



August 13, 2007

Introduction

Pursuant to the Executive Reorganization Act (15 ILCS 15/11) CMS respectfully submits this third annual report that summarizes the consolidation and reorganization activities, status and results of internal audit services pursuant to Executive Order 10 (2003).

Status and Results of Consolidation Activities

Executive Order 10 (2003) authorized the consolidation of the internal auditing function from 26 designated agencies into a single statewide function covering agencies/boards/commissions that report to the Governor.

The organizational consolidation occurred on October 1, 2003, with the creation of the Illinois Office of Internal Audit. The physical consolidation was completed in April 2004. Our staff are now located in four locations; Springfield, Chicago, Marion and Rockford.

Executive Order 10 (2003) also identified the need for a statewide risk management structure for effective management control, proactive risk management, governance and ongoing business process improvement.

On May 10, 2006, Governor Blagojevich issued Administrative Order Number 2. This order established the Governor's Audit Committee ("GAC"). In addition, the order delineated the powers and duties of the GAC. Namely, they are an oversight and advisory body to the Governor and shall ensure the independence of internal audit functions, implementation of Executive Order 2003-10, and compliance with the Fiscal Control and Internal Auditing Act.

The members of the audit committee were dictated as: the Governor's Chief of Staff; the Governor's General Counsel; the Governor's Deputy Chief of Staff of Operations; the Director of Central Management Services; and the Director of the Governor's Office of Management and Budget. Further the order reads "The members shall serve at the will of the Governor, and the Governor may, at his discretion, change the membership of the Committee at any time." The Governor designated the chair of the committee as the Director of the Governor's Office of Management and Budget.

From a programmatic basis, in April 2004, the Illinois Office of Internal Audit performed the first bi-annual statewide risk assessment which resulted in the development of a statewide, risk-based two-year audit plan. This plan incorporated the auditable areas identified as "high risk" and addressed the statutory requirements of the Fiscal Control and Internal Auditing Act on a statewide basis. We have continued to update the risk assessment based on audit results, new legislation, interviews with agency management, and interviews with Governor's Office Deputy Chiefs of Staff and the Committee.

Recommendation for Future Legislation

CMS has no recommendations at the present time for future legislation.

Respectfully submitted,
Maureen T. O'Donnell
Acting Director