



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

**Statement of Neil P. Olson
Deputy Inspector General
Regarding:**

**House Bill 2
(Illinois Single Audit Commission to Study State Grants)**

**Illinois Senate
State Government and Veterans Affairs Committee
May 14, 2013**

Thank you, Mr. Chairman and members of the State Government and Veterans Affairs Committee, my name is Neil Olson and I am Deputy Inspector General and Chief of Springfield Division at the Office of Executive Inspector General for the Agencies of the Illinois Governor (“OEIG”), an independent and non-partisan State agency.

The OEIG **supports** House Bill 2, which would create the Illinois Single Audit Commission to conduct research on grant administration and recommend the adoption of uniform standards for the administration of grants in the State of Illinois.

As background, we investigate allegations of fraud, waste, and abuse in State agencies and by vendors and others doing business with the State, and those investigations often implicate the oversight and use of State grant funds. Specifically, in January 2012, the Illinois House Human Services and State Government Administration committees held a public hearing resulting from an OEIG investigation of a State grantee who had received grants from numerous State agencies amounting to over \$18 million. Our investigation found, among other things, a lack of State agency oversight which allowed the grantee to receive funds for services not provided, or bill for the same services from multiple grants received.

Our experience with State grants has shown the following deficiencies in the manner in which they are administered:

No Common Application: The State of Illinois lacks a common application, outside of minimal requirements in the Grant Funds Recovery Act. Without a common application requiring relevant information about a grantee’s ability to perform services and other disclosures regarding potential conflicts of interest, State agencies may not perform needed pre-award investigations or inquiries.

No Common Grant Agreement: The State of Illinois also lacks a common grant agreement, outside of minimal requirements in the Grant Funds Recovery Act. Therefore, some grant agreements may require detailed reports from grantees or monitoring, and others may require little from grantees.

Lack of Transparency: The State of Illinois has insufficient searchable information publicly available on the Illinois Transparency and Accountability Portal or other public sources so that agencies and members of the public can be aware of the full extent of grantees’ State grants and the purposes for which they

were awarded. As a result, grantees can more easily engage in fraud by providing the same services under different grants.

No Uniform Administrative Rules: Unlike federal grants, which are governed by a uniform set of administrative rules (the so-called “Common Rule”), the State of Illinois does not have one set of administrative rules governing its grants. Therefore, as described above, State grants are governed only by the grant agreements, which may differ substantially from agency to agency, and by any program-specific rules setting forth standards, such as for allowable costs.

Lack of Statewide Non-Compliance List: Once a given agency suspends or cuts off funding to a grantee because of non-compliance, that information is not shared with other agencies, or even with other programs within the same agency. Therefore, a grantee may continue to collect grant funds from other State sources undeterred.

We believe the lack of uniform standards and the absence of information-sharing create the conditions under which an unscrupulous grantee may engage in fraud, waste, or abuse. Moreover, in light of our investigations and experience, in December 2012, we established an internal Grant Review Initiative Team (“GRIT”) to focus on State grant cases. Our staff assigned to this team, who have over 100 years of combined investigative experience, have developed expertise on the complex issues relating to State grant administration.

We support this bill because the Single Audit Commission’s mission is to study these issues and recommend uniform standards for State grants based on the existing federal standards. We will continue to offer our insight to the members of the General Assembly, the Single Audit Commission, and others as appropriate.

I thank the members of this Committee for considering my testimony today. I welcome any questions that the Committee may have.