinson**	**On-going**	**O**
Subrecipient is notified in writing their A-133 is due and should submit copy or write the department they are below the threshold and are not required to have an A-133 Single Audit completed.	**Gary Robinson**	**On-going**	**O**
Audit reports are being reviewed for proper documentation, audit opinion and findings.	**Gary Robinson**	**On-going**	**O**
Department related findings are referred to the appropriate program office.	**Gary Robinson**	**On-going**	**O**

O = Open C = Closed

Prepared by: Karen Smith

Approved by: Dan T. Dull, MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-49

FINDING SYNOPSIS: Inadequate On-site Monitoring of Subrecipients

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
The Department is monitoring subrecipients that the federal grants require.	**Various Offices**	**On-going**	**O**
The Department reviews the responsibilities and important improvements in the subrecipient review process.	**Various Offices**	**On-going**	**O**

O = Open C = Closed

Prepared by: Various Offices

Approved by: Dan R. Arnold, MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-50

FINDING SYNOPSIS: Inadequate Cash Management Procedures for Subrecipients

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
The grants identified were for small dollar amounts and many of them were processed late in the fiscal year, thus a payment upon execution was most feasible.	**George Dirks**	**On-going**	**C**
The Department implemented a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis.	**George Dirks**	**Ongoing**	**C**

O = Open C = Closed

Prepared by: George Dirks

Approved by: [illegible], MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-51

FINDING SYNOPSIS: Inadequate Process for Monitoring Interagency Program Expenditures

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
IDPH will require each state agency submitting MOE expenditures to IDPH designate specific staff who will respond to IDPH queries and who will attend reconciliation meetings as necessary.	**Matt Charles**	**On-going**	**O**
IDPH staff will also ensure that reported MOE expenditures from other state agencies correspond to the appropriate grant reporting periods, thus establishing more effective internal controls of MOE requirements for the HIV Care Formula grants.	**Matt Charles**	**On-going**	**O**

O = Open C = Closed

Prepared by: Matt Charles

Approved by: Dennis A. Bunk, MD, MPH

Date: 7/29/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-52

FINDING SYNOPSIS: Unallowable Costs Used to Meet HIV Matching Requirement

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	**STATUS (O or C)**
This purchase, although permitted from the applicable state funded HIV line item, should have been excluded from the maintenance of effort totals. Future purchases of this nature with these funds will not be allowed.	**Matt Charles**	**On-going**	**C**

O = Open C = Closed

Prepared by: E. Matt Charles

Approved by: Dan Arnold, MD, MPH

Date: 7/24/09

ILLINOIS DEPARTMENT OF PUBLIC HEALTH

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-53

FINDING SYNOPSIS: Failure to investigate Provider Complaints within Required Timeframes

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
The Department concurs with the finding in regard to complaints being conducted outside the required timeframe. To improve our response to investigating complaints within required timeframes, we have scheduled regular monthly meetings with Regional and Central office SPSA's to schedule surveys, and we are using field staff from other Regions to assist with annual surveys in Regions that are behind on surveys, therefore, freeing surveyors. **Central office staff monitors a weekly report and reviews the 24 hour and 7 day complaints entered into the complaint system to ensure the required timeframes are met.** **Also, Regional supervisors assist when necessary in investigating the 24 hour and 7 day complaints to ensure time frames met.**	**William A. Bell**	**Ongoing**	**O**

O = Open C = Closed

Prepared by: William Bell

Approved by: [illegible], MD, MPH

Date: 7/24/09

Illinois State Board of Education

100 North First Street • Springfield, Illinois 62777-0001
www.isbe.net

Jesse H. Ruiz
Chairman

Christopher A. Koch, Ed.D.
State Superintendent of Education

July 20, 2009

Mr. Sam Stiles
Office of the Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703

Subject: Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Enclosed is the Illinois State Board of Education's Corrective Action Plans for findings to be reported in the Fiscal Year 2008 Statewide Single Audit.

The State Board of Education strives to maintain a strong control environment and to take action to correct any identified weaknesses. We appreciate the role of the Single Audit in assuring regulatory compliance and adequate internal controls.

If you require additional information or clarification, please contact Lisa LaBonte, Chief Internal Auditor, at 217/782-2237 or via email at llabonte@isbe.net .

Sincerely,

Christopher A. Koch, Ed.D.
State Superintendent of Education

FY 2008 Single Audit
Illinois State Board of Education
Corrective Action Plans

Finding 08-54 *Failure to Sanction Non-Comparable Local Education Agency (LEA) and Inadequate Documentation for Determining Comparability*

ISBE does not take adequate measures to sanction a LEA that did not meet the comparability of services requirement under the Title I Grants to Local Education Agencies (Title I) program.

Corrective Action: ISBE was aware of the LEA's noncompliance with comparability requirements. The agency sought direction from the U.S. Department of Education (ED) regarding what would be appropriate sanctions in 2005, but did not receive definitive guidance. The final *Compliance with the Title I, Part A, Comparability of Services Requirement* audit report was issued by the ED Office of the Inspector General on June 7, 2007. ISBE is awaiting the final determination of corrective action by the ED program office (Office of Elementary & Secondary Education). Upon receipt of their determination, ISBE will take corrective action as directed.

Anticipated Date of Completion: Dependent upon receipt of the final determination of corrective action from the USDE.

FY 2008 Single Audit
Illinois State Board of Education
Corrective Action Plans

Finding 08-55 *Inadequate On-Site Fiscal Monitoring of Subrecipients*

ISBE is not adequately performing on-site fiscal monitoring reviews of subrecipients of the Title I Grants to Local Educational Agencies, Special Education Cluster, Career & Technical Education- Basic Grants to States, Twenty-First Century Community Learning Centers, Reading First State Grants, and Improving Teacher Quality State Grants programs (collectively referred to as the Education programs).

Corrective Action: ISBE recognizes that External Assurance staffing levels have not been sufficient to provide adequate coverage of subrecipient compliance with Federal grant requirements. Four staff members have recently accepted positions with External Assurance beginning August 2009, filling outstanding vacancies. External Assurance will then have 25 total staff, a level that had not been achieved since November 2006. Seven (7) new positions have been included in ISBE's budget request to the General Assembly over fiscal years 2008, 2009, and 2010. State budget constraints and the current economic climate reduce the probability that additional staff will be forthcoming.

The monitoring plan for the cycle beginning in FY 2009 was expanded to five years, to aid in accomplishing the scheduled on-site visits with limited staffing. ISBE is contracting externally for certain monitoring activities related to American Recovery and Reinvestment Act funds. The increased staffing levels and expanded monitoring cycle will positively impact External Assurance's capacity to meet the monitoring schedule.

Prior to implementing the American Recovery and Reinvestment Act (ARRA), ISBE was undertaking a project to evaluate oversight and monitoring practices from an agency-wide perspective in order to determine more efficient and effective means to monitor subrecipients. This would include better coordination between program staff and External Assurance to ensure compliance requirements are met. The requirements of ARRA implementation has reduced the time available for this evaluation, delaying when the analysis can be performed.

Anticipated Date of Completion: In process.

FY 2008 Single Audit
Illinois State Board of Education
Corrective Action Plans

Finding 08-56 *Inadequate On-Site Programmatic Monitoring of Subrecipients*

ISBE is not adequately performing on-site programmatic monitoring reviews of subrecipients of the Title I Grants to Local Educational Agencies and Improving Teacher Quality State Grants programs.

Corrective Action: ISBE recognizes that External Assurance staffing levels have not been sufficient to provide adequate coverage of subrecipient compliance with Federal grant requirements. Four staff members have recently accepted positions with External Assurance beginning August 2009, filling outstanding vacancies. External Assurance will then have 25 total staff, a level that had not been achieved since November 2006. Seven (7) new positions have been included in ISBE's budget request to the General Assembly over fiscal years 2008, 2009, and 2010. State budget constraints and the current economic climate reduce the probability that additional staff will be forthcoming.

The monitoring plan for the cycle beginning in FY 2009 was expanded to five years, to aid in accomplishing the scheduled on-site visits with limited staffing. ISBE is contracting externally for certain monitoring activities related to American Recovery and Reinvestment Act funds. The increased staffing levels and expanded monitoring cycle will positively impact External Assurance's capacity to meet the monitoring schedule.

Prior to implementing the American Recovery and Reinvestment Act (ARRA), ISBE was undertaking a project to evaluate oversight and monitoring practices from an agency-wide perspective in order to determine more efficient and effective means to monitor subrecipients. This would include better coordination between program staff and External Assurance to ensure compliance requirements are met. The requirements of ARRA implementation has reduced the time available for this evaluation, delaying when the analysis can be performed.

The Agency would like to note that the front-end of the grant process for these programs is set up to ensure subrecipient compliance with Federal requirements which are incorporated into the grant application review and approval process.

Anticipated Date of Completion: In process.

FY 2008 Single Audit
Illinois State Board of Education
Corrective Action Plans

Finding 08-57 *Inadequate Monitoring of Maintenance of Effort Requirement*

ISBE is not properly monitoring the maintenance of effort (MOE) requirement for the Special Education Cluster.

Corrective Action: As noted by the USDE Office of Inspector General in their draft audit report on Subrecipient Monitoring in the "Other Matters" section, ISBE implemented the needed changes to its State-level MOE calculation. ISBE responded to this other matter as follows:

ISBE will perform the calculation of State-level MOE in whatever manner is deemed appropriate. However, the U.S. Department of Education has not provided definitive guidance on determining the amount of "State financial support" (34 C.F.R. § 300.163(a)) for calculating State-level MOE. If guidance was available directing use of the net amount of State funds distributed and recovered in determining State-level MOE, ISBE would have been following that guidance.

Anticipated Date of Completion: Corrective action was immediately taken upon notice by ED Office of Inspector General of their interpretation of State financial support.

Illinois Community College Board

Guy H. Alongi
Chairman

Geoffrey S. Obrzut
President/CEO

proudly serving the

Illinois Community College System

Sam Stiles
Office of the Auditor General
Iles Park Plaza
740 East Ash St.
Springfield, IL. 62703-3154

July 24, 2009

SUBJECT: Statewide Single Audit Corrective Action Plan

Dear Sam,

Enclosed is the Illinois Community College Board Corrective Action Plan for the Fiscal year 2008 Statewide Single Audit. If you have any questions, feel free to contact me.

Sincerely,

Ellen Andres
Chief Financial Officer

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ILLINOIS COMMUNITY COLLEGE BOARD

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-58 *Failure to Perform On-Site Fiscal Monitoring of Subrecipients*

Finding Synopsis: ICCB did not perform on-site fiscal monitoring reviews of subrecipients receiving federal awards under the Career & Technical Education - Basic Grants to States (Perkins IV) program

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Perform on-site monitoring of its subrecipients in accordance with its established monitoring plan.	Financial Compliance & Program Accontability	12/08	C

O = Open **C = Closed**

ILLINOIS COMMUNITY COLLEGE BOARD

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-59 *Inadequate Documentation of Monitoring of Subrecipient OMB Circular A-133 Audit Reports*

Finding Synopsis: ICCB is not adequately reviewing OMB Circular A-133 audit reports that are required to be received from subrecipients of the Vocational Education – Basic Grants to States (post-secondary education) program

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Update its checklist to include additional criteria to ensure that a sufficient review is performed over the reports,	Finance & Operations	10/08	C
Establish a process for updating the subrecipients files with the results of the findings follow-up review	Finance & Operations	Fall 08	C
Require its subrecipients to certify that less than $500,000 was expended in total federal awards if an OMB A-133 audit report is not submitted.	Finance & Operations	Fall/08	C

O = Open C = Closed

ILLINOIS COMMUNITY COLLEGE BOARD
BUDGET AND OPERATIONS DIVISION

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-60 *Inadequate Cash Management Procedures for Subrecipients*

Finding Synopsis: ICCB does not have adequate procedures to monitor the cash needs of subrecipients and to determine whether subrecipients are minimizing the time elapsing between the receipt and disbursement of funding for the Career and Technical Education – Basic Grants to States program

ACTION STEPS	RESPONSIBLE AREA	DUE DATE	STATUS (O or C)
Establish procedures to monitor the cash position of subrecipients	Finance & Operations	7/09	O

O = Open C = Closed

Illinois
Student
Assistance
Commission

July 24, 2009

Mr. Sam Stiles
Office of the Auditor General
Iles Park Plaza
740 E. Ash St.
Springfield, IL 62703

Subject: Statewide Single Audit Corrective Action Plan(s)

Dear Mr. Stiles:

Please find enclosed the Illinois Student Assistance Commission's Corrective Action Plans for the State Single Audit for Fiscal Year 2008.

Should you have any questions, please contact John Sinsheimer, Chief Financial Officer at 800-899-4722, ext. 3302 or Shoba Nandhan, Director, Budget and Finance at 847- 948 – 8500, ext 4304.

Sincerely,

Andrew Davis
Executive Director

1755 Lake Cook Road
Deerfield, IL 60015-5209

500 West Monroe
Springfield, IL 62704-1876

100 West Randolph Suite 3-200
Chicago, IL 60601-3219

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ILLINOIS STUDENT ASSISTANCE COMMISSION

ACTION PLAN

NAME OF AUDIT: **FY 2008 Single Audit**

FINDING NUMBER: 08-61 **Untimely Deposits into the Federal Fund**

Finding Synopsis: ISAC does not deposit the federal share of borrower payments into the Federal Fund within the required 48 hours.

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O OR C)
1. Continue working with outside legal collection agencies to ensure understanding of federal 48-hour deposit requirement and enforcement.	Kim Barker Lee	Ongoing	O
2. Continue to transfer interest from the Student Loan Operating Fund into the Federal Student Loan Reserve Fund for those deposits that fall outside the 48-hour deposit period.	Shoba Nandhan	Ongoing	O

O = Open C = Closed

Prepared by: Shoba Nandhan

Approved by: John Sinsheimer

Date: July 23, 2009

ILLINOIS STUDENT ASSISTANCE COMMISSION

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-62 Inadequate Process for Assignment of Defaulted Loans

Finding Synopsis: ISAC did not have an adequate process to ensure that all defaulted loans that meet the requirements specified in 34 CFR 682.409 are assigned to the US Department of Education.

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O OR C)
Continue to monitor and assign eligible loans to the US Department of Education by dates specified in federal regulations.	Bill Coleman	Ongoing	O

O = Open C = Closed

Prepared by: Shoba Nandhan

Approved by: John Sinsheimer

Date: July 23, 2009

ILLINOIS STUDENT ASSISTANCE COMMISSION

ACTION PLAN

NAME OF AUDIT: **FY 2008 State Single Audit**

FINDING NUMBER: **08-63 Inaccurate Guaranty Agency Annual Financial Reporting**

Finding Synopsis: ISAC did not accurately report the amount of federal consolidation loans cancelled as of September 30, 2007 in the Guaranty Agency Annual Financial Report (Form 2000).

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O OR C)
ISAC has corrected the error in the loan cancellation logic being applied to loans in National Student Loan Data System (NSLDS) processing. The correction was implemented for ISAC's October 2008 month end submission to NSLDS. Procedures are in place to review the Annual Reasonability report provided by the U.S. Department of Education (ED).	Chris Peterson and Shoba Nandhan	Closed	O

O = Open C = Closed

Prepared by: Shoba Nandhan

Approved by: John Sinsheimer

Date: July 23, 2009

ILLINOIS STUDENT ASSISTANCE COMMISSION

ACTION PLAN

NAME OF AUDIT: FY 2008 State Single Audit

FINDING NUMBER: 08-64 Inadequate Process to Verify Unreported Loans

Finding Synopsis: ISAC does not have an adequate process to verify unreported loans.

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O OR C)
Correct logic has being tested and implemented to include loans with assigned/'dummy' SSNs in this process.	Chris Peterson	Closed	O

O = Open C = Closed

Prepared by: Shoba Nandhan

Approved by: John Sinsheimer

Date: July 23, 2009

July 27, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Isle Park Plaza
Springfield, IL 62703

Subject: FY08 Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Attached are the Department's Corrective Action Plans to the Statewide Single Audit findings for the period ended June 30, 2008.

If you require any additional information or have questions, please contact Kathy Harlan, Audit Liaison, at (312)793-9246.

Very truly yours,

Jon C. Gingrich
Chief Financial Officer

Attachments

Pat Quinn, Governor
Maureen T. O'Donnell, Director

33 SOUTH STATE STREET
CHICAGO, ILLINOIS 60603-2802
www.ides.state.il.us

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-65 Failure to Obtain Refusal to Work Certifications

Finding Synopsis: IDES does not obtain continuing certifications that claimants have not refused suitable work offers throughout the eligibility period prior to the payment of benefits under the Unemployment Insurance (UI) Program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STAUS (O or C)
Ensure that all questions, including the refusal of work question, are completed on the UI application. On a weekly basis, ten initial claims will be reviewed to ensure staff is accurately determining eligibility at the time the claim is filed.	Operations/ Local Office Managers	10/1/09	Ongoing
Refusal of work will be added to the IVR and the Internet claims bi-weekly certification when Release 4 of IBIS is implemented.	IBIS Team	Spring 2010	O

Prepared by: Carolyn Vanek

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-66 Failure to Issue Eligibility Determinations within Prescribed Timeframes

Finding Synopsis: IDES is not issuing eligibility determinations for individuals applying for Unemployment Insurance (UI) benefits in accordance with timeframes required by the State Plan.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STAUS (O or C)
Meet with Region UI Program Managers to discuss new and inventive methods to address the high workload volumes and to emphasize the importance of timely determinations.	UI Support/ Carolyn Vanek	9/30/09	O
Establish a training plan to train and retrain staff on adjudication methods in an effort to increase the efficiency.	UI Support/ Carolyn Vanek, Linda Fortado	11/30/09	O
Monitor the backlog on a weekly basis to ensure that necessary steps are taken in instances where the backlog appears to be growing.	Operations, UI Support/ Virginia Long, Carolyn Vanek	9/30/10	Ongoing
Hire additional staff to address the high workload volumes – highest since 1980's.	Operations/ Virginia Long	9/30/10	O
Monitor the Pending Adjudication Report to insure old cases have been removed and new cases are being worked on a timely basis.	Operations/ Regional UI Program Managers	9/30/10	Ongoing

Prepared by: Carolyn Vanek

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-67 Inaccurate Benefit Payment Calculations

Finding Synopsis: IDES did not accurately calculate benefit payments for the Alternative Trade Adjustment Assistant (ATAA) grant administered under the Unemployment Insurance Program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Assign responsibility for overseeing ATAA payment processing to Deborah Geier, Special Programs Manager and transfer files to processing unit in Springfield Director's Office.	UI Suppport/ C. Vanek	1/20/09	C
Train staff responsible for processing requests for monthly ATAA subsidy payments.	UI Support - Special Programs/ D. Geier	4/15/09	C
Create ATAA payment calculation worksheet and Excel spreadsheets with formulas for documenting review of monthly verification of wage subsidy amounts to be paid.	UI Support - Special Programs/ D. Geier, T. Kujawa	4/30/09	C
Set up 30 day tickler file to ensure ATAA subsidy payments are processed at least once each 30 day period for active ATAA participants.	UI Support - Special Programs/ T. Kujawa	4/30/09	C
At least once each month or upon receipt of wage verification from ATAA participant, complete payment calculation worksheet or enter information into Excel spreadsheets to calculate subsidy payment due.	UI Support - Special Programs/ T. Kujawa, K. Washington	Monthly	Ongoing
By the end of the month following each quarter beginning with quarter ending 6/30/09, review 60 ATAA wage subsidy payments to ensure accurate processing of payments.	UI Support - Special Programs/ D. Geier	7/31/09	O

Prepared by: Deborah Geier

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-68 Incomplete Documentation in Client Eligibility Files

Finding Synopsis: IDES did not maintain complete documentation supporting client eligibility determinations made for the Unemployment Insurance program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
On a weekly basis, ten initial claims will be reviewed to ensure staff is accurately determining eligibility at the time the claim is filed.	Operations/ Local Office Managers	10/1/09	Ongoing
Results of the reviews will be emailed to the Regional UI Program Managers on a monthly basis.	Operations/ Local Office Managers, Regional UI Program Managers	10/1/09	Ongoing
Monitoring of claims eligibility will be reported quarterly on the Plan of Service (POS).	Operations/ Regional UI Program Managers	10/1/09	Ongoing
Importance of review and monitoring will be discussed with the Region Managers.	Operations/ Virginia Long	10/1/09	O
Importance of review and monitoring will be discussed with the Local Office Managers.	Operations/ Region Managers	10/15/09	O
Complete documentation of UI applications/eligibility will be stressed with local office staff.	Operations/ Local Office Managers, Field Office Supervisors	11/1/09	O
Automatic partial registration of all claimants in Illinois Skills Match will take place when Release 4 of IBIS is implemented.	IBIS Team	Spring 2010	O

Prepared by: Carolyn Vanek

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-69 Inadequate Documentation of Eligibility Reviews Performed by the Benefits Accuracy Measurement Unit

Finding Synopsis: IDES does not have adequate documentation to support conclusions of eligibility reviews performed by the Benefits Accuracy Measurement (BAM) unit for the Unemployment Insurance (UI) program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Beginning with batch 200901, the Manager will conduct individual case reviews with staff and reinforce documentation requirements.	Benefit Accuracy Measurement Unit/ Mathew Dix	3/17/09	C
Retrain Staff: Manager will conduct training with investigative staff on the documentation requirements needed to support conclusions.	Benefit Accuracy Measurement Unit/ Mathew Dix	4/6/09	C

Prepared by: Valerie Boyd

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-70 Inadequate Documentation of Policies & Procedures, Resolution of Exceptions, and Supervisory Review of Claim Exception & Monitoring Reports

Finding Synopsis: IDES has not adequately document policies and procedures to work all claim exception and monitoring reports. Additionally, the local offices did not clearly document the resolution of the issues identified on the claim exception and monitoring reports, and the reports did not always indicate that a supervisory review had been performed.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Hold individual meetings with each Region Manager to ensure the local offices are following the correct report resolution procedures.	Operations/ Virginia Long	7/31/09	C
Conduct retraining in each region on completing and documenting the resolution of the reports.	Operations/ Report Training Task Force, Regional UI Program Managers	9/30/09	O
Each local office must develop and submit to the Region a schedule which includes the name of the individual responsible for completing each report and the name of the person responsible for reviewing each report.	Operations/ Local Office Manager monitored by the Regional UI Program Managers	9/30/09	O
Each time a local office is visited, the Region Manager or region office staff will review reports to ensure compliance with the report procedures.	Operations/ Region Managers, Regional UI Program Managers	6/30/10	Ongoing
Offices out of compliance during regional reviews must submit a corrective action plan to ensure future compliance.	Operations/ Local Office Manager	9/30/10	Ongoing
While there will be some reports in the new IBIS system, the real time aspects of the system will eliminate the need for some of the error/file maintenance reports.	Operations/ A. Sutherland, UI Program Managers	Spring 2010	O

Prepared by: Carolyn Vanek

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-71 Inadequate Procedures Over Effort Reports

Finding Synopsis: IDES did not have adequate procedures in place to ensure effort (time) reports are signed by employees.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Revise Time and Leave Procedure Number 2005 to make it clear that employees must sign the Time Distribution and Attendance Report.	Accounting Services-Payroll/ Jim McCarte	6/13/08	C
Send a reminder to Cost Center Managers to ensure employees sign the Time Distribution and Attendance Reports before they are entered into the system and submitted to Payroll.	Accounting Services-Payroll/ Jim McCarte	7/9/09	C

Prepared by: Jim McCarte

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-72 Improper Calculation of Earmarking Requirement

Finding Synopsis: IDES did not properly calculate the earmarking requirement applicable to the Employment Services (ES) program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Correct PY07 earmarking amount in the IDES Administrative Accounting System.	Office of the Budget/ M. Holbek	9/19/08	C
Train Budget staff to ensure that any unusual mid-year changes to obligational authority must coincide with a reevaluation of the earmarked amount.	Financial Operations/ J. Gingrich	7/24/09	C

Prepared by: Jon Gingrich

O = Open C = Closed

LLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-73 Inaccurate ATAA Special Report

Finding Synopsis: IDES did not accurately report expenditures in the Alternative Trade Adjustment Activities (ATAA) Special Report.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STATUS (O or C)
Create and maintain a spreadsheet in Excel to document all ATAA payments.	UI Support – Special Programs/ T. Kujawa	4/15/09	C
Monthly, compile the total of all ATAA payments requested by the ATAA payment processing unit.	UI Support – Special Programs/ T. Kujawa	4/15/09	Ongoing
By the 1st of the month following the month after the end of each quarter, total the ATAA payments made for the quarter.	UI Support – Special Programs/ D. Geier	5/1/09	Ongoing
Upon determining total payments made for each quarter as documented on ATAA payment processing unit spreadsheet, request the ATAA Disbursements Ledger from Accounting and reconcile via the ATAA Reconciliation Worksheet.	UI Support – Special Programs/ D. Geier	5/10/09	Ongoing
Report the reconciled totals on the ATAAR and submit the report by 45th day following the end of the quarter.	UI Support – Special Programs/ D. Geier	5/15/09	Ongoing

Prepared by: Deborah Geier

O = Open C = Closed

ILLINOIS DEPARTMENT OF EMPLOYMENT SECURITY
CORRECTIVE ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-74 Inadequate Documentation of Controls over Information Systems

Finding Synopsis: IDES does not have adequate documentation of access and program development controls over the information systems that support the Unemployment Insurance (UI) Program.

ACTION STEPS	RESPONSIBLE AREA/ PERSON	DUE DATE	STAUS (O or C)
Complete updating of the Task Order Deliverables part of the program development methodology procedures.	Information Services & Procedures/ Tom Revane, Tom Katskee, Barry Isaacson	9/1/09	O
Complete updating of the Customized Forms part of the program development methodology procedures.	Information Services & Procedures/ Tom Revane, Tom Katskee, Barry Isaacson	9/1/09	O
Obtain additional staff for Production Control.	Tom Revane, Chuck Cicora	1/2/10	O

Prepared by: B. Isaacson/T. Revane

O = Open C = Closed

dceo Illinois Department of Commerce and Economic Opportunity

Pat Quinn
Governor

Warren Ribley
Director

July 24, 2009

Mr. Sam Stiles
Single Audit Manager
Office of Auditor General
740 East Ash Street
Springfield, IL 62703-3154

Re: Statewide Single Audit Corrective Action Plan(s)

Dear Mr. Stiles:

Attached are the Department of Commerce and Economic Opportunity's (DCEO) corrective action plans for the State Fiscal Year 2008 Single Audit.

Sincerely,

Scott Harry
Chief Accountability Officer

Attachments

Internet Address http://www.commerce.state.il.us

620 East Adams Street
Springfield, Illinois 62701-1615

217/782-7500
TDD: 800/785-6055

James R. Thompson Center
100 West Randolph Street, Suite 3-400
Chicago, Illinois 60601-3219
312/814-7179
TDD: 800/785-6055

2309 West Main, Suite 118
Marion, Illinois 62959-1180

618/997-4394
TDD: 800/785-6055

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Finding 08-75: Inaccurate Performance and Evaluation Report

DCEO did not accurately report financial information in the Performance and Evaluation Report for the Community Development Block Grant (CDBG) Program.

Corrective Action Plan

Review Process

The report preparation and submittal is done on an annual basis occurring in January of each year. CDBG staff and Accounting staff will analyze the report review process and determine what additional verification steps are necessary.

Modify Process

CDBG staff and Accounting staff will make necessary changes to the process to make a more effective review in the following manner:

- To prepare the draft reports, initial financial information will be supplied to program staff by DCEO Accounting.
- Program staff will combine this data with programmatic elements on the draft reports.
- Once the draft reports have been prepared, they will be submitted, along with supporting documentation, to the Accounting unit for review.
- The Accounting review will incorporate all aspects of the draft reports verifying against the supporting documentation.
- Once the Accounting review is completed, program staff will be notified and the final reports will be submitted externally to the appropriate oversight authority.

Train Staff

CDBG staff and Accounting staff will train the appropriate CDBG and Accounting staff on the revised procedures.

DCEO Oversight

- CDBG Deputy Director — Maureen Palmer
- CDBG Program Manager — Pat Davis
- Accounting Manager — Phil Wyatt
- Accounting Supervisor — Chad Dierking

DCEO Estimated Timeline

June 2009	Process reviewed
June 2009	Process Modified
Ongoing	Staff Trained
June 2009	Corrective Action Plan fully implemented

Corrective Action Plan Status

Fully implemented

Finding 08-76: Failure to Properly Issue and Evaluate Training Waivers and Failure to Properly Calculate Job Search Allowance

DCEO did not properly issue and evaluate training waivers and did not properly calculate the job search allowance for the Trade Adjustment Assistance (TAA) Program.

Corrective Action Plan

Review Process

TAA staff will review the TAA manual, complete with policy, procedures, forms and instructions, US advisories and guidance letters and determine any necessary changes to ensure all requirements are adequately documented.

Modify Process

TAA staff will make any appropriate changes to the procedures to ensure all requirements are effectively documented and communicated.

Train Staff

TAA staff will continue to conduct state-wide training sessions for the LWIAs and state staff and will conduct individual LWIA training, as necessary.

DCEO Oversight

- Becky Harmon – Assistant Deputy Director/Regional Workforce Management
- Ray Parrack – Division Manager Budget and Fiscal Monitoring

DCEO Estimated Timeline

September 2009	Process Reviewed
Beginning 2010	Process Modified
Ongoing	Staff Training

Corrective Action Plan Status

Not Started

Finding 08-77: Inadequate Documentation of Supervisory Review and Untimely Communication of On-Site Monitoring Findings

DCEO did not adequately document supervisory reviews of on-site monitoring procedures and did not communicate the resulting findings on a timely basis for the Workforce Investment Act Cluster (WIA) program.

Corrective Action Plan

Review Process

WIA staff will perform a detailed assessment on the current procedures and the WIA System to determine the controls that are in place and where there are opportunities for improvements.

Modify Process

WIA staff will make the appropriate changes to the procedures and the WIA system to improve the controls and to make the processes more efficient. Any changes to the process will help ensure a supervisory review is adequately documented prior to finalizing the review, and that findings and recommendations are communicated in a timely manner.

Train Staff

Appropriate WIA staff will be trained on the revised procedures and any system changes.

DCEO Oversight

- Becky Harmon – Assistant Deputy Director/Regional Workforce Management
- Ray Parrack – Division Manager Budget and Fiscal Monitoring

DCEO Estimated Timeline

September 2009	Process Reviewed
Beginning 2010	Process Modified (Time is dependent on available resources)
Beginning 2010	Staff Trained

Corrective Action Plan Status

Not Started

Illinois Department of Transportation
Office of Finance and Administration
2300 South Dirksen Parkway / Springfield, Illinois / 62764

July 27, 2009

Mr. Sam Stiles
Office of the Auditor General
Iles Park Plaza
740 E. Ash
Springfield, IL 62703-3154

Dear Mr. Stiles:

Enclosed are the corrective action plans for the findings in the FY 2008 Single Audit which impact the Illinois Department of Transportation.

If additional information is needed, please contact our Audit Section Manager:

Ron McKechan, Manager
Audit Section
Illinois Department of Transportation
Room 124, 2300 South Dirksen Parkway
Springfield, IL. 62764
Phone: 217/785-4593

Sincerely,

Ann L. Schneider

Ann L. Schneider, Director
Office of Finance & Administration

Enclosure

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-78 Inadequate On-Site Monitoring of Subrecipients

IDOT is not performing on-site reviews of subrecipients receiving federal awards for the Airport Improvement program and has not developed formal policies and procedures for on-site reviews.

Corrective Action:

The Division of Aeronautics has always "informally" monitored local let projects. A verifiable procedure; however, was not in place to document these reviews during FY 2008.

The Department has implemented a procedure that is documented on Form AER 50 "*Local Let Project Tracking Worksheet and Documentation*", which documents that monitoring was performed. This was utilized for all local let projects that began in fiscal year 2009. Although the Division has always "informally" monitored local let projects, a verifiable procedure is now in place.

Projected Completion Date:

Documented on-site monitoring began during FY 2009.

Contact Person:

Steven Long, 217-785-5564

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-79 Failure to Obtain Suspension and Debarment Certifications from Subrecipients

IDOT did not obtain required certifications that subrecipients were not suspended or debarred from participation in Federal assistance programs for the Highway Planning and Construction Program.

Corrective Action:

One division in the Department was using an outdated grant agreement that did not include the suspension and debarment certifications.

The Department will establish and implement procedures to ensure compliance for individual awards over $25,000 or more to ensure that contractors are not suspended or debarred or otherwise excluded from participation in federal assistance programs.

Projected Completion Date:

December 31, 2009

Contact Person:

Ron McKechan, 217-785-4593

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-80 Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports

IDOT does not have an adequate process to review subrecipient OMB Circular A-133 reports on a timely basis.

Corrective Action:

The one report that was received in February of 2008, for which a review had yet to be issued, was purposely being held pending the completion of a site audit of the subrecipient. The Department is revising procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported by the subrecipient; however, the procedures were not fully implemented in the audit period.

The Department will implement procedures to incorporate a process to reconcile the Department's payments with subrecipients' schedules of expenditures of federal awards. The checklist has also been revised to reflect procedures to reconcile funds sent by IDOT to the schedule of expenditures of federal awards reported in the subrecipients' OMB Circular A-133 audit reports.

Projected Completion Date:

August 30, 2009

Contact Person:

Ron McKechan, 217-785-4593

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-81 Failure to Notify Subrecipients of Federal Funding

IDOT did not provide required program information relative to federal funds passed through to the subrecipients of the Highway Planning and Construction, Airport Improvement, and Homeland Security Cluster programs for the year ended June 30, 2008.

Corrective Action:

The corrective action previously implemented had not been implemented as thoroughly as it should have been with regard to both new and already active project agreements.

The details of this repeated finding, as well as the corrective action and appropriate language to include in all active and new project agreements, has been shared with appropriate personnel in a department-wide memorandum issued on May 13, 2009. This memorandum revised and reiterated the corrective action requirements issued previously by the department. In addition, we will establish and implement monitoring procedures to ensure contracts comply with the memorandum.

Projected Completion Date:

December 31, 2009

Contact Person:

Ron McKechan, 217-785-4593

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-82 Failure to Draw Funds Only for Immediate Cash Needs

IDOT did not minimize the time elapsing between the drawdown of federal funds from the U.S. Treasury and their disbursement for program purposes, and did not deposit the Homeland Security Cluster funds into an interest-bearing account.

Corrective Action:

The prior year's audit corrective action plan including the funding procedures and separate appropriation account for Homeland Security funds were not implemented until July 2008. With regard to the $16,895 expenditure resulting in a lengthy delay in the issuance of the warrant, this event was due to an unfortunate issue with the vendor that needed to be resolved before payment could be processed.

We will implement procedures to ensure the homeland security funds received in advance are deposited in an interest bearing account and will track the interest earned in accordance with the regulations.

Projected Completion Date:

December 31, 2009

Contact Person:

Tom Korty, 217-782-2984

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-83 Inadequate Cash Management Procedures

IDOT does not have procedures to ensure cash draws are performed in accordance with the Treasury-State Agreement (Airport Improvement Program).

Corrective Action:

The Office of the Comptroller requires IDOT to draw down the federal funds and have them available at the time the vouchers are presented to the Comptroller for processing and payment. In order to comply with the Treasury-State Agreement (TSA) requirement that IDOT draws funds for the Airport Improvement Program by using the pre-issuance method requiring the requested funds are deposited in a state account not more than three days prior to the day the state makes a disbursement, the Division of Aeronautics has adopted a procedural change to draw down the federal funds from ECHO/Delphi after confirmation with the Bureau of Business Services FOA system to determine that the schedule has been vouchered before processing a Letter of Credit draw down from ECHO/Delphi. This is the last step before the funds need to be available before dispersing the funds.

We will recalculate our clearance pattern for inclusion in the TSA agreement as necessary.

Projected Completion Date:

The process to monitor Comptroller processing of payments is an ongoing process.

Contact Person:

Christina Pearce, 217-785-4569

State of Illinois
Illinois Department of Transportation
Corrective Action Plan
Statewide Single Audit for FY 2008

Finding 08-84 Inadequate Controls over Information Systems

Corrective Action:

IDOT has begun efforts to resolve the issues noted in the audit and implement improved RACF security measures to address the control items noted.

The Department is working on enhancements to the RACF Security Manual and policies to verify separated employees access has been removed from the systems within a designated timeframe. The Department continues to work with CMS pursuant to Public Act 93-0839 in which CMS has assumed responsibility for the statewide Information Technology infrastructure. The Department continues to work with CMS on communication notifications related to program changes CMS implements into production.

Projected Completion Date:

The process to improve and strengthen controls is an ongoing process.

Contact Person:

Mark Kinkade, 217-785-2400

IEMA
Illinois Emergency Management Agency

Pat Quinn, Governor
Andrew Velasquez III, Director

August 3, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Isle Park Plaza
Springfield, IL 62703

Re: Corrective Action Plans – SFY08 Statewide Single Audit

Dear Mr. Stiles:

Attached please find the Illinois Emergency Management Agency's Corrective Action Plans to the Statewide Single Audit findings for the period ending June 30, 2008.

If you require any additional information or have questions, please do not hesitate to contact me at 217.557.4771.

Sincerely,

Jennifer Ricker
Chief of Staff

2200 S. Dirksen Parkway • Springfield, Illinois • 62703 • Telephone (217) 782-7860 • http://www.iema.illinois.gov

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Finding 08-85 *Failure to Deposit funds in an Interest-Bearing Account*

IEMA did not deposit Homeland Security cluster program funds received in advance of issuing warrants into an interest-bearing account.

Recommendation: We recommend IEMA deposit all federal funds received in an interest-bearing account and calculate and remit interest owed to the U.S. Treasury.

Corrective Action Plan:

1. **Status of the Finding:** IEMA has contacted the Illinois Office of the Comptroller to obtain guidelines for establishing an account to deposit funds that draw interest. The agency was informed that state law requires legislative approval for any fund generating interest. Based on this information IEMA will formally notify the governor's office of Management & Budget to begin pursuing legislation at the earliest possible legislative session.
2. **Due Date:** June 2010
3. **Responsible Area:** IEMA Fiscal Management and Legislative Office
4. **Action Steps:** IEMA will pursue the establishment of an interest bearing account through legislation as required by state law.

Finding 08-86 *Failure to Obtain Suspension and Debarment certifications from Vendors*

Recommendation:

We recommend IEMA establish procedures to ensure vendors certify that their organization is not suspended or debarred or otherwise excluded from participation in Federal assistance programs.

Corrective Action Plan:

1. **Status of Finding:** IEMA legal has prior to this date implemented all the action steps contained in its corrective action plan.
2. **Due Date:** June 2010
3. **Responsible Area:** IEMA Legal Office
4. **Action Step:** Agency legal is requiring its internal bureaus to more clearly indicate in the form of a responsive questionnaire for every contract whether Federal funds are being used to procure good and services so that Agency staff may investigate via EPLS and verify whether a potential vendor is debarred or suspended from doing business with the Federal Government. Additionally, the Agency has altered the Debarment language in all of its federally funded contracts and Grants to more closely resemble that of the statute.

Finding 08-87 *Inadequate On-Site Monitoring of Subreceipints*

IEMA is not performing on-site reviews of subrecipients receiving federal awards under the Homeland Security Cluster

Recommendation:

We recommend IEMA perform periodic on-site reviews to ensure subrecipients are administering the federal program in accordance with the applicable laws and regulations.

Corrective Action Plan:

1. **Status of Finding:** IEMA has in place a policy statement that describes some of a wide range of activities that programmatic staff regularly conduct to monitor subrecipients. In SFY 2009, IEMA developed a subrecipient monitoring form that was immediately utilized to document on-site reviews of grantees by program management staff. The IEMA Policy statement outlines a plan to conduct a a minimum of 12 on-site monitoring visits per calendar years, Regularly, IEMA program staff participates in advisory board, executive steering committees and other workgroups and activities of major grantees where programmatic activities connected to grantee grant and interagency agreements are reviewed and discussed, including financial reporting.
2. **Due Date:** September 30, 2009
3. **Responsible Area** Illinois Terrorism Task Force
4. **Action Steps:** IEMA staff with responsibility for managing the federal preparedness grants administered by the Illinois Terrorism Task Force will meet to evaluated the effectiveness of the subrecipient monitoring form currently being utilized by program staff (August 2009). IEMA staff will develop an on-site monitoring plan for grantees of all federal preparedness grants administered by the Illinois Terrorism Task Force. The plan will account for advisory board, executive steering committees, and other workgroups for which program staff already participate. A minimum of 12 on-site visits will be conducted per calendar year. Those grantees that are considered major awardees will be the focus on the on-site reviews (September 2009). IEMA staff will develop a schedule of the on-site monitoring visits that will be conducted each year (September 2009).

Finding 08-88 Inaccurate *Federal Award Information Provided to Subrecipients*

IEMA did not provide accurate federal award information to the Illinois Department of Transportation (IDOT) resulting in an incorrect Catalog of Federal Domestic Assistance (CFDA) number being reported to subrecipients of the Homeland Security cluster Program.

Recommendation:

We recommend IEMA review its current process for preparing award notifications in interagency agreements to ensure all required information is properly communicated.

Corrective Action Plan:

1. **Statue of Finding:** IEMA is currently utilizing the CFDA number 97.067 in all grant and interagency agreements executed for the Federal Emergency Management Agency, Homeland Security Grant Program. For future federal

fiscal year awards, IEMA staff will closely review grant guidance to ensure that accurate CFDA numbers are identified for grant and interagency agreements. Additionally, IEMA continues to utilize an internal multi-step review process developed by the IEMA Finance and IEMA Legal to ensure all grant and interagency agreements issued provide the proper award information before final execution by the IEMA Director.

2. **Due Date:** Implemented
3. **Responsible Area:** Illinois Terrorism Task Force
4. **Action Steps:** None. The corrective action plan has been implemented.

Finding 08-89 *Failure to Advance Only the Immediate Cash Needs to Subrecipients*

IEMA provided funds to a subrecipient of the Homeland Security cluster Program in excess of its immediate cash needs during the year ended June 30, 2008

Recommendation:
We recommend IEMA review its advance funding policies and techniques for subrecipients and implement policies, techniques and a monitoring process to ensure subrecipients receive no more than 30 days of funding on an advance basis.

Corrective Action Plan:

1. **Status of Finding:** IEMA has adopted a policy stating that all invoices must be submitted for reimbursement within 60 days of receipt of the invoice to help reduce the risk of things like duplicate invoices being submitted from previous reimbursements. Also, internal bill payment procedures have been modified to memorialize the steps grant program management staff take to review and process funding requests. Additionally, IEMA requires, as outlined in the grant and interagency agreement, grantees to submit vendor in invoices demonstrating immediate funding needs for all expenses payable under the Federal Emergency Management Agency, Homeland Security Grant Program. Advance of funds are only permitted as authorized in program guidance. As an internal control, IEMA conducts a final internal review of all grant and interagency agreements issued to ensure that terms and conditions of the agreement have been achieved by the grantee before they considered closed.
2. **Due Date:** Implemented
3. **Responsible Area:** Illinois Terrorism Task Force
4. **Action Steps:** None. The corrective action plan has been implemented.

ILLINOIS STATE POLICE

Division of Administration

July 24, 2009

Pat Quinn
Governor

Jonathon E. Monken
Director

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703

Subject: Statewide Single Audit Corrective Action Plan

Dear Mr. Stiles:

Attached is the Illinois State Police Corrective Action Plan for the finding in the Statewide Single Audit for the period ended June 30, 2008. Please contact Mrs. Patricia Morgan, at 217/557-4782 if you require any additional information.

Sincerely,

Michael T. Yokley
Interim Chief Fiscal Officer

Enclosure
cc: Mrs. Patricia Morgan

801 South Seventh Street • Suite 300-N
P.O. Box 19461
Springfield, IL 62794-9461
(217) 785-2035 (voice) • 1 (800) 255-3323 (TDD)
www.illinois.gov • www.isp.state.il.us

STATE OF ILLINOIS

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

NAME OF AUDIT: Single Audit Report for the Year Ended June 30, 2008

FINDING NUMBER: 08-90 Failure to Deposit Funds in an Interest-bearing Account

Finding Synopsis: State Police did not deposit Homeland Security Cluster program funds received in advance of issuing warrants into an interest-bearing account.

ACTION STEPS

The Illinois State Police has contacted and will work with the Illinois Emergency Management Agency in determining a resolution to this finding for both of our agencies.

STATE BOARD OF ELECTIONS
STATE OF ILLINOIS

1020 South Spring Street, P.O. Box 4187
Springfield, Illinois 62708
217/782-4141 TTY: 217/782-1518
Fax: 217/782-5959

James R. Thompson Center
100 West Randolph, Suite 14-100
Chicago, Illinois 60601
312/814-6440 TTY: 312/814-6431
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Robert Walters

EXECUTIVE DIRECTOR
Daniel W. White

July 23, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Iles Park Plaza
Springfield, IL 62703

Re: FY2008 Statewide Single Audit Corrective Action Plans

Dear Mr. Stiles:

Attached are the Board's Corrective Action Plans to the Statewide Single Audit findings for the period ended June 30, 2008.

If you have any questions or require additional information, please feel free to contact me at 217/782-4141.

Sincerely,

Daniel W. White
Executive Director

Attachments
cc: Michael Roate, Chief Fiscal Officer

ILLINOIS STATE BOARD OF ELECTIONS

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-91 Inadequate Monitoring of Subrecipients

Finding Synopsis:

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
Enhanced 'in-agency' monitoring procedures of subrecipient activities to require more comprehensive documentation of subrecipient plans & activities prior to approval/release of HAVA funds.	Becky Glazier	12/31/07	C
Develop & implement 'site visit' program to selected counties in order to monitor use of HAVA funds and verify compliance with Federal and program guidelines (subject to fiscal & operational resource limitations).	Becky Glazier	10/01/09	O

O = Open C = Closed

Prepared by: Becky Glazier

Approved by: [illegible]

Date: 7-24-09

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-92 Failure to Obtain/Review A-133 Audit Reports

Finding Synopsis:

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
Develop process for notification of audit requirements and collection of subrecipient audit reports from qualifying local election jurisdictions receiving HAVA Requirements program monies through SBE.	Becky Glazier	8/5/08	C
Assemble SBE operational resources needed for internal operational review of subrecipient audit reports/findings, and follow-up of correction activities with local election jurisdictions (subject to fiscal & operational resource limitations).	Becky Glazier/Michael Roate	11/1/09	O

O = Open C = Closed

Prepared by: Michael Roate, CFO

Approved by: [signature]

Date: 7-24-09

ACTION PLAN

NAME OF AUDIT: FY 2008 Single Audit

FINDING NUMBER: 08-93 Failure to Meet HAVA Matching Requirement

Finding Synopsis:

ACTION STEPS	RESPONSIBLE PERSON	DUE DATE	STATUS (O or C)
Request and receipt of necessary State budgetary funding in FY2009 budget year to reimburse dedicated State HAVA fund (Help Illinois Vote Fund – fund 206) for final HAVA reimbursement amount ($341,749).	Dan White/ Michael Roate	7/31/2008	C
Transfer of above identified amount to Help Illinois Vote fund to complete reimbursement process.	Dan White/ Michael Roate	1/31/2009	C

O = Open C = Closed

Prepared by: Michael Roate, CFO

Approved by: [illegible]

Date: 7-24-09

CMS

ILLINOIS Rod R. Blagojevich, Governor
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
Maureen T. O'Donnell, Acting Director

June 12, 2009

Mr. Sam Stiles
Single Audit Manager
Office of the Auditor General
Isle Park Place
Springfield, IL. 62703

Re: Corrective Action Plan – SFY08 Statewide Single Audit

Dear Mr. Stiles,

Attached is the Department's Corrective Action Plan to the Statewide Single Audit finding for the period ended June 30, 2008.

If you require any additional information or have questions, please contact David Boyd, Audit Liaison (217-524-0539).

Sincerely,

Paul Romiti
Chief Financial Officer

Attachment: Corrective Action Plan

Cc: James P. Sledge
Carol Kraus
David Boyd

CMS CORRECTIVE ACTION PLAN

Audit: **Statewide Single Audit for SFY 2008**

Finding 08-94: *Inadequate Process for Monitoring Internal Service Fund Balances*

Synopsis: *DCMS did not establish adequate procedures to identify fund balances in excess of maximum amounts allowed under OMB Circular A-87.*

Recommendations: *We recommend DCMS establish a process for evaluating internal service fund balances and implement the necessary procedures to ensure these fund balances do not exceed the 60 day threshold allowed under OMB Circular A-87. DCMS should also implement procedures to ensure only expenditures meeting allowable cost criteria are used in establishing rates for expenditures charged to federal programs.*

Corrective Action Plan:

Action Step	Responsible Party	Due Date	Status
• Continue to adjust rates annually to reduce excess balances.	Paul Romiti	July 2009	In Process
• Pursue other payback methods where feasible.	Paul Romiti	Ongoing	Ongoing
• Adjust accounting practices where feasible to reduce the total number of reconciling items.	Paul Romiti	Jan. 2010	In Process
• Post and document the reconciling items more accurately.	Paul Romiti	Jan. 2010	In Process

Audit: **Statewide Single Audit for SFY 2008**

Finding 08-95: *Inadequate Supporting Documentation for Payroll Costs*

Synopsis: *Adequate supporting documentation does not exist to substantiate payroll costs paid by the Communications Revolving Fund (CRF) and Statistical Services Revolving Fund (SSRF) which are allocated for reimbursement under federal programs operated by the State.*

Recommendation: *We recommend DCMS obtain effort certifications or personal activity reports where required for payroll and fringe benefit expenditures allocated to its federal programs through internal service fund charges.*

Corrective Action Plan:

Action Step	Responsible Party	Due Date	Status
• Completed the re-design of the allocation process for these overhead charges in the FY08 SWCAP filing.	Paul Romiti	March 2009	Implemented

Audit: **Statewide Single Audit for SFY 2008**

Finding 08-96: *Unallowable Costs Recorded in Internal Service Funds*

Synopsis: *DCMS recorded costs that are not allowed under OMB Circular A-87 in its internal service funds.*

Recommendation: *We recommend DCMS implement procedures to ensure only expenditures meeting allowable cost criteria are used in establishing rates for expenditures charged to federal programs.*

Corrective Action Plan:

Action Step	Responsible Party	Due Date	Status
• Allocate claimed allowable costs supporting multiple funds across the benefiting funds.	Paul Romiti	Jan. 2010	In Process
• Eliminate non allowable expenditures.	Paul Romiti	Ongoing	Ongoing

Audit: **Statewide Single Audit for SFY 2008**

Finding 08-97: *Inadequate Process for Billing Costs to Users*

Synopsis: *DCMS does not have an adequate process in place to bill State agencies for the use of services from the Statistical Services Revolving Fund (SSRF).*

Recommendation: *We recommend DCMS ensure that all State agencies are billed internal service fund costs in a consistent manner in accordance with OMB Circular A-87.*

Corrective Action Plan:

Action Step	Responsible Party	Due Date	Status
• Eliminate pass-through charges where feasible.	Paul Romiti	Ongoing	Ongoing
• Document fully all pass-through rating methodologies.	Paul Romiti	Jan. 2010	In Process

II. Table of Current and Prior Findings

Section II:

Table of Current and Prior Year Findings
Audit for June 30, 2008

Findings										Imple-	
FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	mented	Description
Financial Reporting Findings:											
08-01											Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards - Governor
08-01	07-01	06-01	05-01	04-01	03-01	02-01					Inadequate Process for Compiling the Schedule of Expenditures of Federal Awards - Comptroller
	07-02									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Human Services
	07-03									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Children & Family Services
	07-04									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Public Health
	07-05									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - State Board of Education
	07-06									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Transportation
	07-07									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Employment Security
	07-08									Replaced	Inadequate Process for Accurate and Timely Financial Reporting - Emergency Management
Compliance :											
Department of Human Services -											
08-02	07-09	06-02	05-14	04-13	03-15						Inadequate Process for Monitoring Interagency Program Expenditures
08-03	07-10	06-03	05-18	04-15	03-17						Failure to Perform Eligibility Redeterminations within Prescribed Timeframes
08-04	07-11										Failure to Properly Maintain and Control Case File Records
08-05	07-13	06-04									Inadequate Process for Preventing Individuals Convicted of Drug Felonies from Receiving TANF Benefits
08-06											Failure to Provide Adequate Food Instrument Disposition Documentation
08-07	07-20	06-17	05-24								Failure to Obtain Documentation of Assignment of Medical Support Rights
08-08	07-19	06-16	05-30	04-18	03-20	02-26	01-15				Missing Documentation in Beneficiary Eligibility Files
08-09	07-12										Failure to Determine Eligibility in Accordance with Program Regulations
08-10	07-15	06-07	05-21								Unallowable Expenditures Charged to the Vocational Rehabilitation Program
08-11	07-16	06-11	05-22	04-25							Failure to Determine Eligibility in Accordance with Program Regulations
08-12											Failure to Amend the Public Assistance Cost Allocation Plan
08-13	07-22	06-14									Inaccurate Interest Liability Calculations
08-14	07-23	06-13	05-27								Untimely Review of OMB Circular A-133 Audit Reports
08-15											Inadequate Monitoring of Food Stamps Service Organization
	07-14	06-06	05-19	04-16	03-21					x	Failure to Follow and Document TANF Sanction Procedures
	07-17	06-12	05-25	04-22	03-24	02-24				x	Untimely Performance of On-Site Reviews and Communication of and Follow Up on On-Site Monitoring Findings
	07-18									x	Failure to Advance Only the Immediate Cash Needs to Subrecipients
	07-21	06-10								x	Failure to Adequately Coordinate Program Benefits
Department of Revenue -											
08-16	07-24	06-20	05-31								Inadequate Process for Determining the Allowability of Earned Income Tax Credits
Department of Healthcare and Family Services -											
08-17	07-25										Inadequate Procedures for Performing Eligibility Redeterminations
08-18											Failure to Determine Eligibility in Accordance with Program Regulations
08-19											Failure to Process Medical Claims within Prescribed Timeframes
08-20											Failure to Complete Provider Audits in a Timely Manner
08-21											Untimely Completion of Medicaid Eligibility Quality Control Reviews
08-22											Improper Reporting of Adjustments for the SCHIP Program
08-23											Inadequate On-site Monitoring Procedures
08-24											Failure to Issue Management Decisions on Subrecipient A-133 Findings
08-25											Inadequate Process for Accurately Reporting Subrecipient Refunds
08-26	07-26										Unallowable Costs Used to Meet the TANF Maintenance of Effort
08-27											Inaccurate Allocation of Costs
08-28	07-27	06-23	05-37	04-32	03-29	02-15	01-04				Failure to Properly Perform Non-Custodial Parent Location Procedures
08-29	07-28	06-24									Failure to Properly Manage and Document Interstate Cases Within KIDS
08-30	07-29	06-25	05-39	04-34							Failure to Establish Support Orders Within Required Timeframe
08-31											Inadequate On-Site Monitoring of Subrecipients
08-32											Failure to Include Allocation Methodologies in the PACAP
08-33											Inadequate Cash Management Procedures
08-34											Failure to Include Interest Calculation Methodology in the Treasury State Agreement
	07-30	06-27								x	Failure to Follow Up On Monitoring Findings
	07-31	06-21	05-33							x	Inadequate Monitoring of Subrecipients OMB Circular A-133 Audit Reports
Department of Children and Family Services -											
08-35	07-32	06-29									Missing Documentation in Case Files (Foster Care -- Title IV-E)
08-36	07-33	06-30	05-45								Failure to Ensure That Required Judicial Determinations Were Made
08-37											Failure to Ensure That Foster Care Permanency Hearings Are Performed Within Required Timeframes
08-38	07-34	06-32	05-44								Missing Documentation in Adoption Assistance Eligibility Files
08-39	07-36	06-34	05-47	04-36	03-34	02-30	01-18	00-18	99-06/09		Inadequate and Untimely Fiscal Monitoring of Subrecipients
08-40	07-38	06-37	05-51	04-37	03-35	02-33	01-20	00-20	99-05		Failure to Ensure Timely Preparation of Initial Case Plans
08-41	07-39	06-36									Failure to Ensure That Adoption Assistance Recertifications are Performed On A Timely Basis
	07-35	06-33								x	Failure to Properly Document or Execute Adoption Assistance Agreements
	07-37									x	Inaccurate Allocation of Costs
Department on Aging -											
08-42	07-40	06-38	05-52	04-38	03-36						Inadequate On-Site Monitoring of Subrecipients
08-43	07-41	06-39									Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports
08-44	07-42	06-41									Inadequate Cash Management Procedures for Subrecipients
Department of Public Health -											
08-45	07-43	06-47									Inadequate Control and Accountability for Vaccines
08-46											Failure to Monitor the Maintenance of Effort Requirement
08-47	07-46	06-43	05-54	04-40							Inadequate Process for Determining Client Eligibility
08-48	07-45	06-46	05-56								Inadequate Monitoring of Subrecipient OMB Circular A-133 Audit Reports
08-49	07-44	06-44	05-55	04-42							Inadequate On-Site Monitoring of Subrecipients
08-50	07-49										Inadequate Cash Management Procedures for Subrecipients

Section II:

Table of Current and Prior Year Findings
Audit for June 30, 2008

Findings										Imple-	
FY08	FY07	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	mented	Description
08-51	07-50	06-50	05-59								Inadequate Process for Monitoring Interagency Program Expenditures
08-52											Unallowable Costs Used to Meet HIV Matching Requirement
08-53	07-48										Failure to Investigate Provider Complaints within Required Timeframes
	07-47	06-48								x	Insufficient Federal Award Information Provided to Subrecipients
Illinois State Board of Education -											
08-54	07-52	06-51									Failure to Sanction Non-Comparable Local Education Agency (LEA)
08-55	07-53										Inadequate On-Site Fiscal Monitoring of Subrecipients
08-56	07-54										Inadequate On-Site Programmatic Monitoring of Subrecipients
08-57											Inadequate Monitoring of Maintenance of Effort Requirement
	07-51									x	Improper Allocation of Subrecipient Funding under the Terms of the Reading First State Grants State Plan
	07-55									x	Inaccurate Reporting of State Matching Expenditures
Illinois Community College Board -											
08-58											Failure to Perform On-Site Fiscal Monitoring of Subrecipients
08-59	07-56	06-54									Inadequate Documentation of Monitoring of Subrecipient OMB Circular A-133 Audit Reports
08-60											Inadequate Cash Management Procedures for Subrecipients
	07-57	06-55	05-74	04-57	03-51					x	Inadequate Documentation of On-Site Monitoring of Subrecipients
Illinois Student Assistance Commission -											
08-61	07-59	06-58	05-71								Untimely Deposits into the Federal Fund
08-62	07-60	06-59	05-72	04-54							Inadequate Process for Assignment of Defaulted Loans
08-63											Inaccurate Guaranty Agency Annual Financial Reporting
08-64											Inadequate Process to Verify Unreported Loans
	07-58	06-57	05-69	04-53	03-45					x	Processing and Submission Re-insurance Claims
Department of Employment Services -											
08-65											Failure to Obtain Refusal to Work Certifications
08-66											Failure to Issue Eligibility Determinations within Prescribed Timeframes
08-67											Inaccurate Benefit Payment Calculations
08-68	07-62	06-61									Incomplete Documentation in Client Eligibility Files
08-69											Inadequate Documentation of Eligibility Reviews Performed by the Benefit Accuracy Measurement Unit
08-70	07-63	06-62	05-88								Inadequate Documentation of Policies and Procedures, Resolution of Exceptions, and Supervisory Review of the Claim Exception and Monitoring Reports
08-71											Inadequate Procedures over Effort Reports
08-72											Improper Calculation of Earmarking Requirements
08-73	07-66										Inaccurate ATAA Special Report
08-74	07-65	06-68	05-93								Inadequate Documentation of Controls over Information Systems
	07-61									x	Inaccurate Benefit Payments and Missing Documentation in Client Eligibility Files
	07-64	06-67								x	Undocumented Review of Performance Reports
Department of Commerce and Economic Opportunity -											
08-75	07-67										Inaccurate Performance and Evaluation Report
08-76											Failure to Properly Issue and Evaluate Training Waivers and Failure to Properly Calculate Job Search Allowance
08-77											Inadequate Documentation of Supervisory Review and Untimely Communication of On-Site Monitoring Findings
	07-68									x	Inadequate On-Site Monitoring of Subrecipients
Department of Transportation -											
08-78	07-70	06-71	05-76								Inadequate On-Site Monitoring of Subrecipients
08-79											Failure to Obtain Suspension and Debarment Certifications from Subrecipients
08-80	07-72	06-72	05-77	04-62	03-54	02-48					Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports
08-81	07-73	06-74	05-78	04-63							Failure to Notify Subrecipients of Federal Funding
08-82	07-75	06-76									Failure to Draw Funds Only for Immediate Cash Needs
08-83	07-76										Inadequate Cash Management Procedures
08-84	07-77	06-81	05-82								Inadequate Controls over Information Systems
	07-69	06-70	05-75							x	Failure to Obtain Suspension and Debarment Certifications from Subrecipients
	07-71	06-73								x	Inadequate On-Site Monitoring of Subrecipients - Homeland Security Cluster
	07-74	06-77								x	Failure to Follow Sampling and Testing Program for Construction Materials
Illinois Emergency Management Agency -											
08-85											Failure to Deposit Funds in an Interest-bearing Account
08-86											Failure to Obtain Suspension and Debarment Certifications from Vendors
08-87											Inadequate On-Site Monitoring of Subrecipients
08-88											Inaccurate Federal Award Information Provided to Subrecipients
08-89											Failure to Advance Only the Immediate Cash Needs to Subrecipients
	07-78	06-84	05-99							x	Inadequate Cash Management Procedures
	07-79	06-86	05-98							x	Insufficient Federal Award Information Provided to Subrecipients
Illinois State Police											
08-90											Failure to Deposit Funds in an Interest-bearing Account
	07-80	06-88								x	Failure to Draw Funds Only for Immediate Cash Needs
State Board of Elections											
08-91	07-81	06-89									Inadequate Monitoring of Subrecipients
08-92	07-82										Failure to Obtain and Review Subrecipient OMB Circular A-133 Audit Reports
08-93	07-83	06-93									Failure to Meet HAVA Matching Requirement
Department of Central Management Services											
08-94	07-84	06-95									Inadequate Process for Monitoring Internal Service Fund Balances
08-95	07-85										Inadequate Supporting Documentation for Payroll Costs
08-96	07-86										Unallowable Costs Recorded in Internal Service Funds
08-97	07-87										Inadequate Process for Billing Costs to Users