STATE OF ILLINOIS
DEPARTMENT OF CENTRAL
MANAGEMENT SERVICES

FINANCIAL AUDIT

For the Year Ended June 30, 2013

AND COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2013

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

FINANCIAL AUDIT
For the Year Ended June 30, 2013

AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

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DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS

Director	Mr. Malcolm Weems (Through October 4, 2013)
	Ms. Simone McNeil - Acting (Effective October 5, 2013)
Assistant Directors	Mr. Steve McCurdy (Through December 31, 2012)
	Mr. Israel Salazar - Acting (Effective March 18, 2013 through October 10, 2013)
	Mr. Austin Baidas – Acting (Effective October 11, 2013)
Chief Operating Officer	Ms. Tasha Cruzat (Through December 15, 2012)
	Mr. Chima Enyia (Effective November 27, 2013)
Chief Fiscal Officer	Mr. Paul Romiti (Through November 30, 2013)
	Ms. Karen Pape - Acting (Effective December 1, 2013 through February 13, 2014)
	Mr. Chuck Morris (Effective February 14, 2014)
General Counsel	Ms. Nadine Lacombe (Through June 15, 2012)
	Mr. Jeff Shuck – Acting (Effective June 16, 2012 through July 9, 2012)
	Mr. Kevin Connor (Effective July 10, 2012 through November 27, 2013)
	Mr. Jeff Shuck – Acting (Effective December 1, 2013 through December 15, 2013)
	Mr. Thomas Mikrut (Effective December 16, 2013)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS
(CONTINUED)

Chief Internal Auditor	Mr. Spenser Staton (Through March 18, 2012)
	Ms. Amy Walter – Acting (Effective March 29, 2012 through February 28, 2013)
	Ms. Deborah Abbott (Effective March 1, 2013)

AGENCY OFFICE LOCATION
715 Stratton Office Building
401 South Spring Street
Springfield, IL 62706

MANAGEMENT ASSERTION LETTER

March 26, 2014

Sikich LLP
Certified Public Accountants
3201 West White Oaks Drive, Suite 102
Springfield, IL 62704

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two year period ended June 30, 2013. Based on this evaluation, we assert that during the years ended June 30, 2012 and June 30, 2013, the Department has materially complied with the assertions below.

A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Department of Central Management Services

Simone McNeil, Acting Director

Charles V. Morris, Chief Fiscal Officer

Thomas R. Mikrut, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	18	16
Repeated Findings	10*	12
Prior recommendations implemented or not repeated	6	7

*Prior year Finding No. 11-11 (Follow up to management audit of the Department's Administration of the Business Enterprise Program) has been repeated for the current compliance examination period but not included in the report that follows as a separate finding. A description of the finding and follow up is included in the Management Audit Follow Up section of the report on page 50.

Details of findings are presented at pages 14 through 49 of this report.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS)*	
2013-001	14	Weaknesses in internal control over financial reporting.	Material Weakness
2013-002	18	Inadequate security and control over the midrange environment	Significant Deficiency

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description	Finding Type
2013-003	20	Inadequate control over property and equipment	Significant Deficiency and Noncompliance
2013-004	23	Avoidable use of emergency contracts	Significant Deficiency and Noncompliance
2013-005	25	Inadequate controls over electronic surplus property	Significant Deficiency and Noncompliance
2013-006	28	Lack of compliance with leasing requirements	Significant Deficiency and Noncompliance
2013-007	30	Weakness in contract administration	Significant Deficiency and Noncompliance
2013-008	32	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance
2013-009	34	Failure to develop rules or policies describing the State employees' group insurance program	Significant Deficiency and Noncompliance
2013-010	35	Late approval and payment of vouchers	Significant Deficiency and Noncompliance
2013-011	37	Inadequate software licensing monitoring	Significant Deficiency and Noncompliance
2013-012	38	Noncompliance with the Data Security on State Computers Act	Significant Deficiency and Noncompliance
2013-013	40	Failure to conduct yearly performance appraisals	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)
(Continued)

Item No.	Page	Description	Finding Type
2013-014	41	Inadequate monitoring of interagency agreements	Significant Deficiency and Noncompliance
2013-015	42	Not timely in filing contracts with the Comptroller	Significant Deficiency and Noncompliance
2013-016	43	Failure to properly reconcile locally held funds reports	Significant Deficiency and Noncompliance
2013-017	44	Inadequate number of Travel Control Board meetings	Significant Deficiency and Noncompliance
2013-018	46	Inadequate controls over the sale of surplus property	Significant Deficiency and Noncompliance

In addition, the following findings which are reported as current findings related to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2013-001	14	Weaknesses in internal control over financial reporting.	Material Weakness and Material Noncompliance
2013-002	18	Inadequate security and control over the midrange environment	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	48	Inadequate justification for the cancellation of a procurement of temporary staffing services master contract
B	48	Weaknesses in controls over payments to employees related to leave of absence
C	48	Failure to meet statutory reporting requirements
D	49	Documentation of Chief Internal Auditor experience and training not sufficient
E	49	Surplus property management process weaknesses
F	49	Failure to establish a prescription drug benefit program for school districts

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 13, 2014. Attending were:

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Simone McNeil, Acting Director
Chuck Morris, Chief Financial Officer
Roger Nondorf, Chief Administrative Officer
Debbie Abbott, Chief Internal Auditor
Karen Pape, Budget Manager

OFFICE OF THE AUDITOR GENERAL

Elvin Lay, Audit Manager

SIKICH LLP

Gary Neubauer, Partner
Joe Kulek, Partner
Drew Long, Supervisor

The responses to the recommendations were provided by Debbie Abbott in letters dated January 22, 2014 and March 26, 2014.

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Central Management Services' (the Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2013. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
D. State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

As described in item 2013-001 in the accompanying schedule of findings, the Department did not comply with requirements regarding:

C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2013. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2013-002 through 2013-018.

Internal Control

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Department's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2013-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2013-002 through 2013-018 to be significant deficiencies.

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

The Department's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
March 26, 2014

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INDEPENDENT AUDITOR'S 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 William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Department of Central Management Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control. Accordingly we do not express an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in finding 2013-001 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in finding 2013-002 in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Central Management Services' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Department of Central Management Services' Response to Findings

The State of Illinois, Department of Central Management Services' responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Department of Central Management Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Central Management Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
January 24, 2014

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

CURRENT FINDINGS –
GOVERNMENT AUDITING STANDARDS

FOR THE YEAR ENDED JUNE 30, 2013

2013-001 **FINDING:** (Weaknesses in internal control over financial reporting)

The Department of Central Management Services' (the Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the State Comptroller contained significant errors in the determination of certain year-end account balances and note disclosures.

The Illinois Office of the State Comptroller (IOC) requires State agencies to prepare year-end financial reports (GAAP Reporting Packages) for each of their funds to assist in the annual preparation of the Statewide financial statements and the Department's financial statements. GAAP Reporting Package instructions are specified in the Statewide Accounting Management System (SAMS) Manual, Chapter 27. Furthermore, the State Comptroller Act (Act) (15 ILCS 405/19.5) requires State agencies to report, on or before October 31, 2013, all financial information as directed by the Comptroller in order to compile and publish a comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles (GAAP). The Act permits the Comptroller to require certain State agencies to submit information before this date.

In accordance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), management is responsible for establishing and maintaining a system, or systems, of internal fiscal and administrative controls, that will provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

During our audit of the June 30, 2013 financial statements, we noted material weaknesses and significant deficiencies resulting from the Department's failure to establish adequate internal control over the accumulation of information necessary for the proper reporting of financial information as follows:

- The Department is responsible for recording a liability for workers' compensation claims for injuries incurred before year-end that are probable of resulting in an award, including pension-type or lifetime awards. The Department made mathematical errors in the calculation of the total estimated liability for pension-type awards resulting in an understatement of the liability of \$13.5 million. Furthermore, the Department continues to estimate the liability using historical information rather than an actuarially calculated liability of projected outcomes based on facts and circumstances inherent in the individual claims and by applying a consistent and supported assessment of those individual claims which may result in an overstatement or understatement of the liability. Department officials have stated the errors are the result of inadequate time devoted to performing the calculation and inadequate review of the calculation.

- The Department administers health and dental insurance benefit programs in the Health Insurance Reserve Fund, the Teacher Health Insurance Security Fund, the Local Government Health Insurance Reserve Fund and the Community College Health Insurance Security Fund. The Department conducted an inadequate review of the independent actuarial valuation report for unpaid claims liabilities for these funds to evaluate the overall reasonableness of the Department's calculation of unpaid claims liabilities at June 30, 2013. Significant variances were noted between the unpaid claims liabilities calculation for claims reported in the health insurance funds as prepared by the Department and the independent actuary. Individual plan variances ranged from the Department calculation exceeding the actuary calculation by $10.9 million to the actuary calculation exceeding the Department calculation by $6.5 million. The Department calculation for the Teacher Health Insurance Security Fund exceeded the actuary's calculation in total by $14.6 million. Such variances were not adequately evaluated by the Department to determine if the calculations were reasonable or if the potential for factors which may cause divergent results were present. Such factors could include, but are not limited to, inaccurate data provided to the actuary or invalid assumptions used in the valuation methodology. In addition, the lack of an adequate evaluation conducted by the Department led to delays in obtaining a timely resolution as to whether the Department's calculation of unpaid claims liabilities for health insurance claims appeared reasonably stated as of June 30, 2013. The Civil Administrative Code of Illinois (20 ILCS 405/405-105) requires the Department to establish and implement a program to coordinate the handling of all fidelity, surety, property, and casualty insurance exposures of the State and the departments, divisions, agencies, branches, and universities of the State. Ultimately, the Department provided additional information to the actuary resulting in revised calculations by the actuary that supported the reasonableness of the Department's calculations.

- During our review, we noted other errors in the preparation of the Department's financial statements. The errors included a miscalculation in estimated receivables and overstatement of revenues. While the Department's internal control process did not identify all of the errors noted, the errors were not material to the Department's financial statements taken as a whole.

- Department personnel in the Office of Finance and Management received a memorandum from the Comptroller dated November 4, 2013 noting the following financial information was requested and not received as of the October 31, 2013 due date:

  - Illinois State Employees Group Insurance Program Actuarial Valuation Report as of June 30, 2013.
  - Teachers' Retirement Insurance Plan of the State of Illinois Actuarial Valuation Report as of June 30, 2013.
  - Community College Insurance Plan of the State of Illinois Actuarial Valuation Report as of June 30, 2013.
  - Footnote disclosure and/or supplementary information relating to actuarially calculated amounts for the above listed health insurance plans.

  In response to the letter, the Department submitted a report and action plan on November 15, 2013 to the Comptroller, Governor, Speaker of the House, House Minority Leader, Senate President, Senate Minority Leader and the Auditor General. "The action plan included fifteen steps which culminated with the receipt of final copies of the actuarial reports necessary to prepare the appropriate footnote disclosure and/or supplementary information cited above. Department personnel stated the "other post employment benefit" (OPEB) valuations are performed by a third party actuary under contract with the State Employees Retirement System (SERS). While some of the data required to complete these valuations comes from the Department, the majority of the data comes from the individual retirement systems. Not all of the retirement system data was submitted to the actuary in a timely fashion, hampering the timeline for completion of the OPEB valuations."

As a result of these deficiencies, the Department's GAAP reporting packages were inaccurate and required corrections which delayed completion and testing of the financial statements. Auditors did not receive a complete draft of the financial statements and footnotes from the Department until December 27, 2013, approximately one and one half months late. (Finding Code No. 2013-001, 12-1, 11-1, 10-1, 09-1, 08-4, 07-4)

RECOMMENDATION:

We recommend the following:

- The Department should utilize an actuary to perform the workers' compensation liability calculation or allocate adequate time and resources to the preparation of the liability calculation for financial reporting purposes. The calculation should be subjected to an adequate review to ensure all elements of the calculation have been accurately prepared, all relevant factors appropriately considered and captured in the liability reported at fiscal year end.

- The Department should conduct appropriate reviews of the independent actuarial valuation report for unpaid claims liabilities for the State administered health insurance funds to effectively evaluate the overall reasonableness of the Department's calculation of unpaid claims liabilities.
- The Department should implement procedures and cross-training measures to ensure required financial information is prepared in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure financial information is prepared and submitted to the Office of the State Comptroller in a timely and accurate manner, and that all supporting documentation is maintained in a contemporaneous manner.
- The Department should enter into intergovernmental agreements with the retirement systems to formalize the process for obtaining timely information necessary for the completion of the other post employment benefit obligation calculations.

DEPARTMENT RESPONSE:

The Department concurs with the recommendations and is dedicated to providing accurate financial reporting information by stipulated due dates.

Workers' Compensation Liability
Pursuant to Public Act 97-895, the administration of the Workers' Compensation Program has been outsourced to a third party vendor, Tristar Risk Management. Tristar's web-based state of the art claims management system tracks historical and current period injury related variables that impact the estimating methodology and provide enhanced reporting. The Department plans to evaluate the cost effectiveness of a contract with an actuary for assistance with future Workers' Compensation liability calculations after it has an opportunity to evaluate Tristar's full year data.

Actuarial Valuation for Unpaid Claims
The Department will continue to work with the actuary to complete a review of the actuarial evaluation. While the Department's calculations were determined reasonable, we agree that performing a timely review of the independent actuary calculation of the aforementioned data will support the reasonableness of the calculations.

GAAP Procedures
The Department will work with the Administrative and Regulatory Shared Service Center to enhance GAAP procedure documentation and to ensure adequate cross-training and review is performed.

Other Post Employment Benefit (OPEB) Obligation Information
The Department is committed to working with applicable retirement systems that, in addition to CMS, are primarily responsible for providing essential data to the independent actuary for accurate valuation. As a partner in the data submission, the Department will continue to provide its portion of data to the actuary timely. In addition, the Department will communicate timelines to all affected partners and update intergovernmental agreements with the retirement systems to incorporate actuary requested due dates to meet stipulated reporting due dates.

2013-002 **<u>FINDING</u>:** (Inadequate security and control over the midrange environment)

Although the consolidation was authorized in January 2005, the Department of Central Management Services (the Department) had not implemented adequate security and controls over the midrange environment.

20 ILCS 405/405-410, effective January 15, 2005, mandated the Department to consolidate Information Technology functions of State government. Since January 2005, twelve agencies have consolidated their IT infrastructure into the Department. As a result of the consolidation, the Department became responsible for the security and control of the midrange environment.

Although the Department had implemented standards to secure and control the midrange environment, the standards did not require widespread deployment to legacy systems. As such, the Department still had not implemented effective security controls over all servers in the midrange environment.

Upon review, we noted standards had not been consistently applied on all servers. Specifically, we noted servers:

- Running unsupported operating systems or service pack versions,
- Without anti-virus software,
- Not properly backed up,
- With deficient password length and content requirements, and
- With administrative and user accounts which did not require passwords.

Additionally, we noted the Department had not conducted a comprehensive review of individuals with administrative rights to the environment to ensure appropriateness.

Although the Department shares responsibility with consolidated agencies, the Department has the ultimate responsibility to effectively secure and control its midrange environment which supports agency applications and data. As outlined in 20 ILCS 405/405-10 (4) - It shall be the duty of the Director and the policy of the State of Illinois to manage or delegate the management of the procurement, retention, installation, maintenance, and operation of all electronic data processing equipment used by State agencies in a manner that provides for adequate security protection. Since the Department has primary control over the midrange environment, it was incumbent upon them to ensure adequate controls existed to protect agency applications and data. In addition, generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

The Department stated the standard processes that are required to properly secure the midrange environment are very complex and must be fully tested to ensure that existing agency applications are not impacted by installing operating system updates, anti-virus protection, patches or other changes. Many legacy agency applications were designed and developed to run on systems that have since become obsolete and updating the applications, which is the responsibility of the user agencies, is an expensive and time-consuming process.

Without the implementation of adequate controls and procedures, there is a greater risk unauthorized access to the Department or agency resources may be gained and data destroyed or misused. Prudent business practices dictate the Department strengthens its security to protect its assets and resources against unauthorized access and misuse. (Finding Code No. 2013-002, 12-2, 11-2, 10-2, 09-4, 08-7, 07-11)

RECOMMENDATION:

The Department should ensure the standards to secure and control the environment are implemented across the midrange environment.

Specifically the Department should:

- Standardize password length and content requirements and ensure all accounts require a password.
- Update servers to current vendor recommended patch or service pack levels.
- Ensure all servers are running antivirus software.
- Ensure all servers are routinely backed up.
- Conduct a comprehensive review of individuals with administrative rights to ensure appropriateness.

DEPARTMENT RESPONSE:

The Department concurs with the recommendation. The Department has implemented numerous policies, standards, tools and procedures to help address these issues, including an ongoing review to ensure all servers are backed up and that there is sufficient documentation of the backups. We are working with agencies to update their older applications so that we can improve these environments.

2013-003 **FINDING:** (Inadequate control over property and equipment)

The Department of Central Management Services (Department) has not provided adequate control over property and equipment. We tested the physical inventory and location of equipment, equipment transfers and deletions, and annual Certifications of Inventory. Deficiencies noted as a result of our testing of property and equipment are described below.

Physical Inventory and Location of Equipment

During our testing of the physical inventory and location of equipment, we selected a sample of 60 items noting the following weaknesses in internal controls:

- Four items valued at $115,447 were deemed to be positioned at locations other than the location listed in the property records. The Department was unable to provide adequate evidence of one of the items in question, a John Deere snow blower.
- One item valued at $41,216 was transferred to surplus several years ago but was still listed as inventory in the property records. This item is a BVH-3100 1” videotape recorder.

The State Property Control Act (30 ILCS 605/4) requires the Department be accountable for the supervision, control and inventory of all property under its jurisdiction and control. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal and fiscal control to provide assurance that funds, property, and other assets are safeguarded against waste, loss, unauthorized use and misappropriation. Furthermore, good internal control procedures require the proper tracking of property and equipment. The Department has procedures to track the movement of equipment throughout the Department, but these procedures were not followed in all cases.

The Department officials have stated the inventory system has over 50,000 items valued in excess of $224 million at 329 locations controlled by 167 property control coordinators and, property control usually takes a low priority in the many duties of the coordinators.

Equipment Transfers and Deletions

During our testing of the deletions and transfers of equipment, we selected a sample of 60 items noting the following weaknesses in internal controls:

Equipment Transfers

- We noted 5 items with an original cost of $44,007 that did not have the purchase price or purchase date included on the Surplus Property Delivery Form as required by the Illinois Administrative Code (44 Ill. Adm. Code 5010.310).
- There were 2 items with a total cost of $92,625 that the Department was unable to provide evidence that the Department retained a signed receipt from a representative of the receiving agency for transferable property as is required by the Illinois Administrative Code (44 Ill. Adm. Code 5010.310)

Equipment Deletions

- We noted 4 items with an original cost of $186,967 where the Department was unable to provide any supporting documentation verifying approval of the original cost, asset description, and disposal date of the asset being disposed.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.310) establishes the rules for proper recording of transfers, including information and documentation required to be maintained in agency files.

Department officials have stated that there is a lack of staff knowledge within many agencies with procedures regarding proper documentation on the surplus property delivery forms.

Certifications of Inventory

The Department did not maintain adequate controls over Inventory Certification Discrepancy Reports for calendar year December 31, 2012.

When preparing the Department's annual Certification of Inventory, each location with inventory reportable to the property control division provides the agency an Inventory Summary Report and an Inventory Certification Discrepancy Report. Discrepancies between these reports are accumulated and reported on the Department's annual "Certification of Inventory" as is required per Title 44, section 5010.460 of the Illinois Administrative Code. Through review of the Department's 2012 Certification of Inventory, it was evident that the Department did not obtain and review Inventory Discrepancy Reports for 96 Bureau of Communications and Computer Services (BCCS) locations.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.490) requires that agencies report all discrepancies between the previous certificate of inventory certification and the current inventory to the Property Control Division.

Failure to provide detail of discrepancies to the Property Control Division hinders the agencies' ability to review detail of which items make up total discrepancy amounts. This level of review is essential in determining whether or not there are any unusual items that need to be followed up on by the division.

Failure to maintain accurate property control records increases the potential for theft or misappropriation of State assets. In addition, property improperly included on the Department's inventory may result in inaccurate fixed assets reports and misstated financial information. However, all of the errors noted above were immaterial to the financial statements, and therefore, no adjustments to the financial statements were necessary. (Finding Code No. 2013-003, 11-3, 09-6, 08-6, 07-10, 06-10, 05-18, 04-18, 02-1)

RECOMMENDATION:

We recommend the Department implement adequate controls and procedures to ensure property and equipment are properly safeguarded. We also recommend the Department ensure records are complete, accurate, and properly completed and the supporting documentation for transfers is maintained.

DEPARTMENT RESPONSE:

The Department concurs and will continue to implement and improve on adequate controls and procedures to ensure property/equipment are properly safeguarded. We will continue to travel to each location and meet with all assigned property control liaisons to ensure the correct understanding of procedures and documents are submitted correctly and timely.

Additionally, the Department will work to develop training materials to communicate to all employees their responsibilities with regard to inventory control.

2013-004 **<u>FINDING</u>:** (Avoidable use of emergency contracts)

The Department of Central Management Services (Department) filed emergency purchase affidavits for purchases which were not emergencies, in violation of the Illinois Procurement Code.

During our testing of emergency purchases, we identified 5 affidavits totaling $2,867,709 during fiscal years 2013 and 2012 for purchases, according to the guidelines set forth in the Illinois Procurement Code (30 ILCS 500/20-30), that only met the definition of an emergency due to the Department's inability to procure contracts in a timely manner, thus creating the emergency situation. The purchases made by the Department under the 5 emergency affidavits included telecommunication services, commodity purchases, and janitorial services.

In the prior engagement we also noted cellular services were procured as emergency purchases. The Department continued to extend the contracts through June 13, 2013 as emergency purchases. In one instance, the Department failed to recognize an emergency situation in a timely manner, which resulted in cellular services rendered without a contract for 59 days. One instance was noted in which the Department continued a contract with a cellular vendor through subsequent renewals and emergency procurement for 11 years, despite legislation stating that the maximum duration for contracts shall not exceed 10 years.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30) states that a purchasing agency may make emergency procurements without competitive sealed bidding or prior notice when there exists a threat to public health or safety, or when immediate expenditure is necessary for repairs to State property in order to protect from further loss of or damage to State property, to prevent serious disruption in State services, including the collection of substantial State revenues, or to ensure the integrity of State records. The Code also states that the emergency procurements are to be made with as much competition as possible. Additionally 30 ILCS 500/20-60 states the maximum duration for contracts shall not exceed 10 years.

Department officials stated the review, approval and re-issuing of the competitive procurement for replacement contract(s) for telecommunications network services required the Department to procure an additional twelve-month extension through the emergency purchase method to avoid a lapse in mission critical communications services. Department officials also stated this was an oversight due to the lack of communication and staff turnover. The Department is working to ensure this oversight is addressed and does not continue to occur.

The Department's inability to procure contracts in a timely manner for these contracts created the emergency situations. Proper planning and foresight would have allowed for these services to be competitively bid on a timely, non-emergency basis. The competitive bidding process is essential to maintaining the integrity of the State's procurement policies. This process serves as a key control to ensure that the State receives the most qualified vendors to provide goods and services at competitive prices. Bypassing this process through emergency procurements jeopardizes the effectiveness of the Department's procurement function while also increasing the risks of higher costs to the State for the products or services procured. (Finding Code No. 2013-004, 11-16, 09-18, 08-21)

RECOMMENDATION:

We recommend the Department follow the Illinois Procurement Code and use the emergency provisions of the Illinois Procurement Code only in true emergencies and not due to inadequate planning.

DEPARTMENT RESPONSE:

The Department concurs that the procurement approach "emergency" should only be utilized in true emergency situations. The Department has taken steps to minimize the use of emergency contracts by proactively managing complex procurements earlier in the procurement cycle. The Department has worked with agencies to get lists of upcoming procurement needs and is seeking to collaborate and prepare for large, upcoming procurement to avoid any delays.

The number of procurements subject to a Business Enterprise Program (BEP) goal has been expanded to include some commodity item procurements, a change in guidance to make more of the State's procurements inclusive of BEP participation. Positively, this change has expanded the dollars that the State spends that are subject to a BEP goal.

Many vendors were unfamiliar with the requirements this change necessitated in formulating and making their offers to the State's solicitations. The unfamiliarity did result in some vendor offers being deemed non-responsive, and the need to re-solicit a procurement where there were not sufficient responsive offers to complete the procurement successfully. In these cases, an emergency would be sought to ensure critical needs continued to be met while a re-solicitation occurred. To minimize non-responsive bids/offers, the Department has implemented pre-bid conferences and strongly encourages vendors to attend.

Much progress has been made in improving the education of vendors and State staff alike relating to BEP, and this remains a focus going forward.

Lastly, the Chief Procurement Officer as appointed by the Executive Ethics Commission performs an oversight role of all State procurement activities. As an agency, we support the CPO's role in procurement oversight and their ability to provide definitional input into what should be termed an "emergency" activity.

2013-005 **FINDING:** (Inadequate controls over electronic surplus property)

The Department of Central Management Services (Department) had not established adequate controls over the surplus of electronic equipment inventory.

The State Property Control Act (30 ILCS 605) (Act) assigned the Department with some responsibilities for the disposition of transferable property for State government. Additionally, the Illinois Administrative Code (44 Ill. Adm. Code 5010.110) stated, "the Department of Central Management Services (CMS) shall regulate the accountability and control of all State-owned tangible personal property. The Department shall also regulate the disposal of all State-owned tangible personal property".

During our review of surplus electronic inventory, we noted:

- Surplus electronic equipment was not offered to State agencies or to municipalities and units of local government, rather equipment was shipped directly to recycling vendors. The Department's Property Control Rules (44 Ill Admin Code 5010.110) stated that surplus electronic equipment was to be offered to any State agency, prior to being offered for sale. Where items could not be transferred to another State agency, the Department was to offer the equipment first to municipalities and units of local government and then to the general public.

- The Department's Surplus Inventory System and associated procedures lacked fields and instructions to describe the condition of the electronic equipment in order for the Department to determine the usefulness of the equipment for agency transfer or offer to local government.

- The Department's Property Control Rules (44 Ill. Adm. Code 5010.1260) stated the proceeds from the sale of surplus EDP equipment were to be deposited into the Statistical Services Revolving Fund. However, the Department transferred 102,367 electronic devices to the recycling vendors for the period ended June 30, 2013. The recycling vendors reported revenues of $110,561 from the sale of electronic devices; however, the proceeds were not remitted to the Department or deposited into the Statistical Services Revolving Fund.

- The Department's Surplus Inventory System lacked fields to ensure documentation of the certification that data drives were properly wiped to promote compliance with the Data Security on State Computers Act (20 ILCS 450). (See related Finding 2013-012)

- Agencies did not routinely receive certification from the vendor or Department to properly document the transfer of equipment and update agency inventory records within 30 days as required by the Department's Property Control Rules (44 Ill. Adm. Code 5010.400).

Department officials stated this was an oversight and processes need to be put in place to fully comply with the Act.

The lack of adequate controls over surplus equipment could lead to the potential for theft or loss of equipment and the loss of revenue to the State. (Finding Code No. 2013-005)

RECOMMENDATION:

The Department is responsible for the accountability, control, and disposal of all State owned personal property. Therefore, it is imperative the Department implement adequate controls over all aspects of property.

The Department should implement a process to review the condition of equipment prior to it being sent to the recycling vendor. All usable equipment should be retained by the Department, offered to other State agencies or local units, or sold, with the proceeds being deposited into the applicable fund. Additionally, the Department should obtain the $110,561 from the recycling vendors from the sale of electronic devices.

The Department should ensure agencies receive the signed and verified CMS Surplus Property Delivery Form within 30 days to properly document equipment record changes as outlined in the Department's Property Control Rules.

In addition, the Department should enhance the Surplus Inventory System to include more detailed information. In particular, a field should be added regarding the wiping, de-manufacturing and destroying of data storage devices to promote compliance with the Data Security on State Computers Act.

DEPARTMENT RESPONSE:

The Department concurs that we are responsible for the accountability, control, and disposal of all State owned personal property. We will review our process for identifying surplus property and clearly define surplus vs. scrap. We will also review the proceeds earned from the sale of usable (surplus) equipment to ensure accordance with the Administrative Code.

The Department contracted with State Use (sheltered workshop) vendors for recycling of scrap electronics at no cost to the State. These providers offer electronic recycling services to the State at no cost, while employing many mentally and physically challenged individuals to provide these necessary services. The benefit this program offers to the difficult to employ, and the resulting positive impacts, are the basis for this important and mandated State Use program. Prior to these recycling contracts, the State incurred significant cost (contract value was estimated in the million dollar plus range) to purchase similar services through the general marketplace.

Also prior to the implementation of the electronics recycling contracts, CMS Surplus did stockpile electronics as suggested in the recommendation above. In a span of a few months, we were able to completely fill the Armory gym floor and basement with used electronics. State agencies were unable to obtain equipment because of the expense of sorting through junk to find good equipment. Rarely did these electronics make it back into service. We learned from this experience that warehousing used electronics is inefficient and impractical.

We take the proper handling of unusable electronic equipment very seriously and remain committed to ensure that this equipment is responsibly and properly disposed of under law. Environmental concerns are significant, and we accept this responsibility as one of the critical missions of our agency. We also believe that the utilization of sheltered workshops in this area has both saved the State significant money during a period of fiscal challenge, has created jobs within and supported the needs of the difficult to employ, and has ensured appropriate environmentally conscious disposal of unusable equipment.

In accordance with your recommendation, fields are slated to be included during the next round of programming changes within the inventory management system. In addition, the inventory system is currently undergoing changes to include digital signatures in an effort intended to improve and simplify documentation.

2013-006 **FINDING:** (Lack of compliance with leasing requirements)

The Department of Central Management Services (Department) entered into multiple leases for the same building without obtaining the appropriate authorization as is required by statute.

The Department entered into two leases during fiscal year 2012 for the same property with a combined square footage of these leases in excess of 10,000 square feet. The two leases entered into were with two different agencies.

Civil Administrative Code of Illinois (20 ILCS 405/405-300(f)) requires the Director of Central Management Services in consultation with the Director of Capital Development Board to certify that any lease over 10,000 square feet is in the best interest of the State through consideration of programmatic requirements, availability of vacant State-owned space, the cost-benefits of purchasing or constructing new space, etc. The Director shall not permit multiple leases for the 10,000 square feet to be executed in order to evade this provision.

Department officials stated each of the subject leases was written for a term of 364 days to provide short-term occupancy while the Department completed a Request for Information (RFI) for new space for consolidation of these two offices, along with an existing HFS office. According to the Department, while a Certification of Lease should have been completed, the lack of such Certification is, more than anything, a clerical oversight, with no intent to avoid the requirement. As both leases were intended to be for a duration of less than one year, the odds of the State purchasing or constructing similar space within that timeframe were exceedingly remote, according to Department officials. That factor may have been a consideration in the Certification not being completed. Department officials stated the new RFI lease was written for this same property, with the required completed Certification.

The Department entering into multiple leases, rather than a combined lease for the space, creates the appearance that there was possible intent to circumvent the lease certification provisions and requirements. This situation also speaks to the degree of controls in place to ensure the lease procurement process is conducted in a fair and open manner, and does not restrict or exclude any potential bidders. (Finding Code No. 2013-006)

RECOMMENDATION:

We recommend the Department comply with the Civil Administrative Code, and obtain authorization for all leases that contain 10,000 square feet or more within the same building.

DEPARTMENT RESPONSE:

The Department concurs that all leases of 10,000 square feet or more should be handled in accordance with the Civil Administrative Code, and the Department will continue to make every effort to ensure that the required certification is in every applicable file. The Department feels that this was an isolated occurrence and strongly asserts that there was absolutely no intention or attempt to circumvent the lease certification provisions and requirements. Further, no potential bidders were restricted or excluded in this situation. These were two transactions done independently, where the combined result led to space being leased in excess of 10,000 square feet. They were completed to allow both agencies' needs to be combined in a single RFI which has been completed.

2013-007 **<u>FINDING:</u>** (Weakness in contract administration)

The Department of Central Management Services (Department) failed to ensure proper controls were established in the administration of its contracts during the audit period.

During our audit of the contractual services area, vouchers from 60 contracts relating to both fiscal year 2013 and 2012 were selected for testing. Based on our testing, we noted the following weaknesses/deficiencies:

- 1 of 60 (2%) contracts was not signed by the vendor.
- 6 of 60 (10%) contracts did not contain all of the Statewide Accounting Management System (SAMS) and Illinois Procurement Code requirements on contract content. Missing disclosures included State Board of Elections Certification (30 ILCS 500/20-160(b)), Conflicts of Interest and Financial Disclosures (30 ILCS 500/50-13, 50-35), and Subcontractor Disclosure (30 ILCS 500/20-120(a)).

As part of our special testing relating to contractual services and compliance with the Illinois Procurement Code, we selected 15 contracts to further examine and noted the following:

- For 1 of 15 (7%) procurements totaling $64 million, the Department failed to obtain a written determination of award signed by Chief Procurement Officer (CPO)/ State Purchasing Officer (SPO) as required by 30 ILCS 500/20-155 (b).
- For 7 of 15 (47%) procurements totaling $366 million, the Department failed to obtain copies of subcontractor agreements as required by 30 ILCS 500/20-120.

As part of our testing of real property leases, we selected 16 leases to examine and noted that 1 of 16 (6%) leases totaling $6 million where the Department failed to properly administer the terms of the agreement. The using agencies continued to occupy a portion of a building that was not included in the lease agreement. The Department re-negotiated the lease agreement to where the State was to occupy 30% less of the property, however the using agencies improperly occupied this space from November 1, 2006 through October 26, 2013. This resulted in a $1.5 million settlement ordered by the Court of Claims for the payment of rent owed for the State's continued occupation of space.

Good internal control procedures require that all contracts are signed prior to the commencement of the contract. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal and fiscal control to provide assurance that funds, property, and other assets are safeguarded against waste, loss, unauthorized use and misappropriation. This includes ensuring that contracts are signed by all parties prior to the commencement of services. Additionally, the State should maintain a system to properly control, manage, and evaluate vendors performing contractual services.

Section 15 of the SAMS manual provides specific instructions on the certifications, disclosure, and clauses required of each type of contract processed by State agencies. Articles 20 and 50 of the Illinois Procurement Code (30 ILCS 500) addresses contract formation, including State Board of Elections Certification (Section 20-160(b)), conflicts of interest and financial disclosure (Sections 50-13 and 50-35), and the requirement to disclose the use of subcontractors in the terms of the agreement as well as obtain copies of any subcontractor agreements (Section 20-120). These clauses are requirements for State contracts.

In Article 20 of the Illinois Procurement Code (30 ILCS 500), the procurement file shall contain a written determination, signed by the chief procurement officer or State purchasing officer (Section 20-155).

According to Section 5000 of the Illinois Administrative Code Title 44, the Department is responsible for conducting all leasing activities. This includes ensuring the using agencies have not violated terms of the agreement.

Department officials stated there was some confusion regarding roles and responsibilities post Senate Bill 51 and, as a result, there was uncertainty regarding certain responsibilities. The Department is working closely with State Purchasing Officers to ensure all contracts are completed properly per the Illinois Procurement Code (30 ILCS 500), and properly monitored, post execution.

Failure to properly administer contractual agreements to ensure compliance with all applicable statutes and procedures could potentially: a) compromise public accountability and oversight and b) result in noncompliance with statutes and the SAMS manual. Failure to properly administer lease agreements leaves the Department exposed to the possibility of additional costs, including fees, penalties and litigation. (Finding Code No. 2013-007)

RECOMMENDATION:

We recommend the Department implement the necessary controls to adequately administer its contractual agreements and ensure compliance with applicable statutes and Department Rules and Regulations. Further, the Department should implement the necessary controls to adequately administer its lease agreements and ensure compliance with the lease terms.

DEPARTMENT RESPONSE:

The Department concurs. There was some confusion regarding roles/responsibilities post SB51. As a result, there was uncertainty regarding certain responsibilities. The agency is working closely with SPO's to ensure all contracts are completed properly and are monitored post execution. In addition, we are working with the CPO to collaboratively define and provide clarification on roles and responsibilities and to reduce that clarification to writing via procedures and guidelines. When this is completed the Department will ensure that employees are trained on the correct procedures.

2013-008 **FINDING:** (Noncompliance with the Fiscal Control and Internal Auditing Act)

The Department of Central Management Services (Department) did not comply with the Fiscal Control and Internal Auditing Act (FCIAA) that requires audits of major systems of internal accounting and administrative control.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) require the Department to develop risk-based plans to determine the priorities of the internal audit activities, while the FCIAA establishes specific mandates regarding internal audit requirements at Illinois State agencies.

Prior to fiscal year 2013, certain risk assessment processes lacked sufficient documentation. While corrections were made in response to prior examination findings, during the current period under examination the following compliance exceptions were noted:

- The fiscal years 2013 and 2012 two year audit plan was not approved by the Director before the beginning of fiscal year 2012. The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003(a)(1)) requires a two-year plan, identifying audits scheduled for the pending fiscal year, to be approved by the chief executive officer before the beginning of the fiscal year.
- Prior to April 2012, the Department of Internal Audit (DIA) did not have a formalized risk assessment process in place to identify specific risks, major systems, or transaction cycles. The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003(a)(2)) requires the internal auditing program to include, "Audits of major systems of internal and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every 2 years." Statewide Accounting Management Systems (Procedure 02.50.20) identifies and describes the internal fiscal and administrative control objectives associated with 11 major transaction/event cycles commonly found in Illinois State agencies to be used as a guide in identifying appropriate transaction/event cycles and developing internal control objectives for programs and administrative functions that are consistent with the overall objectives and requirements of FCIAA.
- Prior to December 2012, the DIA could not provide documentation supporting their risk-assessment process for identifying major new electronic data processing systems and major modifications to those systems.
- In both fiscal years 2013 and 2012, the DIA did not perform timely audits of all major projects identified. Thirteen major projects were identified during that time; however, the DIA did not perform a pre-implementation audit for three of these major projects. The Fiscal Control and Internal Auditing Act (30 ILCS 10/2003(a)(3)) requires reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation.

Department officials stated limited resources require decisions to be made to prioritize responsibilities, including audits. The Division of Internal Audit has prioritized audits to be added, completed and canceled from the audit plan that ensures every effort is made to have the greatest impact to the agency.

The inability to ensure the internal audit effort provides coverage of all major internal control systems increases the risk that significant internal control weaknesses may exist and errors and irregularities may go undetected. (Finding Code No. 2013-008, 11-09, 09-19, 08-23, 07-26, 06-16)

RECOMMENDATION:

We recommend the Department allocate sufficient resources to implement, improve, and document a formalized program of quality assurance and to allow for the timely completion of planned audits included in the approved risk-based audit plan. The risk-assessment procedures should include proper documentation and reporting of audit coverage to ensure all risks, mitigating factors, and planned responses are clearly supported and documentation maintained.

DEPARTMENT RESPONSE:

The Department concurs. The Division of Internal Audit has updated their policies and procedures to include risk assessment processes for developing the annual audit plan, identifying new and major modifications to IT systems and developing audit programs. In addition, a new process has been developed to view projects in the EPM (Enterprise Project Management) portal and monthly meetings are held with IT management to coordinate and discuss project status and timelines.

Annual audit plans and changes to the plans are submitted to the Director for review and approval.

2013-009 **FINDING:** (Failure to develop rules or policies describing the State employees' group insurance program)

The Department of Central Management Services (Department) has not developed rules or policies describing the State employees' group insurance program as requested by the Joint Committee on Administrative Rules (JCAR).

The Illinois Administrative Procedure Act (5 ILCS 100) requires that any State agency policy affecting anyone outside that agency be expressed through rules adopted under the Act. Further, the State Employees Group Insurance Act of 1971 (5 ILCS 375/15) states, "The Director shall administer this Act and shall prescribe such rules and regulations as are necessary to give full effect to the purposes of this Act."

JCAR indicated in a letter dated May 11, 2006 to the Department that JCAR has had informal discussions with the Department over at least the three years prior to the date of the letter, and the Department acknowledged a lack of rules for the program. Furthermore, the Department has indicated to JCAR on more than one occasion that rules for this program were being drafted and that a submission of them would be forthcoming. The Department has not completed or submitted those rules to JCAR for their consideration, nor is there a target date for the submission of these rules.

Department officials stated rules have not been codified for the State Employees' Group Insurance Act since implementation in 1971. In lieu of formal rules, statutory, policy and plan design guidelines are communicated yearly through annual benefit choice training and materials, handbooks and certificates of insurance coverage. According to the Department, the lack of rules has not hindered administration of the program, and due to competing priorities rules have not been formalized. Department officials further stated rules have not been necessary to give full effect to the purposes of the Act.

The Department is in non-compliance with the Acts. Failure to develop rules or policies describing the State employees' group insurance program increases the likelihood that other State agencies will be in noncompliance with the program. (Finding Code No. 2013-009, 11-14, 09-15, 08-17, 07-28, 06-18)

RECOMMENDATION:

We recommend the Department develop the necessary rules affecting the State employees' group insurance program in accordance with the Illinois Administrative Procedure Act.

DEPARTMENT RESPONSE:

The Department concurs with this recommendation. Finalization of rules for the program has been delayed due to changing guidelines and procedures, particularly those associated with federal legislation and regulations, collective bargaining agreements, and the reconsolidation of healthcare purchasing duties into CMS from the Department of Healthcare and Family Services. The Department continues to draft rules for the program and will file those rules with JCAR.

2013-010 **<u>FINDING</u>:** (Late approval and payment of vouchers)

The Department of Central Management Services (Department) did not process invoice vouchers in a timely manner as required by the State Prompt Payment Act.

During our testing of 60 vouchers, we noted 15 (25%) vouchers were not approved in a timely manner. Those not approved within 30 days of physical receipt were approved between 1 and 209 days late. We also noted that 11 (18%) of the 60 vouchers were not paid within 90 days of receipt. Those not paid within 90 days of physical receipt were paid from 1 to 202 days late. During fiscal years 2013 and 2012, the Department made interest payments for late payment of vouchers totaling $47,614,349 and $177,133, respectively. The significant increase in interest was due to four insurance funds (Funds 193, 203, 577, 907) being transferred from the Department of Healthcare and Family Services to the Department, effective at the beginning of fiscal year 2013.

The State Prompt Payment Act (30 ILCS 540/3-2 (1.10) requires an Agency to review a bill and either deny the bill in whole or in part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days of physical receipt of the bill. For those bills not approved timely, interest shall be due if the date of payment is not within 90 days after receipt of the bill.

Department officials have stated that non-timely approval is the result of invoice volumes creating processing backlogs at the bureau level due to staff shortages and turnover. Non-timely payment is entirely a function of statewide cash flow shortages and completely outside of the control of the Department. Department officials also stated this finding will continue to be repeated regardless of any actions taken, controls implemented or processes established by the Department, until sufficient statewide cash exists to allow for timely release of payments.

This violation could lead to the assessment of late charges or penalties to the State. The Prompt Payment Act (30 ILCS 540/3-2) states that interest begins accruing on the 91st day after receipt of a proper bill, and interest is calculated at 1% per month. Agencies are required to pay interest amounting to $50 or more. Interest amounting to $5 but less than $50 shall not be paid but shall be accrued until all interest due to the vendor exceeds $50. The Department appears to have paid interest in accordance with the Act. (Finding Code No. 2013-010, 09-13, 08-15, 07-24, 06-13, 05-20, 04-21)

<u>RECOMMENDATION:</u>

We recommend the Department enforce procedures requiring the approval or disapproval of vouchers within 30 days of receipt and comply with the payment of vouchers within 90 days of physical receipt, as required by the State Prompt Payment Act.

DEPARTMENT RESPONSE:

The Department concurs that the late approval and payment of vouchers is a problem that must be addressed. To address the problem of late approvals, the Department will work to reinforce with employees that vouchers must be approved and processed in a timely manner, regardless of whether there is cash to pay them so liabilities are properly recorded. However, the problems with late payments are related to cash flow issues in the revolving funds, due to GRF holds and late payments from other agencies, which are likely to continue until the state's financial position improves or payments to CMS are prioritized with the IOC.

2013-011 **FINDING:** (Inadequate software licensing monitoring)

Although the consolidation was authorized in January 2005, the Department still did not have an effective mechanism in place to track, control, and monitor end-user software use.

20 ILCS 405/405-410, effective January 15, 2005, mandated the Department to consolidate Information Technology functions of State government. Due to the consolidation, eleven agencies' IT functions were consolidated into the Department. As a result of the consolidation, the Department became responsible for tracking, controlling, and monitoring software use and licenses.

During the examination period, the Department put forth some efforts to take corrective action. Specifically, the Department acquired and was testing a new software inventory scanning tool, dedicated three staff to the software reconciliation project, and instituted a new process to track all new software purchases. However, at the time of our review the Department still was not able to fully track the number of vendor software licenses purchased versus the number of software copies deployed.

20 ILCS 405/405-10 (4) states it shall be the duty of the Director and the policy of the State of Illinois to "manage or delegate the management of the procurement, retention, installation, maintenance and operation of all electronic data processing equipment used by State agencies…"

Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Department officials stated that although they have processes in place to improve future software purchase tracking, the review of the past purchases and license requirements is a very time consuming effort. While a plan is in place to correct this, progress has been hampered over the past few years by staff shortages and financial constraints, neither of which is anticipated will be improving in the near future.

Failure to effectively track, control, and monitor end-user software use leaves the Department exposed to the possibility of additional costs, including fees, penalties and litigation. Routine monitoring would help ensure that software use and licenses are reconciled. (Finding Code No. 2013-011, 11-07, 09-08, 08-10, 07-14)

RECOMMENDATION:

The Department should develop and implement an effective mechanism to routinely track, control, and monitor end-user software use.

DEPARTMENT RESPONSE:

The Department concurs and has implemented procedural steps to ensure license compliance and tracking for all new software purchases, upgrades, moves and changes. We have acquired a new scanning tool that, along with ongoing software upgrades, will assist us in resolving license issues from the past.

2013-012 **FINDING:** (Noncompliance with the Data Security on State Computers Act)

The Department of Central Management Services (Department) did not comply with the certification requirements in the Data Security on State Computers Act (Act) (20 ILCS 450).

The Act requires agencies to "…implement a policy to mandate that all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process."

The Department developed the CMS State Surplus Electronics Receiving and Processing Procedure (Procedure), revised December 1, 2011. The Procedure stated agencies were responsible for the wiping and certification of this process before any data collection device was to be transferred, donated, or leave the "custody" of the agency.

The Department also had contracts with recycling vendors that included wiping services and required the vendor to provide a certificate of wiping upon request.

The Department has ownership and responsibility of PCs and laptops utilized by agencies under the Governor, including the Department of Healthcare and Family Services, Department of Human Services and the Department of Revenue. As such the Department was responsible for the transfer of PCs and laptops to surplus for multiple agencies.

During our review, we inquired with the Department regarding their process for ensuring the wiping of data drives. The Department stated that they did not wipe the hard drives of the laptops or PCs. Instead they relied on the recycling vendors to wipe the drives; however, the required written certification was not requested or obtained. (See related Finding 2013-005)

Department officials stated this was an oversight and processes need to be put in place to fully comply with the Act.

Failure to ensure and document that computer equipment is wiped on timely basis increases the risk of unauthorized disclosure of confidential and sensitive information and does not conform to requirements in the Act. (Finding Code No. 2013-012)

RECOMMENDATION

The Department should ensure computer equipment is timely wiped of data. In addition, written certifications should be completed and retained as required by the Act.

<u>DEPARTMENT RESPONSE</u>:

The Department concurs and will work to establish procedures to ensure compliance with the Data Security on State Computers Act.

2013-013 **<u>FINDING</u>:** (Failure to conduct yearly performance appraisals)

The Department of Central Management Services (Department) failed to conduct employee evaluations on a timely basis.

The Department's internal personnel policy manual states that "every employee will be evaluated at least annually." Prudent business practice dictates that an annual evaluation be performed in a timely manner and that the employee and employer communicate on the performance and future expectations of the employee in the workplace. During our review of 50 employee performance evaluations, we noted that 33 evaluations (66%) were not conducted in accordance with Department policies.

Department officials stated the Administrative and Regulatory Shared Services Center (Shared Services) has made vast improvements in the tracking and notification process for evaluations. Central Management Services' current system has combined several different systems being used by each agency into one system which is tracked in the Human Resources Information System. Shared Services sends reports to the Agency Personnel Liaisons each month indicating what evaluations are due 30-60 days in advance, as well as what evaluations are past due. It is then each supervisor's responsibility to ensure that evaluations are completed in a timely manner.

Annual employee evaluations help to support administrative personnel decisions by documenting regular performance measures. Late evaluations can cause delays in communicating positive and negative qualities of the employee's work performance. (Finding Code No. 2013-013)

<u>RECOMMENDATION</u>:

We recommend the Department establish procedures to ensure performance evaluations are performed on a timely basis in accordance with their internal personnel policy.

<u>DEPARTMENT REPSONSE</u>:

The Department concurs that timely performance evaluations should be conducted. We have instituted tracking and notification processes as stated in the finding. The Department recognizes the importance a timely performance evaluation can play in providing feedback to an employee on work performance as well as establishing goals and objectives for the upcoming year. An evaluation also provides necessary documentation in the event of discipline and/or discharge. The Department will issue a memorandum to all Bureaus stressing the importance of timely completion of performance evaluations and continue to track and monitor progress towards improvement.

2013-014 **FINDING:** (Inadequate monitoring of interagency agreements)

The Department of Central Management Services' (Department) process to monitor interagency agreements was inadequate.

During our examination, we tested 25 interagency agreements between the Department and other State agencies and noted 3 of 25 (12%) were not signed by all necessary parties before the effective date. These agreements were signed between 2 and 25 days late.

The Comptroller's Statewide Accounting Management System Manual (Procedure 15.20.30) states contracts must be executed prior to commencement of services. Interagency agreements are binding contracts between State agencies. Further, prudent business practices require the approval of agreements prior to the effective date.

Department officials stated the causes for late execution vary, depending upon the situation. In most cases, an urgent operational matter generally arises requiring that immediate action be taken. In these circumstances, though the agency heads reach mutual agreement in principle, circumstances may not permit that agreement to be reduced to writing before it is implemented. Department officials also stated once CMS Legal becomes aware of the need for an IGA, the Department works diligently to draft and circulate it for signature as accurately and quickly as possible. Unfortunately, the Department stated they are unable to dictate the speed at which other agencies return the signed IGA for recordkeeping. With regard to recurring agreements, the Department has more control over the timing of the IGAs.

The Department entered into 170 agreements with other State agencies and other units of government during the examination period. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the contracts and agreements need to be approved prior to the effective date, and executed before the commencement of services. (Finding Code No. 2013-014, 11-15, 09-16, 08-18, 07-27, 06-17)

RECOMMENDATION:

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.

DEPARTMENT RESPONSE:

The Department concurs. As previously noted, while circumstances do not always allow each agreement to be fully executed before it becomes effective, the material terms are final and agreed upon in advance of the effective date. In any event, the Department will continue to strive to ensure that interagency agreements are approved and executed prior to the commencement of services.

2013-015 **FINDING:** (Not timely in filing contracts with the Comptroller)

The Department of Central Management Services (Department) was not timely in filing contracts in excess of $20,000 with the Comptroller.

During the current period, 26 contracts and leases awarded totaling a maximum award amount of approximately $702 million were selected for testing.

In 10 of 26 (38%) contracts and leases totaling $130 million, the Department did not file the contract with the Comptroller within 30 days of the execution date of the contract, as required by the Illinois Procurement Code. In all 10 contracts filed late, the Agency was not able to provide evidence that the required late filing affidavits were submitted.

The Illinois Procurement Code (30 ILCS 500/20-80 (b)) requires any State agency that incurs a contract liability exceeding $20,000 to file a copy of the contract or lease with the Office of the Comptroller within 30 days of the contract's execution. If the contract is not filed with the Comptroller within 30 days of execution, the Illinois Procurement Code (30 ILCS 500/20-80(c)) requires the State agency to submit an affidavit to the Office of the Comptroller and the Office of the Auditor General explaining the reason why the contract or lease was not filed.

Department officials stated this was an oversight by the Department and the specific Bureau overseeing the process. Roles and procedures have been clearly defined moving forward to remedy this issue.

Failure to file contracts and leases in excess of $20,000 in a timely fashion with the Office of the Comptroller is a violation of State statute. (Finding Code No. 2013-015, 11-13, 09-11, 08-13, 07-19, 06-6)

RECOMMENDATION:

We recommend the Department take the necessary steps to ensure contracts and leases are filed with the State Comptroller within 30 days after the execution of the agreement. We also recommend late filing affidavits be completed and submitted for those contracts and leases that are not filed with the Office of the Comptroller within 30 days of contract execution.

DEPARTMENT RESPONSE:

The Department concurs. In terms of the 30 day filing requirement, we continue to train fiscal and procurement staff on the importance of timely filing. We have had a large amount of staff turnover but written procedures are being developed to ensure this does not continue to occur, regardless of staff turnover rate.

2013-016 **FINDING:** (Failure to properly reconcile locally held funds reports)

The Department of Central Management Services (Department) failed to properly reconcile receipts and disbursements to applicable statements for the State Employees' Deferred Compensation Plan fund.

While testing the reconciliations for the State Employees' Deferred Compensation Plan fund for fiscal years 2013 and 2012, 4 of 56 (7%) instances were found in which the Department made errors. Specifics of errors discovered in our testing are as follows:

- Withdrawals and Net Asset Valuations were under-reported in June 2012 by $690,330, which caused Fees and Distributions to be understated and Investment income to be understated.
- Service Credits were under-reported in December 2012 by $49,950, which caused Fees and Distributions to be understated.
- Withdrawals were under-reported for quarter ending September 30, 2012, by $2,168,631, which caused Fees and Distributions to be understated.

Per the Statewide Accounting Management Systems (SAMS) Manual (Procedure 33.13.20), each agency is responsible for maintaining one Report of Receipts and Disbursements for Locally Held Funds (C-17 report) for each locally held fund maintained by that agency. The Report is to be filed on a quarterly basis with the Office of the Comptroller.

Per Department officials, incorrect figures were taken from associated statements when calculating values on the aforementioned C-17 reports. In each of the instances, the Agency failed to correct C-17 reports that had been previously filed with the Office of the Comptroller.

Department officials stated a long-term employee who had been generating this report for many years left the Bureau and no procedures were written for its generation. According to the Department, since then a complete procedures manual has been written and is being constantly updated. Department officials believe this should allow for smoother transition in the future, and fewer reporting errors, when there is employee turnover.

Improper reconciliation of C-17 reports results in inaccurate financial reporting on annually issued Comptroller reports, which are made available for public request. (Finding Code No. 2013-016)

RECOMMENDATION:

We recommend the Department properly maintain and reconcile the Report of Receipts and Disbursements for Locally Held Funds to ensure fiscal year-end reports accurately reflect the activity and balances within the funds.

DEPARTMENT RESPONSE:

The Department concurs and now has written procedures in place to ensure the proper maintenance and reconciliation of the C-17 Report. Following these procedures should eliminate future misstatements.

2013-017 **FINDING:** (Inadequate number of Travel Control Board meetings)

The Department of Central Management Services (Department) did not hold an adequate number of Travel Control Board Meetings for fiscal years 2013 and 2012 as required by State statute.

Our review of the Governor's Travel Control Board minutes for fiscal years 2013 noted the following quarter did not have meetings:

- 3rd Quarter (January-March)

Our review of the Governor's Travel Control Board minutes for fiscal year 2012 noted the following quarters did not have meetings:

- 2nd Quarter (October-December)
- 4th Quarter (April-June)

The State Finance Act (30 ILCS 105/12-1(b)) states, "Each travel control board . . . shall meet at the call of the chairman at least quarterly to review all vouchers . . . for travel reimbursements involving an exception to the State Travel Regulations and Rates."

The Department stated the underlying cause of the inability to schedule Board meetings during each of the quarters referenced was twofold. First, the Board is a small body, consisting of only three members; thus, unexpected scheduling conflicts that would have little impact on a larger body may impact the Board's ability to convene a quorum. Such conflicts often arise during the legislative session, when the schedules of the Department's Director (who is the Governor's chair-designee) and the two other Board members, who are Governor's Office employees, are often less predictable.

Second, because a significant aspect of the Board's business involves considering ex post facto travel reimbursement requests from agencies under the Governor on behalf of their employees, it is often advantageous for the Board to meet as late in a quarter as possible in order to maximize the time in which agencies may submit such requests for consideration. In light of these factors, there have been times when the Board was unable to re-schedule meetings scheduled for late in a quarter that were canceled due to scheduling conflicts, until after the quarter in question had ended.

Failure for the Governor's Travel Control Board to meet and review travel vouchers involving exceptions to the State Travel Regulations hinders the State's ability to effectively monitor State travel expenses and determine whether they should be processed and paid or dismissed. (Finding Code No. 2013-017)

RECOMMENDATION:

We recommend the Department ensure the Governor's Travel Control Board meets on a quarterly basis as required by the State Finance Act.

<u>DEPARTMENT RESPONSE</u>:

The Department concurs and will attempt to schedule meetings for earlier in the quarter so that scheduling conflicts can be resolved in a more timely manner and meetings can be held within the proper timeframe.

2013-018 **<u>FINDING</u>:** (Inadequate controls over the sale of surplus property)

During our review of surplus vehicles, we noted a total of 41 Illinois Department of Transportation (IDOT) vehicles and one Illinois Department of Corrections (IDOC) vehicle were sold from surplus property. The sales prices ranged from $303 to $1,824 for a total of $28,073. Per review of these surplus property sales, we noted the following:

- There was no documentation to support that the Property Control Division of the Department of Central Management Services (Department) accepted the vehicles from IDOT or IDOC prior to the sale of the vehicles, as required by the Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.1120).

- No documentation could be provided that the vehicles were accepted by the Department with the following items, as required by the Code (44 Ill. Adm. Code 5010.1120):

    - A set of keys;
    - the State credit card assigned to the vehicle;
    - a "Vehicle Acquisition & Change Report" for the vehicle completed by the possessing agency; and,
    - a "Mileage Certification Form" signed by the possessing agency head or designee.

- There was no evidence of vehicles being offered to other State agencies or local governments prior to being sold, as required by 44 Ill. Adm. Code 5010.1140.

- Controls do not appear sufficient to prevent one person from placing vehicles on iBid, the Department's electronic auction website, and selling without varying levels of approval, as well as allowing for vehicles to be sold outside of the iBid system.

Department officials stated they recently changed the process related to where surplus vehicles are stored and sold. Previously, agencies had vehicles transported (at their own expense) to the Surplus Property Division in Springfield then sold at a live auction. In order to save the State money in transportation and auctioneer costs, all sales were moved to an electronic auction disposal method, "iBid".

Currently, agencies can drop off their vehicles at any of the 14 State garages and the Department sells it electronically, via iBid. As a result of this new system, the garage supervisors now provide vehicle data to the Surplus Property Division so it can be listed on the website. Additionally, when the mistake was discovered, the Department immediately reimbursed IDOT all funds generated from the sale of these vehicles.

Failure to follow the surplus procedures as required by the Code (44 Ill. Adm. Code 5010) may result in monies not appropriately being transferred to the applicable agency subsequent to the sale of a vehicle, not having sufficient controls over the vehicle's keys and State credit card, and not allowing other State agencies and local governments an opportunity to take advantage of acquiring used vehicles when needed. The lack of effective controls regarding the receipt and sale of surplus property produces an environment where Department staff could be capable of placing an item on iBid and selling to pre-determined individuals on a discounted basis without prior knowledge of either the transferring agency or the Department's Division of Surplus Property. (Finding Code No. 2013-018)

RECOMMENDATION:

We recommend the Department follow the Illinois Administrative Code (44 Ill. Adm. Code 5010) for the handling and sale of surplus vehicles and update procedures where necessary. Further, all sales of surplus property should be subject to levels of approval prior to being sold as surplus.

DEPARTMENT RESPONSE:

The Department concurs and acknowledges the obligation to follow the Administrative Rules. CMS did not willfully or intentionally disregard the rule, but a series of circumstances led to this accidental sale. It is CMS' position the equipment in question was not transferrable equipment and was in fact inoperable equipment. The condition of the vehicles in question deteriorated to such extent that no reasonable return on investment could be offered from units of local government.

This was the first time selling vehicles from different locations, (CMS State Garages), and created confusion about where cars came from.

As a result, we have employed the following procedures. When sending in vehicle pictures and descriptions to Surplus Property, the CMS-DOV state garages will specify in the subject line of the email that it's an IDOT vehicle. We will include the vehicle equipment number and "IDOT" in the subject line of the email and the body of the email will contain a zipped folder with vehicle pictures as well as the vehicle description.

Surplus property will then contact IDOT to verify if the vehicle has been through a previous local unit of government sale. If it has, then we will review paperwork to make sure the vehicle has been properly transferred to surplus property, where we can sell on iBid at public auction. If it has not been through a local unit of government sale, then the vehicle will be listed and proceeds turned over to IDOT.

Going forward, Surplus Property is employing a new system (iBid) to offer vehicles "on-line". As a result, all vehicles will be listed on a website and then phased through local units of government, then Division of Vehicles, other agencies, and finally the general public will be able to view and purchase vehicles. This will provide evidence (electronic record) of vehicles being offered to other State agencies or local governments prior to being sold, as required by 44 Ill. Adm. Code 5010.1140.

PRIOR FINDINGS NOT REPEATED
STATE COMPLIANCE

A **FINDING:** (Inadequate justification for the cancellation of a procurement of temporary staffing services master contract)

In the prior examination, the Department lacked adequate justification for the cancellation of a Request for Proposal (RFP) for temporary staffing services. In addition, the Department effectively limited competition in the subsequent Invitation for Bid (IFB) through establishment of criteria which ultimately resulted in the disqualification of all but one vendor.

During the current examination, we noted the Department executed a two year contract to provide temporary staffing under a master contract. We also noted that evaluations were based solely on price as required for IFB procurements. (Finding Code No. 11-4)

B **FINDING:** (Weaknesses in controls over payments to employees related to leave of absence)

In the prior examination, the Department did not timely ensure employees on a leave of absence were properly reported in the payroll system which resulted in overpayments to employees. The Department also failed to recognize overpayments for a significant amount of time, therefore requiring employees to reimburse the state.

During the current examination, we noted the Department did not have any exceptions for over payments to employees related to leave of absence. (Finding Code No. 11-5)

C **FINDING:** (Failure to meet statutory reporting requirements)

In the prior examination, we noted reports required to be completed and submitted by the Department were not filed as follows:

- The Department failed to submit a report to the General Assembly on a reorganization that abolished the Interagency Energy Conservation Committee and replaced it with a new program. The Executive Reorganization Implementation Act (15 ILCS 15/11) requires the agency to report to the General Assembly within 6 months after the reorganization takes effect.
- The Department failed to submit its identity-protection policy to the Social Security Number Protection Task Force as required by the Identity Protection Act (5ILCS 179/37(b)).

- The Department also failed to submit a master plan for statistical research utilizing electronic equipment most advantageously, and advising whether electronic data processing equipment should be leased or purchased by the State which is required by the Civil Administrative Code (20 ILCS 405/405-20(b)).

During the current examination, it was noted the Department is in compliance with these reporting requirements. (Finding Code No. 11-8, 09-12, 08-14)

D **FINDING:** (Documentation of Chief Internal Auditor experience and training not sufficient)

In the prior examination, the Department did not sufficiently document the Chief Internal Auditor possessed the requisite background and experience required by the Fiscal Control and Internal Auditing Act. Additionally, the Department could not document the Chief Internal Auditor was maintaining appropriate continuing education.

During the current examination, we noted the Chief Internal Auditor possesses the proper credentials and auditing experience as required. (Finding Code No. 11-10)

E **FINDING:** (Surplus property management process weaknesses)

In the prior examination, the Department's Division of Property Management State Surplus Warehouse had not fully implemented an adequate inventory control system. The Department estimated approximately 90% of the surplus electronic property and 50% of all other surplus property and equipment had been converted to the new system.

During the current examination, it was determined the Department has implemented an updated inventory system. (Finding Code No. 11-12, 09-10, 08-12, 07-23, 06-9, 05-16, 04-15)

F **FINDING:** (Failure to establish a prescription drug benefit program for school districts)

In the prior examination, the Department did not make available a prescription drug benefit program for school districts as required in the School Employee Benefit Act.

During the current examination, it was determined that the program was never implemented and had since been repealed by Public Act 098-0044 on June 28, 2013. (Finding Code No. 11-06)

2008 JOINT PROCUREMENTS OF BULK ROCK SALT

The Illinois Office of the Auditor General conducted a management audit of the Illinois Department of Central Management Services' 2008 Joint Procurements of Bulk Rock Salt pursuant to Legislative Audit Commission Resolution Number 138. The audit was released in June 2009 and contained eight recommendations to the Illinois Department of Central Management Services (Department). As part of the fiscal year 2009 Financial Audit and Compliance Examination, we noted seven of the eight recommendations were fully implemented and one of the eight recommendations was partially implemented. As part of the fiscal years 2011 and 2010 Compliance Examination, we noted the remaining recommendation was not yet fully implemented. As part of the fiscal years 2013 and 2012 Compliance Examination of the Department, we followed up on the status of the remaining recommendation that was not fully implemented as noted in the previous examination.

Recommendation #6 – Data Analysis and Cost Savings

The Department should compile appropriate electronic data sufficient to conduct analysis of bids and work with local communities to make the most cost effective decisions in jointly procuring bulk rock salt.

Status – Partially Implemented

Although the Department collects bid data in an electronic format, the mainframe Illinois Governmental Purchasing System (IGPS) continues to be utilized as its primary procurement tool. According to Department officials, no funds have, as of yet, been identified for a system upgrade. Department officials agree that while the IGPS meets basic needs, it does not offer the full flexibility suggested within this recommendation. The Department also agrees that this would be desirable for complex bid activities represented in any solicitation of a similar magnitude as the solicitation for road salt.

BUSINESS ENTERPRISE PROGRAM

In June 2006, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) administration of the Business Enterprise Program (BEP). The audit contained fifteen recommendations to improve the performance and operation of the Department to effectively manage the State's policies in place over the program. As part of the compliance examination for fiscal years 2011 and 2010, auditors determined the Department had not implemented or only partially implemented three recommendations. As part of the fiscal years 2013 and 2012 Compliance Examination of the Department, we followed up on the status of the remaining three recommendations that were not implemented or only partially implemented as noted in the previous examination.

Recommendation #3– Establish minimum training requirements for BEP staff

The Department of Central Management Services should establish minimum training requirements for certification staff and ensure that the required training is received. CMS should also track the training received by certification staff.

<u>Status</u> – Implemented

Based upon review of the Policy and Procedure Manual and the Training for BEP Staff Guide, the Department has established minimum training requirements for certification staff. Staff did receive the minimum training outlined in the BEP Policy and Procedure Manual for fiscal year 2013; however, they did not receive the required training for fiscal year 2012 due to budgetary constraints. While minimum requirements were developed, it appears that the Department is now ensuring that the required training is received.

Recommendation #7– Ensure all certifications are completed within 60 days

The Department of Central Management Services should ensure that all applicants for certification or recertification are processed in the required 60 days.

<u>Status</u> – Not Implemented

While management has developed policies and procedures requiring that applications for certifications be processed within 60 days, this timeframe has not been met. Out of a sample of 40 certifications selected for testing, sixteen certifications (40%) were not processed within the 60-day processing criteria.

Recommendation #6 – Consider Conducting Site Visits

The Department of Central Management Services should consider conducting site visits of all applicants.

<u>Status</u> – Partially Implemented

While the Department has implemented a procedure to define the site-visit process, it has not identified and documented uniform criteria for all analysts and management to use in determining when a certification includes questionable content that should warrant a site visit. Under the current procedure, similar circumstances could be interpreted differently by different analysts due to a lack of documented, uniform guidance. In addition, certification staff is not completing four site visits per month as required.

OPERATION OF THE STATE VEHICLE FLEET

In November 2011, the Office of the Auditor General released a performance audit of the Department of Central Management Services' (Department) administration of the State vehicle fleet. The audit contained 14 recommendations to improve the performance and operation of the State's vehicle fleet. House Resolution Number 658 directed the Office of the Auditor General to audit the Department's operation of the fleet of passenger cars used by State executive agencies. The Resolution called for the audit to address the total number of cars; number of take-home cars; necessity of take-home vehicles; cost of vehicles in fiscal year 2009; and the adequacy of the Department's system to record their use and maintenance and to check for official use, including whether it is possible to implement a system to track vehicles for business use only. As part of the fiscal years 2013 and 2012 Compliance Examination of the Department, we followed up on the status of the recommendations and determined 6 of the recommendations had been implemented and 8 were partially implemented.

Recommendation #1 - Vehicle Program

The CMS Division of Vehicles should ensure that all agencies that choose to use its vehicle services are required to follow the program rules in their entirety, as clearly stated in CMS administrative rules, or change its administrative rules to reflect current operations.

Status – Partially Implemented

The Department submitted a proposed JCAR Rules change published for 1st Notice on January 31, 2014 at 38 Ill. Reg. 3241.

Recommendation #3 - IAV Annual Reporting

The CMS Division of Vehicles should continue to work with agencies to eliminate errors from the Individually Assigned Vehicles report to improve its usefulness as a management tool.

Status – Partially Implemented

The Department implemented Mandatory Agency Vehicle Coordinator Training including information on correct reporting on individually assigned vehicles (IAV). Training occurred on September 18, 2013 and is conducted annually. Although it appears the Department is providing training, our conclusion is the recommendation has been partially implemented due to the fact that the IAV report was missing several vehicles and information submitted was not clear.

Recommendation #4 – Oversight of Vehicles

The CMS Division of Vehicles should become more actively involved in the operation and oversight of State vehicles to ensure they are maintained and used in the most efficient and least costly manner as required by its administrative rules. CMS should also periodically audit agencies' use of vehicles.

Status – Partially Implemented

Based upon our review, we determined the Department reviews miles driven, commuting miles, and fuel consumptions through review of the Agency Fleet Request Template, the Annual IAV reports from agencies and mandatory training of Agency Vehicle Coordinators/ Use Officers. In addition, the Department reviews vehicles as part of the required annual inspection at State garages and during one-on-one meetings with agencies on fleet replacement and utilization. However, the Department did not conduct audits of agencies' use of State vehicles pursuant to its administrative rules: *"CMS should periodically audit agencies' use and condition of State vehicles"* (44 Ill. Adm. Code 5040.360).

Recommendation #6 - License Plates

CMS Division of Vehicles should specify to agency vehicle coordinators all the reporting requirements that are applicable when vehicles use non-U license plates.

Status – Partially Implemented

The Department emailed Agency Vehicle Coordinators on November 21, 2011 the license plate requirements, provided instruction in mandatory Annual Vehicle Coordinator training presentations, and in subsequent communications provided instructions specifying to agencies the reporting requirements applicable to the use of non-U license plates. The forms Agency Heads sign approving assignments are updated to include, per the Office of the Auditor General's (OAG) recommendation, the following statement: "…plates will be used substantially full time in functions requiring the conventional plate." Agencies were also advised not to include covert license plate information in their Individually Assigned Vehicle reports to the Department. Based upon our review, we noted exceptions in which the Department was still listing covert license plate numbers in the Agency's Individually Assigned Vehicle (IAV) report, which is considered public information.

Recommendation #9 - Motor Pool Log

CMS should direct all its Bureaus to maintain standard vehicle logs, have the logs reviewed and signed by supervisors, and include these procedures in its manual that is currently being updated.

Status – Partially Implemented

The Department instructed all Bureaus to maintain standard vehicle logs and to have the logs reviewed and signed by supervisors. The Division of Vehicles will update its procedure manual to include these instructions as time permits.

Recommendation #10 - Daily Vehicle Log

CMS Division of Vehicles should provide a uniform daily vehicle log that must be used by all State agencies under its jurisdiction. CMS should then randomly sample these vehicle logs to ensure they are being properly completed. Finally, CMS should require agency heads to submit a written evaluation for commuting mileage that exceeds the 30 percent level established by the Governor.

Status – Partially Implemented

The Department has provided sample logs for State agencies to use. A policy update requiring use of the standard log for all Individually Assigned Vehicles is under review. The Department will begin random sampling of logs when the policy update is formally adopted and as staff time and resources permit.

Recommendation #12 - Vehicle Cost Data

The CMS Division of Vehicles should determine the feasibility of putting all vehicle cost data online, by individual vehicle, including the cost data at agencies. This complete cost history could include repair, maintenance, fuel, insurance and other costs and also show whether required vehicle inspections have been performed.

<u>Status</u> – Partially Implemented

The Department has created the website for vehicle policy and cost information and is in the process of collecting and publishing this information by vehicle for agencies including the cost of repairs, maintenance, fuel and insurance and whether vehicle inspections have been performed. Approximately 28 agencies have submitted policies for publication to date. Information by vehicle will be published as soon as it is complete and as staff time and resources permit. The number of agencies submitting by-vehicle cost information for publication on the internet currently represents 58% of the fleet under the Department's jurisdiction.

Recommendation #13– Global Positioning System

The CMS Division of Vehicles should formally evaluate the availability and cost of GPS systems that State agencies may be able to use to track their State-owned vehicles, such as the vehicles are being used for authorized purposes only.

<u>Status</u> – Partially Implemented

Based upon our review, we determined that the Department executed a Request for Information which included, among other things, information on solutions including GPS and other telematics such as passive odometer collection for the fleet. The Department is in negotiations with the vendor AssetWorks to purchase an updated, web-based version of the current fleet system FleetFocus FA, potentially with GPS or passive odometer capability. The vendor's proposal is being evaluated at this time to determine what is cost effective for the State to obtain.

Recommendation #2 - Vehicle Assignment Letter

The CMS Division of Vehicles should ensure that agency heads authorize in writing the assignment of individually assigned vehicles.

<u>Status</u> – Implemented

Based upon our review, we determined the Department communicated with agency heads and Agency Vehicle Coordinators/Use Officers on all of the OAG recommendations resulting from the Performance Audit of the State Vehicle Fleet. DOV also covers this topic in mandatory Annual Vehicle Coordinator trainings and also provided agencies with a sample document for their use in the development of an internal policy.

Recommendation #5 - Vehicle Coordinator's Training

The CMS Division of Vehicles should strengthen its training of agency vehicle coordinators to ensure they understand their responsibilities, such as checking the daily vehicle logs for accuracy, monitoring individually assigned vehicles, informing commuters that they owe taxes, and submitting accurate reports each year on individually assigned vehicles to the Division of Vehicles.

<u>Status</u> – Implemented

Based upon our review, we determined the Department holds Mandatory Annual Agency Vehicle Coordinator Training. The Department communicated with agency heads and Agency Vehicle Coordinator/Use Officers on all of the OAG recommendations resulting from the Performance Audit of the State Vehicle Fleet.

Recommendation #7 – Breakeven Miles

The CMS Division of Vehicles should perform a breakeven analysis, with costs updated annually and provide it to all State agencies with the recommendation to use it to determine if it is cost-effective to provide employees with State vehicles for official use.

<u>Status</u> – Implemented

Based upon our review, we determined the Department updated the breakeven chart on February 21, 2013. Additionally, we reviewed the "State Employee Business Transportation Policy and determined it was updated in March 2012. This policy explains that a vehicle should accumulate a minimum mileage called "breakeven" annually. The policy also explains the current mileage for a compact car, intermediate sedan, and a pickup truck.

Recommendation #8 – Vehicles Driven 18,000 Miles/Year

Before a new vehicle is purchased for any agency, CMS should ensure that the old passenger vehicle that is turned in was driven an average of 18,000 miles per year or that lesser use is adequately explained by the agency.

<u>Status</u> – Implemented

Based upon our review, we determined the Department has directed all of its Bureaus to maintain standard logs which are reviewed and signed by supervisors. DOV reviews the mileage of vehicles that are turned in for replacement and if the vehicle has not been driven at least the number of breakeven miles, the agency head has to sign off on the exception. During the performance audit, this rule was different as all State vehicles needed to be driven an average 18,000 miles/per year compared to the new requirement per JCAR that the vehicles need to be driven at least the number of breakeven miles.

Recommendation #11– Commuting Tax

The CMS Division of Vehicles should notify State agencies, under its jurisdiction, with individually assigned vehicles that can be used for commuting to evaluate if their employees need to pay the appropriate taxes for commuting in a State vehicle.

<u>Status</u> – Implemented

The Department notified agencies in a letter sent in November 2013 that agencies and drivers of State vehicles are responsible for compliance with federal tax laws relating to taxable fringe benefits.

Recommendation #14 – Vehicle Policy

The CMS Division of Vehicles should encourage State agencies under its jurisdiction that lacked a vehicle policy to establish such a vehicle policy and make it available to its employees.

<u>Status</u> – Implemented

The Department sent a letter in December 2012 directing agencies under the Governor with a vehicle use officer to draft a vehicle use policy. In addition, the Department included OAG recommendations and the requirements of Public Act 97-922 in mandatory Vehicle Coordinator Training. The Department is also publishing policies submitted by agencies to its official website.

STATE WORKERS' COMPENSATION PROGRAM

In April 2012, the Office of the Auditor General released a management audit that included the Department of Central Management Services' (Department) Workers' Compensation Program as it applies to State employees. The audit contained twelve recommendations for the Department to improve the structure and operations of the workers' compensation program as it applies to State employees. As part of the fiscal years 2013 and 2012 Compliance Examination of the Department follow up was conducted and determined the Department has partially implemented six of the twelve recommendations and has not implemented the remaining six recommendations.

Effective August 3, 2012, Public Act 97-0895 required the Department to procure one or more private vendors to administer the program providing payments for workers' compensation liability with respect to the employees of all State agencies beginning January 1, 2013. The Department executed a five-year $60,000,000 contract with Tristar Risk Enterprises Mgt. Inc. effective March 1, 2013, as the third party administrator for the workers' compensation program. The contract also contains an option for an additional five-year renewal. According to Department officials, Tristar assumed the handling of new claims filed by State employees on March 16, 2013. In May 2013, approximately 18,000 files, representing all open workers' compensation claims for State employees, were transferred to Tristar. The Department estimated these 18,000 files would be scanned and assigned to Tristar adjusters no later than August 15, 2013. Because the workers' compensation program was in a transitional phase as of the end of the examination period (June 30, 2013), in many cases it was not possible for auditors to make a determination as to whether the recommendations contained in the management audit were implemented. Therefore, many of the recommendations are shown as either partially or not implemented. Follow-up on these issues will be conducted again during the next examination cycle to determine whether implementation has occurred.

Recommendation #2 - State Workers' Compensation Program Advisory Board

The Department of Central Management Services, in conjunction with the State Workers' Compensation Program Advisory Board, should develop recommended best practices for the State workers' compensation program, as required by Public Act 97-018.

<u>Status</u> – Not Implemented

A set of best practices **<u>has not</u>** been developed for the State of Illinois workers' compensation program, as was required by Public Act 97-018. In its responses to our follow-up, the Department stated this recommendation has generally been satisfied through its contract with Tristar. The Department believes Tristar has developed detailed policies and procedures for its adjusters and staff regarding all aspects in the administration of claims. However, the Public Act requires the Department and Board to develop a set of best practices and not the contractor, Tristar.

Recommendation #3 - Claims Reporting

The Department of Central Management Services should take steps to:

- *Deny claims that are not filed within 45 days of the accident unless extenuating circumstances are documented;*
- *Ensure that accident dates in its information system are accurate;*
- *Define accident date for repetitive trauma cases in the Department's administrative rules or policies and procedures; and*
- *Ensure that supervisory notification by the employee of an injury is documented in writing.*

<u>Status</u> – Not Implemented

According to the Department, Tristar is now responsible for all claims handling and data requirements, which includes ensuring the completeness and accuracy of data input into its system.

We requested a download of workers' compensation claims filed after Tristar became responsible for processing claims. According to data provided by the Department, between March 16, 2013 and June 30, 2013, 1,607 claims were filed. Our review of these claims showed that for 29 claims it took more than 45 days to report the injury. The days to report for these 29 claims ranged from 46 days to 1,951 days. Only 9 of these claims had been denied.

The Department has not defined the accident date for repetitive trauma cases in the Department's administrative rules or policies and procedures. According to the Department, there was a legislative effort to further delineate the timing of the injury when a repetitive trauma is alleged but the Bill was not passed. According to Department officials, as of August 26, 2013, the Client Service Instructions were still in draft form and they are not intended to restate what is in the statute relative to repetitive trauma cases.

The Department did not provide documentation to show that efforts have been made to ensure that supervisory notification by the employee of an injury is documented in writing.

Given that the new vendor was in the process of assuming the responsibility of processing workers' compensation claims for the State near the end of the examination period, follow up on this issue will be performed during the Department's next examination cycle.

Recommendation #5 - Determination for Subrogation Eligibility

The Department of Central Management Services should ensure that cases in which subrogation can be pursued are reviewed in a timely manner.

<u>Status</u> – Not Implemented

The contract between the Department and Tristar requires that Tristar promptly refer claims involving potential subrogation matters to the Department which will, if appropriate, refer the matter to the Attorney General (Exhibit BB Section 5).

The contract requires Tristar to designate a subrogation adjuster to manage and assist with subrogated claims. The contract also requires Tristar to provide the Department with a monthly report which includes at a minimum:

- All new subrogation cases opportunities;
- The number of cases where funds were recovered; and,
- The total amount of funds recovered.

In August 2013, we requested an example of any monthly subrogation reports sent to the Department from Tristar. According to Department officials, due to the magnitude of transferring what turned out to be 21,000 claims, the Department decided to defer the transfer of subrogation reviews until September 1, 2013.

Recommendation #6 - Periodic Data Matches

The Department of Central Management Services should perform periodic matches utilizing available information at the Illinois Department of Employment Security to ensure that employees receiving benefits are not employed elsewhere. CMS should also consider gaining access to other sources of information that may be helpful in identifying changes in marital status, deaths, and other circumstances that would affect the eligibility or amount of workers compensation benefits to which the individual is entitled.

<u>Status</u> – Not Implemented

Public Act 97-621, effective November 18, 2011, provided statutory authority for the Department to receive data from the Illinois Department of Employment Security (IDES) regarding the employment status of workers' compensation claimants. The Department and IDES finalized an agreement to share data in May 2012, to allow the Department to receive information from IDES on a quarterly basis to determine whether recipients of workers' compensation benefits are otherwise employed.

According to Department officials, since that time IDES has checked the status of certain individuals in their system but to date, the Department and IDES have not been able to fully implement the agreement. New protocols will have to be established now that the State's database resides with Tristar. The Department did not provide evidence of any other data matches being conducted with workers' compensation claims as part of their response to our follow up.

Recommendation #7 - CMS Adjuster Caseloads

The Department of Central Management Services should track Adjuster caseloads and consider establishing caseload standards for Adjusters.

Status – Not Implemented

According to the Department, adjusters are no longer on staff. Tristar is now responsible for the handling of all duties that were previously performed by Department adjusters. According to the Department, Tristar maintains an average workload of approximately 150 active indemnity claims per adjuster.

Tristar's response to the RFP states, on page 39, that, "Although our clients determine caseloads, Tristar recommends a caseload not to exceed 125 -150 open indemnity claims per adjuster with support personnel for each adjuster as best practices. Medical claim adjusters will typically manage approximately 200-250 open medical claims. Some claims adjusters handle a combination of indemnity and medical claims and a combined caseload would be proportionate, and based on the needs of the particular agency."

The contract with Tristar, however, does not contain caseload requirements. Exhibit BB Sec. 1. (c) of the contract states that Tristar shall maintain an office in Springfield, Illinois, with a dedicated available staff of not less than (4) qualified bonded adjusters and that case staffing shall be in accordance with Tristar's RFP Responses Section 1.2.1.1. In addition, the response to the RFP showed that Tristar only planned to hire 8 adjusters and two supervisors (Sec. 1.2.1.1 on p.38); the same number that the Department had during our original examination period.

According to Department officials, as of August 26, 2013, Tristar was still in the process of hiring additional adjusters. Since the contract was signed in February 2013 and implemented per statute prior to June 30, 2013, Tristar could not hire enough qualified adjusters in Chicago and Springfield in the allotted time. New cases are being handled in those offices but more than 21,000 files are currently being triaged by Tristar adjusters throughout the country and then being assigned to Illinois adjusters. According to Department officials, many cases are being closed. The Department was to start monitoring adjuster caseloads September 1, 2013. According to information provided by the Department, to date Tristar has hired 11 lost time adjusters, five medical only adjusters, four claims assistants, three supervisors and a Branch Manager.

Recommendation #20 - CMS Conflict of Interest Policies

CMS should develop formal written policies for conflicts of interest, including how the claims of employees within CMS' Bureau of Benefits and Division of Risk Management will be processed. CMS should also provide training to Adjusters regarding those policies.

Status – Not Implemented

The Department responded to our follow up that because the Department is not processing claims and no longer has adjusters on staff, internal conflict of interest policies for the handling of claims filed by Bureau of Benefits or Division of Risk Management employees are no longer applicable. Although the Department may no longer have adjusters, two staff at the Department, still approve settlement contracts. These settlement contracts may involve a party with which the employee has a conflict such as a friend or co-worker.

Recommendation #1 - Workers' Compensation Data

The Department of Central Management Services and the Illinois Workers' Compensation Commission should take steps to improve the quality of the data contained in their workers' compensation information systems. CMS and the Commission should also consider implementing and/or enhancing web based reporting systems.

<u>Status</u> – Partially Implemented

According to the Department's responses to our management audit follow up, this recommendation has been satisfied through the contract with Tristar. According to information provided by the Department, Tristar assumed the handling of new claims filed by State employees on March 16, 2013. In addition, approximately 18,000 open claims were transferred to Tristar in May 2013. According to a July 15, 2013 letter sent by the Department's Director to the Speaker of the House and the House State Government Administration Committee, these claims were to be scanned and assigned by no later than August 15, 2013. According to a Department official, issues with the claims data for these files will not be resolved until these claims are gone.

We requested a download of workers' compensation claims filed after Tristar became responsible for processing claims. According to data provided by the Department, between March 16, 2013 and June 30, 2013, 1,607 claims were filed. According to the data provided, for these claims there have been no settlements or awards. We reviewed the 1,607 claims and found data issues remain a problem. These included:

Unknown Occupation – One claim is listed as "New Title", five claims are listed as "Unclassified", and 18 claims are listed as "Unassigned". There are also titles in the data that do not appear to be legitimate employee titles (i.e., "Homemaker", "Extra Help", etc…).

Unknown Injury – Three claims are listed as "Unknown" and eight claims are listed as "All Other".

Unknown Body Part – Eight claims are listed as "Unknown" and one is listed as insufficient information to identify.

Our review also showed that for one claim the employer was listed as the University of Illinois. The Department and Tristar are not responsible for claims for employees of the University of Illinois.

It is unclear whether outsourcing the workers' compensation function will result in more accurate data. This is especially true for cases that were established prior to the contractor's involvement. The contract between the Department and Tristar requires that the contractor establish audit checks including those for typographical/data input errors and duplicative/incorrect charges. The contract also requires an audit of all open claim files for accuracy of information, completeness, continued compensability, and ripeness for settlement (Section 23 (e) and (f)). As of the end of the examination period (June 30, 2013), an audit of open claims had not been completed.

Given that the new vendor was in the process of assuming the responsibility of processing workers' compensation claims for the State near the end of the examination period, follow up on this issue will be performed during the Department's next examination cycle.

Recommendation #4 - Claims Adjudication

The Department of Central Management Services should:

- *Ensure that all applicable forms are collected prior to any determination of compensability or benefits payments;*
- *Conduct training for all adjusters and agency workers' compensation coordinators regarding filing procedures and required forms;*
- *Require a claims supervisor to review all determinations of compensability;*
- *Obtain access to payroll information required to verify average weekly wage amounts for employees who submit claims;*
- *Require employees to formally request temporary disability benefits prior to receiving benefits; and,*
- *Ensure thorough review of all medical bills prior to payment.*

Status – Partially Implemented

According to the Department, Tristar is now responsible for ensuring the completeness of data utilized by its adjusters. The Tristar Claims Handling Manual also provides detailed instructions for its adjuster to follow when determining compensability of claims including the forms that are required to be filed. Although according to Department officials, these instructions are further supplemented by the Client Servicing Instructions, the draft Client Servicing Instructions provided on August 26, 2013, do not discuss forms to be provided by the Department to Tristar.

Section 22(d) of the contract with Tristar requires that prior to March 16, 2013, training be provided to all workers' compensation coordinators on Tristar's system and forms and periodic training occur during the life of the contract. According to Department officials, Tristar provided training of workers' compensation coordinators in March 2013 and July 2013. We reviewed sign-in sheets for these trainings and found some agency workers' compensation coordinators may not have attended the training. These sign-in sheets also showed there was some confusion regarding who the workers' compensation coordinators were for some agencies. Neither the Department nor Tristar have direct access to agency payroll information in order to verify average weekly wage information for employees who submit a claim.

According to a Department official, Tristar gets employee payroll information from the workers' compensation coordinator, and it may require a statutory change for Tristar to have access to the 50 plus payroll systems located at the agencies.

Of the 1,607 claims filed with Tristar for the period March 16, 2013 and June 30, 2013, total temporary disability (TTD) was paid in 125 cases. According to a September 17, 2013 e-mail sent to agency workers' compensation coordinators, the first bi-monthly report showing TTD payments was expected to be sent September 23, 2013.

Tristar is now responsible for the review of medical bills (contract section 1.5.1). Given that the new vendor was in the process of assuming the responsibility of processing workers' compensation claims for the State near the end of the examination period, we did not undertake a review of TTD or medical billings due to the small population that would have been available for review. We will follow up on this during the next Department compliance examination.

Recommendation #11 - Contract Approval Limits

The Department of Central Management Services should:

- *Clarify settlement contract approval limits in its policies for Risk Management employees; and*
- *Include all compensation in the settlement contract as part of these approval limits.*

Status – Partially Implemented

According to the Department, as a result of the Tristar contract and subsequent staffing changes, the Department has only two employees on staff with authority to approve settlements. Their job descriptions (CMS-100s) have been amended to limit their settlement authority to $100,000 or less.

The Department did not provide updated policies to show it has clarified settlement contract approval limits for Risk Management employees, and what types of payments are included in determining those amounts.

Recommendation #12 - Negotiating Settlement Contracts

The Department of Central Management Services and the Attorney General should ensure that all settlement contract negotiations for cases in which the employee has legal representation are conducted by the Attorney General's Office.

Status – Partially Implemented

The Tristar contract requires Tristar to refer all demands or other requests for settlement to both the Department and the Office of the Attorney General. Tristar is prohibited from discussing any claim with an attorney representing an injured worker, and is required to refer any such communications to the Office of the Attorney General for further handling (Tristar contract Exhibit BB Section 3 & 4).

Given that the new vendor was in the process of assuming the responsibility of processing workers' compensation claims for the State near the end of the examination period, we did not undertake a review of settlements to determine if issues related to negotiating settlements identified in the original audit had been resolved. We reviewed the claims reported to Tristar for the period March 16, 2013 to June 30, 2013, and found that of the 1,607 claims none had a settlement or award. Follow up on this issue will be performed during the Department's next examination cycle.

Recommendation #13 - Medical Support for Settlement Injuries

The Department of Central Management Services should ensure that there is medical support for all injuries that are compensated in settlement contracts.

<u>Status</u> – Partially Implemented

According to the Department, this has been implemented through the contract with Tristar. Tristar is responsible for all phases of medical support for all claims, including file documentation, medical bill review, early intervention services, and other functions.

Because Tristar did not assume responsibility for new claims until March 16, 2013 and did not assume responsibility for outstanding claims until May 2013, the new system has not been in place long enough to determine whether these changes have solved the problems with medical documentation identified in the original audit.

Recommendation #15 – Communication

The Department of Central Management Services and the Attorney General should work to improve communications regarding workers' compensation claims and cases.

<u>Status</u> – Partially Implemented

According to the Department, this recommendation has been implemented through the requirements of the Tristar contract. Tristar maintains a single paperless system into which all claim documents are scanned for viewing. Tristar is required to provide 24/7 web based access to claims data to the Department, the Office of the Attorney General, and the Workers' Compensation Coordinators, thus ensuring all three groups have access to the same information when discussing a claim (Tristar Contract Exhibit BB Section 22(c)).

According to officials at the Attorney General's Office, the Tristar system allows real time, web-based access to claims data 24/7. According to Attorney General officials, although the transition has not been smooth and some problems still exist, from the perspective of their office, there have been large strides forward and Tristar has been responsive and working to address issues as they arise.

Because Tristar did not assume responsibility for new claims until March 16, 2013, and did not assume responsibility for outstanding claims until May 2013, the new system has not been in place long enough to determine whether these changes have solved the problems with communications identified in the original audit. Follow up on this issue will be performed during the Department's next examination cycle.

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying basic financial statements of the State of Illinois, Department of Central Management Services was performed by Sikich LLP as special assistants for the Auditor General.

Based on their audit, the auditors expressed an unmodified opinion of the Department's basic financial statements.

Note: The Independent Auditor's Report and financial statements as of and for the year ended June 30, 2012 were previously issued under separate cover. The report dated February 5, 2013 was issued by Sikich LLP as Special Assistant Auditors to the Auditor General and is incorporated herein by reference,

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department of Central Management Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information for the State of Illinois, Department of Central Management Services, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Department of Central Management Services are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Central Management Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2013, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress on page 48 be presented to supplement the fund financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit for the year ended June 30, 2013 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Central Management Service's basic financial statements. The accompanying supplementary information in the combining and individual nonmajor fund financial statements, the State Compliance Schedules 1 through 11, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2013, in the combining and individual nonmajor fund financial statements and the State Compliance Schedules 1, 3, 4 and 6 through 10 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2013, in the combining and individual nonmajor fund financial statements and the State Compliance Schedules 1, 3, 4 and 6 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013, in the combining and individual nonmajor fund financial statements and the State Compliance Schedules 1, 3, 4 and 6 through 10 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Department of Central Management Service's basic financial statements as of and for the years ended June 30, 2012 and June 30, 2011 (not presented herein), and have issued our reports thereon dated February 5, 2013, and April 3, 2012, respectively, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in Schedules 2 through 9 and 11 for June 30, 2012 and Schedules 3 and 5 through 8 for June 30, 2011 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2012 and June 30, 2011 financial statements. The accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in Schedules 2 through 9 and 11 for June 30, 2012 and Schedules 3 and 5 through 8 for June 30, 2011 has been subjected to the auditing procedures applied in the audits of the June 30, 2012 and June 30, 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2012 and June 30, 2011 in Schedules 2 through 9 and 11 for June 30, 2012 and Schedules 3 and 5 through 8 for June 30, 2011 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2014 on our consideration of the State of Illinois, Department of Central Management Services' 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* in considering the State of Illinois, Department of Central Management Services' internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
January 24, 2014 (except for State Compliance Schedules 1 – 11, as to which the date is March 26, 2014)

State of Illinois

Department of Central Management Services

Statement of Net Position

June 30, 2013 (Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Unexpended appropriations	$ 359,210	$ -	$ 359,210
Cash equity with State Treasurer	173,036	4,681	177,717
Cash and cash equivalents	127,689	1,520	129,209
Securities lending collateral equity of State Treasurer	198,690	2,301	200,991
Receivables, net:			
Intergovernmental	27,434	215	27,649
Other	29,943	376	30,319
Due from other Department funds	17	-	17
Due from other Department fiduciary funds	221	-	221
Due from other State funds	706,353	-	706,353
Due from State of Illinois component units	29,596	-	29,596
Inventories	1,899	-	1,899
Capital assets not being depreciated	87,524	-	87,524
Capital assets being depreciated, net	236,786	12	236,798
Total assets	1,978,398	9,105	1,987,503
LIABILITIES			
Accounts payable and accrued liabilities	2,104,766	5,827	2,110,593
Intergovernmental payables	6,154	2	6,156
Due to Department funds	-	17	17
Due to other State fiduciary funds	111	12	123
Due to other State funds	3,898	9	3,907
Due to State of Illinois component units	1,914	-	1,914
Obligations under securities lending of State Treasurer	198,690	2,301	200,991
Unearned revenue	1,634	18	1,652
Long term obligations:			
Due within one year	147,255	2	147,257
Due subsequent to one year	9,519,498	110	9,519,608
Total liabilities	11,983,920	8,298	11,992,218
NET POSITION			
Net investment in capital assets	305,442	-	305,442
Restricted for debt service	4,124	-	4,124
Restricted for general government	6	-	6
Unrestricted	(10,315,094)	807	(10,314,287)
Total net position	$ (10,005,522)	$ 807	$ (10,004,715)

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

State of Illinois

Department of Central Management Services

Statement of Activities

For the Year Ended June 30, 2013 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Total
Primary government					
Governmental activities					
General government	$ 3,481,145	$ 3,088,781	$ (392,364)		$ (392,364)
Education	2,218,187	-	(2,218,187)		(2,218,187)
Employment and economic development	87,959	-	(87,959)		(87,959)
Health and social services	542,957	-	(542,957)		(542,957)
Transportation	(172,915)	-	172,915		172,915
Public protection and justice	420,001	-	(420,001)		(420,001)
Environment and business regulation	170,737	-	(170,737)		(170,737)
Total governmental activities	6,748,071	3,088,781	(3,659,290)		(3,659,290)
Business type activities					
Insurance program	$ 38,619	$ 38,853		$ 234	234
Total business-type activities	38,619	38,853		234	234
Total primary government	$ 6,786,690	$ 3,127,634			$ (3,659,056)
General revenues					
Appropriations from State Resources			1,687,354	-	1,687,354
Reappropriation to future year(s)			(12,492)	-	(12,492)
Lapsed appropriations			(56,022)	-	(56,022)
Receipts collected and transmitted to State Treasury			(279)	-	(279)
Interest and investment income			725	17	742
Other revenues			69,054	50	69,104
Loss on disposition of assets			(100,403)	-	(100,403)
Capital contributions			30,701	16	30,717
Amount of SAMS transfers-in			(2,572)	-	(2,572)
Total general revenues and transfers			1,616,066	83	1,616,149
Change in net position			(2,043,224)	317	(2,042,907)
Net position, July 1, 2012, as restated			(7,962,298)	490	(7,961,808)
Net position, June 30, 2013			$ (10,005,522)	$ 807	$ (10,004,715)

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

Balance Sheet - Governmental Funds

June 30, 2013 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
ASSETS				
Unexpended appropriations	$ 359,210	$ -	$ -	$ 359,210
Cash equity with State Treasurer	1	-	1,504	1,505
Receivables, net:				
Other receivables	592	-	21	613
Due from other Department funds	3,720	-	3	3,723
Due from other State funds	-	-	17	17
Total assets	363,523	-	1,545	365,068
LIABILITIES				
Accounts payable and accrued liabilities	1,068	-	185	1,253
Intergovernmental payables	29	-	4	33
Due to other Department funds	1,720,406	75,091	48	1,795,545
Due to other State funds	95	-	43	138
Due to State of Illinois component units	-	-	1	1
Unavailable revenue	581	-	-	581
Matured portion of long-term obligations	159	-	-	159
Total liabilities	1,722,338	75,091	281	1,797,710
FUND BALANCES				
Restricted - General Government	-	-	6	6
Committed - General Government	-	-	1,258	1,258
Unassigned	(1,358,815)	(75,091)	-	(1,433,906)
Total fund balances	(1,358,815)	(75,091)	1,264	(1,432,642)
Total liabilities and fund balances	$ 363,523	$ -	$ 1,545	$ 365,068

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

State of Illinois
Department of Central Management Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2013
(Expressed in Thousands)

Total fund balances-governmental funds		$ (1,432,642)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,484
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.		581
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 Position.		459,220
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences	(1,332)	
Auto liability claims	(2,795)	
Net other postemployment benefit obligations	(9,053,038)	
		(9,057,165)
Net position of governmental activities		$ (10,005,522)

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

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2013 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
REVENUES				
Other	$ 266	$ -	$ 2,627	$ 2,893
Other charges for services	-	-	147	147
Total revenues	266	-	2,774	3,040
EXPENDITURES				
General government	132,191	-	3,032	135,223
Education	1,223,987	-	-	1,223,987
Employment and economic development	52,940	-	-	52,940
Health and social services	119,699	-	-	119,699
Transportation	44,709	132,548	-	177,257
Public protection and justice	38,384	-	-	38,384
Environment and business regulation	93,131	-	-	93,131
Capital outlays	6	-	16,837	16,843
Total expenditures	1,705,047	132,548	19,869	1,857,464
Excess (deficiency) of revenues over (under) expenditures	(1,704,781)	(132,548)	(17,095)	(1,854,424)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	1,481,692	176,323	29,339	1,687,354
Reappropriation to future year(s)	-	-	(12,492)	(12,492)
Lapsed appropriations	(472)	(55,550)	-	(56,022)
Receipts collected and transmitted to State Treasury	(279)	-	-	(279)
Amount of SAMS transfers-in	(2,572)	-	-	(2,572)
Transfers-in	(50)	-	-	(50)
Transfers-out	-	-	50	50
Net other sources (uses) of financial resources	1,478,319	120,773	16,897	1,615,989
Net change in fund balances	(226,462)	(11,775)	(198)	(238,435)
Fund balances, July 1, 2012, as restated	(1,132,353)	(63,316)	1,462	(1,194,207)
Fund Balances, June 30, 2013	$ (1,358,815)	$ (75,091)	$ 1,264	$ (1,432,642)

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

State of Illinois
Department of Central Management Services
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2013
(Expressed in Thousands)

Net change in fund balances	$	(238,435)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		41
Some capital assets were transferred from other State agencies.		24,356
Proceeds from sales of capital assets are reported in the governmental funds. However, in the Statement of Activities, the book value of capital assets which are sold or scrapped are also reported. This is the book value of capital assets which were sold or scrapped.		(100,403)
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.		24,147
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.		(12)
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. Below are such activities.		
Decrease in compensated absences obligation		38
Decrease in auto liability claims		3
Increase in net other postemployment benefit obligations		(1,752,959)
Change in net position of governmental activities	$	(2,043,224)

State of Illinois

Department of Central Management Services

Statement of Net Position - Proprietary Funds

June 30, 2013 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Non Major Enterprise Fund: Local Government Health Insurance Reserve Fund
ASSETS		
Cash equity with State Treasurer	$ 171,531	$ 4,681
Cash and cash equivalents	127,689	1,520
Securities lending collateral equity of State Treasurer	198,690	2,301
Receivables, net:		
Intergovernmental	27,434	215
Other	29,330	376
Due from other Department fiduciary funds	221	-
Due from other Department funds	1,823,767	-
Due from other State funds	706,336	-
Due from State of Illinois component units	29,596	-
Inventories	1,899	-
Total current assets	3,116,493	9,093
Capital assets not being depreciated	87,055	-
Capital assets being depreciated, net	212,771	12
Total noncurrent assets	299,826	12
Total assets	3,416,319	9,105
LIABILITIES		
Accounts payable and accrued liabilities	2,103,513	5,827
Intergovernmental payables	6,121	2
Due to other State fiduciary funds	111	12
Due to other Department funds	31,928	17
Due to other State funds	3,760	9
Due to State of Illinois component units	1,913	-
Obligations under securities lending of State Treasurer	198,690	2,301
Deferred revenue	1,634	18
Current portion of long-term obligations	145,627	2
Total current liabilities	2,493,297	8,188
Noncurrent portion of long-term obligations	463,802	110
Total liabilities	2,957,099	8,298
NET POSITION		
Net investment in capital assets	280,958	-
Restricted for debt service	4,124	-
Unrestricted	174,138	807
Total net position	$ 459,220	$ 807

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

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Non Major Enterprise Fund: Local Government Health Insurance Reserve Fund
OPERATING REVENUES		
Charges for sales and services	$ 3,142,783	$ 38,853
Other	29,890	-
Total operating revenues	3,172,673	38,853
OPERATING EXPENSES		
Cost of sales and services	492,090	-
Claims and judgments	2,368,605	-
Benefit payments and refund	-	36,536
General and administrative	133,265	2,079
Interest expense	176,613	-
Depreciation	21,947	4
Other	13,853	-
Total operating expenses	3,206,373	38,619
Operating income (loss)	(33,700)	234
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income	725	17
Interest expense	(1,989)	-
Other revenue	36,271	-
Other expense	(297)	50
Income (loss) before contributions	1,010	301
Contributions of capital assets	23,137	16
Change in net position	24,147	317
Net position, July 1, 2012, as restated	435,073	490
Net position, June 30, 2013	$ 459,220	$ 807

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

State of Illinois
Department of Central Management Services

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Non Major Enterprise Fund: Local Government Health Insurance Reserve Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	$ 165,819	$ 38,765
Cash received from transactions with other funds	2,420,759	-
Cash payments to suppliers for goods and services	(2,384,356)	(39,105)
Cash payments to employees for services	(127,700)	(1,303)
Cash payments for workers compensation	(96,519)	-
Cash receipts from other operating activities	74,987	563
Net cash provided (used) by operating activities	52,990	(1,080)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers-out to other funds	10,000	-
Grants received	37,130	68
Other noncapital financing activities	(841)	-
Net cash provided (used) by noncapital financing activities	46,289	68
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(29,071)	-
Principal paid on capital debt	(4,914)	-
Interest paid on capital debt	(1,242)	-
Net cash (used) by capital and related financing activities	(35,227)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	705	18
Net cash provided (used) by investing activities	705	18
Net increase (decrease) in cash and cash equivalents	64,757	(994)
Cash and cash equivalents, July 1, 2012, as restated	234,463	7,195
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	299,220	6,201
Reconciliation of cash and cash equivalents to the statement of net assets:		
Total cash and cash equivalents per the statement of net assets	127,689	4,681
Add: cash equity with State Treasurer	171,531	1,520
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	299,220	6,201
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
OPERATING INCOME (LOSS)	(33,700)	234
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	21,947	4
Provision for uncollectible accounts	32	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5,695	(118)
(Increase) decrease in intergovernmental receivables	(5,074)	(59)
(Increase) decrease in due from other funds	(563,135)	-
(Increase) decrease in due from State of Illinois component units	2,647	-
(Increase) decrease in inventory	(137)	-
Increase (decrease) in accounts payable and accrued liabilities	609,261	(1,107)
Increase (decrease) in intergovernmental payables	(11,009)	(1)
Increase (decrease) in due to other State funds	10,186	(7)
Increase (decrease) in due to State of Illinois component units	952	-
Increase (decrease) in deferred revenues	321	(29)
Increase (decrease) in other liabilities	15,004	3
Total adjustments	86,690	(1,314)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 52,990	(1,080)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on sale of equipment	$ 297	-
Transfer of capital assets, net of related debt, to/from other State funds	$ 23,137	-

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

Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2013 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
ASSETS		
Cash equity with State Treasurer	$ 46,096	$ 9,084
Cash and cash equivalents	15,582	3,786
Investments:		
Equities	2,441,124	-
Fixed income	306,025	-
Other	880,503	-
Intergovernmental receivables	5,365	-
Other receivables, net	24,741	995
Due from other State funds	86,683	-
Loans and note receivable, net	22,050	-
Securities lending collateral equity of State Treasurer	22,923	3,639
Total assets	$ 3,851,092	$ 17,504
LIABILITIES		
Accounts payable and accrued liabilities	266,334	13,845
Intergovernmental payables	5	20
Due to other Department funds	221	-
Due to other State fiduciary funds	23	-
Due to other State funds	43	-
Obligations under securities lending of State Treasurer	22,923	3,639
Current portion of long-term obligations	5	-
Noncurrent portion of long-term obligations	248	-
Total liabilities	$ 289,802	$ 17,504
NET POSITION		
Held in trust for:		
Other employee benefits	(93,377)	
Deferred compensation benefits	3,654,667	
Total net position	$ 3,561,290	

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

State of Illinois
Department of Central Management Services

Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds
Deposits/Contributions:	
Employer	$ 78,171
State	126,859
Members/participants	435,793
Other contributions	47,968
Total contributions	688,791
Investment income:	
Interest, dividends and other investment income	110,552
Net appreciation of investments	261,220
Reimbursement of investment expenses not separable from investment income	2,291
Less: investment expense	(253)
Net investment income	373,810
Total additions	1,062,601
Deductions:	
Benefit payments	774,344
Refunds	70
Other Deductions	162
General and administration	28,338
Total deductions	802,914
Net additions (deductions)	259,687
Net position, July 1, 2012, as restated	3,301,603
Net position, June 30, 2013	$ 3,561,290

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

(1) Organization

The Department of Central Management Services (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under the authority of and review by the Illinois General Assembly. The Department operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of the Facilities Management Fund, the State Employees' Deferred Compensation Plan, the Flexible Spending Account and health insurance funds.

The Department provides a variety of centralized services for the operation of State Government. The Department provides personnel services for State agencies; purchases goods and services for State agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about State Government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department provides healthcare coverage for employees of the State of Illinois and other local governments and schools through group insurance plan administration. The Department also promotes the economic development of minority and female businesses and rehabilitation facilities for persons with disabilities.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependence on the primary government and the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State of Illinois, the financial statements of the Department are included in the financial statements of the State of Illinois. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Central Management Services, are intended to present the financial position, the changes in financial position, and the cash flows, when applicable, of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes, charges for services, and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the assets and liabilities of the Department's governmental and business-type activities with the difference being reported as net position. The assets and liabilities are presented in order of their relative liquidity by class of asset or liability with liabilities whose average maturities are greater than one year reported in two components - the amount due within one year and the amount due in more than one year.

The statement of activities presents a comparison between direct expenses and program revenues for the general government function of the Department's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including sales of surplus State property, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis on fund financial statements is on major governmental 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, 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, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds) - see the State of Illinois' Comprehensive Annual Financial Report:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the Department and accounted for in the general fund include, among others, general government services and healthcare benefits for State employees.

Road – This fund accounts for the activities of the Department for payment to the Health Insurance Reserve Fund for allocated costs associated with providing medical and dental benefits for State employees paid from the Road Fund.

Additionally, the Department reports the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Proprietary Fund Types:

Internal Service – These funds account for data processing, printing, fleet management, facilities management, professional services, workers compensation claims, life insurance payments for State employees, and telecommunications provided to agencies of the State on a reimbursement basis.

Enterprise – This fund accounts for operations where the intent of the Department is that the cost providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types:

Pension (and other Employee Benefit)Trust – These funds account for resources that are required to be held in trust for payment of postemployment benefits on-behalf of beneficiaries.

Agency – These funds account for amounts in which the Department acts in the capacity of an agent and collects and distributes employee payroll withholdings for purchase of life insurance, tax-free payments of eligible medical and dental expenses, and tax-free payments of eligible child and/or adult day care costs.

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund 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 Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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 collectible 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

Significant revenue sources which are susceptible to accrual include interest and other charges for services. All other revenue sources including fines, penalties, licenses and other miscellaneous revenues are considered to be measurable and available only when cash is received.

(d) Shared Fund Presentation

The financial statement presentation for the General Fund, the Road Fund and the Capital Development Fund, a nonmajor governmental fund, represent only the portion of shared funds that can be directly attributed to the operations of the Department. Financial statements for total fund operations of the shared State funds are presented in the State of Illinois' Comprehensive Annual Financial Report.

In presenting these financial statements, certain unique accounts are used for the presentation of shared funds. The following accounts are used in these financial statements to present the Department's portion of shared funds:

Unexpended Appropriations

This "asset" account represents lapse period warrants issued between July and August annually in accordance with the Statewide Accounting Management System (SAMS) records plus any liabilities relating to obligations re-appropriated to the subsequent fiscal year.

Appropriations from State Resources

This "other financing source" account represents the final legally adopted appropriation according to SAMS records.

Lapsed Appropriations

Lapsed appropriations are the legally adopted appropriations less net warrants issued for the 14 month period from July to August of the following year and re-appropriations to subsequent years according to SAMS records.

Reappropriation to Future Year(s)

This contra revenue account reduces current year's appropriations by the amount of the reappropriation to reflect the State's realignment of the budgetary needs to the subsequent year and avoid double counting of a portion of the appropriation in more than one fiscal year.

Receipts Collected and Transmitted to State Treasury

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

Amount of SAMS Transfers-In

This "other financing use" account represents all cash receipts received during the fiscal year from SAMS records.

(e) Eliminations

Eliminations have been made in the government-wide statement of net position to minimize the "grossing-up" effect on assets and liabilities within the governmental activities column of the Department. As a result, amounts reported in the governmental funds balance sheet as interdepartmental interfund receivables and payables have been eliminated in the government-wide statement of net position. Amounts reported in the governmental funds balance sheet and proprietary statement of net position as receivable from or payable to fiduciary funds have been included in the government-wide statement of net position as receivable from and payable to external parties, rather than as internal balances.

(f) Cash and 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 include cash on hand, petty cash funds, and cash in banks for locally held funds.

(g) Inventories

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method.

(h) Interfund Transactions

The Department has the following types of interfund transactions between Department funds and funds of other State agencies:

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 are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide and proprietary fund statements of net position.

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) 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.

The Department also has activity with various component units of the State of Illinois for professional services rendered and on-behalf employee benefits paid.

(i) Capital Assets

Capital assets, which consist of equipment, automobiles, and real property, are reported at cost or estimated historical cost based on appraisals. Contributed assets are reported at estimated fair value at the time received. Capital assets are depreciated using the straight-line method.

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$100,000	N/A
Land Improvements	25,000	N/A
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Site Improvements	25,000	20
Equipment	5,000	3-25

(j) 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 for Department employees. A liability for these amounts is reported in governmental funds only if they have 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 currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination 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 taxes).

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.

(k) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable- This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted- This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed- This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Department's highest level of decision-making authority rests with the Illinois State legislature and the Governor. The State passes "Public Acts", to commit their fund balances.

Assigned- This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned- This consists of residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

When both restricted and unrestricted (committed, assigned, and unassigned) resources are available for use, it is the Department's policy to use restricted resources first. When only unrestricted resources are available, the Department uses committed resources first, followed by assigned, and then unassigned.

(l) Net Position

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of legally restricted assets by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The government-wide statement of net position reports $4.130 million of restricted assets which are restricted by enabling legislation.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

(n) State Employees' Deferred Compensation Plan Administration

By State statute the Department is responsible for administering the State Employees' Deferred Compensation Plan (Plan). The Department contracts with Invesco Ltd. for investment management services and T. Rowe Price Retirement Plan Services, Inc. to provide recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants' accounts on a monthly or quarterly basis. Effective January 1, 2007, the annual fee charged to participants was limited to a maximum of $30. This fee has been waived for 2008 through 2013.

(o) Health Benefits Claim Processing

By State statute, the Department is responsible for administering the State's health benefit programs. The Department contracts with third party administrators to process health, dental, and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health insurance Reserve Fund. It is the Department's policy to recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

(p) New Accounting Pronouncements

Effective for the year ending June 30, 2013 the Department adopted Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Services Concession Arrangements*, which establishes requirements for the recognition, measurement and disclosure for SCA's, both as transferors and governmental operators. There was no material impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2013 the Department adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and 34*, which modifies certain requirements for inclusion of component units in the financial reporting entity. There was no material impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2013 the Department adopted Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which sets forth requirements for codifying all sources of generally accepted accounting principles for state and local governments so that they will derive from a single source. There was no material impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2013 the Department adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources,* *Deferred Inflows of Resources and Net Position*, which provides guidance for standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The Department's financial statements have been updated as a result of adopting this Statement.

Effective for the year ending June 30, 2013 the Department adopted Governmental Accounting Standards Board Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* Which establishes criteria as to when hedge accounting should continue after the replacement of swap counterparty or a swap counterparty's credit support provider. There was no material impact on the Department's financial statements as a result of adopting this Statement.

(q) Future Adoption of GASB Statements

Effective for the year ending June 30, 2014 the Department adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which the objective is to determine whether certain transactions previously reported as assets and liabilities should continue to be reported as such. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2014 the Department adopted Governmental Accounting Standards Board Statement No. 66, *Technical Corrections – amendment of GASB Statements No. 10 and No. 62,* which resolves conflicting guidance surrounding differences in Statement No. 54 and No. 10 regarding the reporting of risk financing activities. Also, resolves differences between Statements No. 62 and No. 13 regarding the reporting of certain operating lease transactions and No. 48 regarding the reporting of the acquisition of a loan or group of loans. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2014 the Department adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans,* which provided guidance relating to the accounting and financial reporting surrounding how pension costs and obligations are measured and reported in audited external financial reports. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2015 the Department will adopt Governmental Accounting Standards Board Statement No. 68, *Financial Reporting for Pension, Amendment of GASB Statement No. 67,* which provides guidance relating to revised recognition, measurement, and disclosure requirements for all employers. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2015 the Department will adopt Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations,* which provides guidance relating to combinations in which no consideration is provided and combinations in which consideration is provided. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

Effective for the year ending June 30, 2014 the Department will adopt Governmental Accounting Standards Board Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* which provides guidance relating to nonexchange financial guarantees when it is more likely than not that the government will be required to make a payment on the guarantee. The Department has not yet determined the impact on the Department's financial statements as a result of adopting this Statement.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the investment authority and guidelines for the Treasurer's published investment policy found in Section 22.8 of the Deposit of State Moneys Act (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

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 Investments ("ISBI") is governed by the Illinois Pension Code (40 ILCS 5). ISBI has published investment policies incorporating these guidelines.

The carrying amount and bank balance of cash deposits held outside of the State Treasury at June 30, 2013 was $1.424 million which was uninsured and uncollateralized.

(b) Investments

The Department's investments consist of amounts held by trustees and third party administrators in accordance with debt covenants; tax-free payments of eligible medical and dental expenses, tax-free payments of qualified transportation and/or commuting expenses, and tax-free payments of eligible child and/or adult day care costs; and amounts held as part of the State's employee retirement savings plan in accordance with Section 457 of the Internal Revenue Code. The investments held for the State's Section 457 plan are held in mutual funds, annuities, investment contracts and equity trust funds, which are selected by the Illinois State Board of Investments after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used, and the investment record.

As of June 30, 2013, the Department had the following fixed income investments outside of the State Treasury:

	Book Value (Thousands)	Fair Value (Thousands)	Weighted Average Maturity (Years)
Governmental Activities			
Demand Deposits	$ 18	$ 18	
Money market mutual funds	2,703	2,703	0.099
Public Treasurer's Investment Pool	123,544	123,544	0.112
Total fixed income investments	$ 126,265	$ 126,265	
Fiduciary Funds			
Money market mutual funds	$ 87,525	$ 88,106	0.153
Debt mutual funds	124,895	124,895	0.006
Bond trust funds	99,046	99,046	7.840
Public Treasurer's Investment Pool	13,927	13,927	0.112
Total fixed income investments	325,393	325,974	
Business-Type Activities			
Demand Deposits	16	16	
Public Treasurer's Investment Pool	1,504	1,504	0.112
Total fixed income investments	$ 1,520	$ 1,520	

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Governmental Activities money market mutual funds were rated Aaa mf by Moody's. $4.367 million of the Fiduciary Funds money market mutual funds were rated AAA m by Moody's, while the remaining $83.739 million of the money market mutual funds were unrated. The Fiduciary Funds debt mutual funds were unrated.

Custodial Credit Risk: The Department does not have a formal investment policy which restricts investments to address custodial credit risk. Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Department would not be able to recover the value of investment or collateral securities in the possession of an outside party.

(c) Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position

The Statement of Net Position and Statement of Fiduciary Net Position cash and cash equivalents contain certain short-term investments (included as investments above) to reflect their liquidity. A reconciliation (amounts expressed in thousands) follows:

Governmental Activities	**Deposits**	**Investments**
Amounts Per Note 3(b)	$ 1,424	$ 126,265
Cash equivalents	126,265	(126,265)
Amounts per Statement of Net Position	$ 127,689	$ -

Fiduciary Funds	**Deposits**	**Investments**
Amounts Per Note 3(b)	$ -	$ 325,393
Cash equivalents	19,368	(19,368)
Equity mutual funds	-	1,379,054
Blended mututal funds	-	627,358
Annuities	-	819
Equity trust funds	-	434,712
Guaranteed investment contracts	-	879,684
Amounts per Statement of Fiduciary Net Position	$ 19,368	$ 3,627,652

Business-type Activities	**Deposits**	**Investments**
Amounts Per Note 3(b)	$ -	$ 1,520
Cash equivalents	1,520	(1,520)
Amounts per Statement of Net Position	$ 1,520	$ -

(d) Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal years 2013 and 2012, Deutsche Bank Group lent U.S. Treasury and U.S. agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal years 2013 and 2012 on the amount of the loans available, eligible securities. In the event of borrower default, Deutsche Bank Group provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank Group is obligated to indemnify the State Treasurer if Deutsche Bank Group loses any securities, collateral or investments of the State Treasurer in Deutsche Bank Group's custody.

Moreover, there were no losses during the fiscal years 2013 and 2012 resulting from a default of the borrowers or Deutsche Bank Group.

During fiscal years 2013 and 2012, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank Group and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent.

In accordance with GASB Statement No. 28, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations arising from the securities lending agreements as of June 30, 2013, to the various funds of the State. The total allocated to the Department was $227.553 million at June 30, 2013.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2013 represent amounts due from other Department and State of Illinois funds.

	Due from			
Fund	**Other Department Funds**	**Other Department Fiduciary Funds**	**Other State Funds**	**Description/Purpose**
General	$ 3,720	$ -	$ -	Due from other Department funds for reimbursement of advances on expenditures incurred.
Non-major governmental funds	3	-	17	Due from other Department funds and other State funds for sales of federal surplus property.
Internal service funds	1,823,767	221	706,336	Due from other Department funds, other Department fiduciary funds and other State funds for services provided.
Fiduciary	-	-	86,683	Due from other State funds for insurance benefits.
	$ 1,827,490	$ 221	$ 793,036	

The following balances (amounts expressed in thousands) at June 30, 2013 represent amounts due to other Department and State of Illinois funds.

	Due to			
Fund	**Other Department Funds**	**Other State Funds**	**Other State Fiduciary Funds**	**Description/Purpose**
General	$ 1,720,406	$ 95	$ -	Due to other Department funds for internal service fund services received including healthcare claims and other State funds for services received.
Road	75,091	-	-	Due to other Department internal service funds for payment of healthcare claims.
Non-major governmental funds	48	43	-	Due to other Department funds for internal service fund services received, other State funds for services received.
Internal service funds	31,928	3,760	111	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
Fiduciary funds	221	43	23	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
Non-major enterprise fund	17	9	12	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
	$ 1,827,711	$ 3,950	$ 146	

(b) *Transfers to/from Other Funds*

Interfund transfers in (amounts expressed in thousands) from other State funds for the year ended June 30, 2013, were as follows:

Fund	Transfers in from Other Department Funds	Description/Purpose
General	$ (50)	Transfer from other Department funds pursuant to statute.

Interfund transfers out (amounts expressed in thousands) to other State funds for the year ended June 30, 2013, were as follows:

Fund	Transfers out to Other Department Funds	Description/Purpose
Non-major governmental funds	$ (50)	Transfer to other Department funds pursuant to statute.

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012, as restated	Additions	Deletions	Net Transfers	Balance June 30, 2013
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	$ 46,302	$ -	$ 7,895	$ 427	$ 38,834
Nondepreciable historical treasures and works of art	4	-	-	-	4
Construction in Progress	19,515	20,253	-	8,918	48,686
Total capital assets not being depreciated	65,821	20,253	7,895	9,345	87,524
Capital assets being depreciated:					
Site improvements	3,889	-	-	-	3,889
Buildings and building improvements	578,844	-	112,207	174,818	641,455
Equipment	192,642	16,771	23,146	149	186,416
Depreciable historical treasures and works of art	970	-	-	-	970
Other Intangible Assets-Fiber Optic Rights	1,711	-	-	-	1,711
Total capital assets being depreciated	778,056	16,771	135,353	174,967	834,441
Less accumulated depreciation:					
Site improvements	3,128	174	-	-	3,302
Buildings and building improvements	298,999	12,582	19,699	144,610	436,492
Equipment	170,380	9,115	22,849	83	156,729
Depreciable historical treasures and works of art	970	-	-	-	970
Other Intangible Assets-Fiber Optic Rights	76	86	-	-	162
Total accumulated depreciation	473,553	21,957	42,548	144,693	597,655
Total capital assets being depreciated, net	304,503	(5,186)	92,805	30,274	236,786
Governmental activity capital assets, net	$ 370,324	$ 15,067	$ 100,700	$ 39,619	$ 324,310
Business-Type activities:					
Capital assets being depreciated:					
Equipment	$ 9	$ -	$ 9	$ 16	$ 16
Less accumulated depreciation:					
Equipment	9	4	9	-	4
Business-Type activities capital assets, net	$ -	$ (4)	$ -	$ 16	$ 12

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2013 was charged to functions as follows:

Governmental activities – General Government	$	21,957
Business-type activities	$	4

Capital asset deletions include the sale of Thompson Correctional Center to the federal government. Net book value of the facility was $100.403 million. Proceeds from the sale in the amount of $165 million were deposited into funds reported on by the State Treasurer.

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2013 were as follows:

	Balance July 1, 2012, as restated	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 13,050	$ 8,382	$ 8,702	$ 12,730	$ 1,198
Installment purchase obligations	1,754	-	1,754	-	-
Certificates of participation	22,025	-	3,160	18,865	3,350
Workers' compensation claim obligations	563,880	141,170	125,884	579,166	141,188
Auto liability claim obligations	4,800	1,167	3,013	2,954	1,519
Net other postemployment benefit obligation	7,300,079	1,752,959	-	9,053,038	-
Total governmental activities	$ 7,905,588	$ 1,903,678	$ 142,513	$ 9,666,753	$ 147,255
Business-Type activities:					
Compensated absences	$ 109	$ 68	$ 65	$ 112	$ 2
Total business-type activities	$ 109	$ 68	$ 65	$ 112	$ 2
Fiduciary funds:					
Compensated absences	$ 227	$ 138	$ 112	$ 253	$ 5
Total fiduciary funds	$ 227	$ 138	$ 112	$ 253	$ 5

Compensated absences have been liquidated by the applicable fund that accounts for the salaries and wages of the related employees.

(b) Certificates of participation

The Department has financed the purchase of office buildings and land. The office buildings have a historical cost and accumulated depreciation of $48.740 and $18.632 million, respectively and the land has a historic cost of $2.794 million. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2013, are as follows:

Year Ending June 30	Principal	Interest	Total
2014	3,350	1,031	4,381
2015	3,545	824	4,369
2016	3,755	606	4,361
2017	3,990	373	4,363
2018	4,225	127	4,352
	$ 18,865	$ 2,961	$ 21,826

(7) Risk Management

The Department administers the State of Illinois' risk management except for minimal commercial insurance purchased on certain capital assets by other State agencies and auto liability for the Department of Transportation. 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; auto liability exposure; and natural disasters. The State retains the risk of loss (i.e. self insured) for these risks except minimal commercial insurance purchased on certain capital assets by other State agencies. There were no significant reductions in insurance coverage for the State from the prior fiscal year. The amount of settlements has not exceeded insurance coverage in the past three fiscal years for the State.

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 (IBNR). 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.

The Department's risk financing of auto liability for the State's non-Department of Transportation liability, $2.954 million, has been determined using an estimate of claims outstanding. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the General Revenue Fund, a subaccount of the General Fund, in the amount of $.159 million. The remaining portion of the liability, $2.795 million, as of June 30, 2013, is included in the Department-wide financial statements and is expected to be paid from future resources of the General Fund.

The Department's workers' compensation liability, $579.166 million, has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years experience, to the Department. The liability is recorded in the Workers' Compensation Revolving Fund, an internal service fund.

The Department administers the State of Illinois' risk management for employee health and dental insurance benefit programs of the State. The Health Insurance Reserve Fund, an internal service fun, is used to account for these benefit programs, which are partially self-funded. Employees of the State 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 $702.196 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2012 and June 30, 2013 (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:				
2012, as restated				
Auto Liability	$ 3,781	$ 2,084	$ 1,065	$ 4,800
Workers' Compensation	591,124	100,925	128,169	$ 563,880
Health claims incurred but not reported	618,791	754,522	706,777	$ 666,536
Total:	$ 1,213,696	$ 857,531	$ 836,011	$ 1,235,216
2013				
Auto Liability	$ 4,800	$ 1,167	$ 3,013	$ 2,954
Workers' Compensation	563,880	141,170	125,884	$ 579,166
Health claims incurred but not reported	666,536	678,250	642,590	$ 702,196
Total:	$ 1,235,216	$ 820,587	$ 771,487	$ 1,284,316

(8) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2013 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2013, the employer contribution rate was 37.987%.

Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees' and Teachers' Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees' and Teachers' Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(9) Post-employment Benefits

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 these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pensions plans. The Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by State (General Assembly Retirement Systems, Judges Retirement Systems, State Employees Retirement System, Teachers Retirement Systems, and the State Universities Retirement System). The portions of the Act related to other postemployment benefits establishes a cost-sharing multiple-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.

However, Public Act 97-0695, effective, July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of the Department to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. These costs will be assessed beginning July 1, 2013.

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 the 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 Other Postemployment Benefit Cost: In accordance with the Act, the State contributes towards the cost of an annuitant's coverage under the basic program of 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 2013, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $8,396.88 ($4,484.88 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organizations and $11,912.88 ($4,322.16) 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 as follows:

	Annual Employee Health, Dental and Vision Contribution Requirements	
Employee Annual Salary	**Benefits Through a Health Maintenance Organization**	**Benefits Provided Through Other Than a Health Maintenance Organization**
$30,200 and below	$696	$996
$30,201 - $45,600	$756	$1,056
$45,601 - $60,700	$786	$1,086
$60,701 - $75,900	$816	$1,116
$75,901 - and above	$846	$1,146

The State's lack of funding requirements 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 (amounts expressed in thousands) are as follows:

Acturially required contributions ("ARC")	$	2,292,460
Plus: Interest on net other postemployment benefit obligation ("NOPEBC	$	328,503
Adjustment to the ARC	$	(243,336)
Annual other postemployment benefits cost	$	2,377,627
Benefits paid during the year	$	(624,668)
Increase in NOPEBO	$	1,752,959
NOPEBO at June 30, 2012 as restated	$	7,300,079
NOPEBO at June 30, 2013	$	9,053,038

The AOPEBC, the percentage of AOPEBC contributed for the year, and the NOPEBO at the end of the current fiscal year and the two preceding fiscal years (amounts expressed in thousands) are as follows:

		6/30/2013
Annual Other Post employment Benefit Cost		
6/30/2011	$	2,338,779
6/30/2012	$	2,463,426
6/30/2013	$	2,377,627
Percentage AOPEBC Contributed		
6/30/2011, as restated		25.81%
6/30/2012		31.56%
6/30/2013		26.27%
Net Other Postemployment Benefit Obligation		
6/30/2011	$	5,614,025
6/30/2012	$	7,300,079
6/30/2013	$	9,053,038

Funding Status and Funding Progress: The funding status and funding progress of the State's OPEB plan (amounts expressed in thousands) are as follows:

	(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)**
6/30/2013	$ -	34,488,085	34,488,085	0.00%	$ 7,631,281	451.93%

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 the 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 employer and plan members in the future. Information about actuarial methods and assumptions used in the actuarial valuation of the plan are as follows:

Actuarial valuation date of the actuarial required contributions	6/30/2013
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2013
Actuarial cost method	Proj. Unit Cost
Amortization method	Level % of pay
Remaining amortization period	30 years, Open
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return*	4.50%
Projected salary increases*	4.50%
Inflation Rate	3.00%
Healthcare cost trend rate:	
Medical	8.5% grading down .5% per year over 5 years to 6.0% and grading down to 5.6% in year 6
Dental	7.5% grading down .5% per year over 5 years to 5.0%
Vision	3.00%

*Includes inflation rate listed

(10) Commitments and Contingencies

(a) Operating leases

The Department leases parking lots, warehouses, and buildings, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was $93.634 million for the year ended June 30, 2013.

The following is a schedule of future minimum lease payments under the operating lease (amounts expressed in thousands):

Year Ending June 30	Total
2014	78,791
2015	54,590
2016	40,013
2017	24,212
2018	11,003
2019-2022	440
	$ 209,049

(b) **Construction Commitments**

The Department has entered into construction contracts for purposes of statewide fiber optic expansion. The project is authorized for $51.895 million, of which $44.729 million has been spent, leaving $7.166 million in future commitments at June 30, 2013.

(c) Federal Service Charges

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State which are subject to review and audit by federal grantor agencies. The Department believes that it is probable that a payback representing the federal share of excess fund balances will be required from the Statistical Services Revolving Fund (SSRF) and the Communications Revolving Fund (CRF) for activities in fiscal years 2012 and 2013. The Department estimates the SSRF refund may result in a payment of up to $1.550 million and the CRF refund may result in payment of up to $2.771 million. The Department has recorded a liability in the respective funds.

(c) Litigation

The Department is routinely involved in a number of legal proceedings and claims that cover a wide range of matters. In the opinion of management, the outcome of these matters is not expected to have any material adverse effect on the financial position or results of operations of the Department.

(11) Local Government Health Insurance Fund Risk Pool Disclosure

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governments entities. Financial statements for the LGHIRF may be obtained from the Department. As of June 30, 2013, there were 337 local governmental entities participating with approximately 2,677 employees, 1,666 dependents and 128 retirees covered. Each participating local governmental unit is required to enter into written agreement with the Department. The agreement sets forth the responsibilities of both parties. The Department issues a publicly available financial report that includes financial statements and required information for LGHIRF. The financial report may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Billing and collection of monthly premiums from local governmental units
- Enrollment and termination of members and dependents after notification by the local governmental unit
- Establishment of a Local Governmental Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units
- Processing and payment of authorized claims

The responsibilities required of the local government units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

The LGHIRF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2013.

The basis used in calculating the estimated liability for the future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2013, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amount expressed in thousands) at June 30, 2013 is as follows:

Claims incurred and reported but not paid as of June 30	$ 1,907
Estimated liability for claims incurred but not reported	3,700
Total estimated liability for future claims	$ 5,607

A reconciliation of total benefit payments and refunds including claims adjustment expense is as follows (amount expressed in thousands):

	2012	2013
Payments made for benefit claims	$41,580	$ 37,688
Less: Liability for unpaid claims, beg of year	7,150	6,759
Subtotal	34,430	30,929
Add: Liability for unpaid claims, end of year	6,759	5,607
Total benefit claim payments and refunds	$41,189	$ 36,536

(12) Other Post-Employment Benefit Plans

The Department administers, along with the retirement systems listed below, two funds which account for cost-sharing, multiple-employer defined benefit postemployment benefit plans (other than pension plans) for non-State employees.

For both plans, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and when 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 Department issues a publicly available financial report that includes financial statements and required supplementary information for each plan. The financial reports may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

(a) Teacher Retirement Insurance Plan (TRIP)

The TRIP is accounted for in the Teacher Health Insurance Security Fund which was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) annuitants and dependent beneficiaries. As of June 30, 2013 there were 999 school districts participating with approximately 62,273 annuitants and 10,379 dependents covered. The

Department works in conjunction with the Illinois Teachers' Retirement System to administer the TRIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teachers Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the TRS are:

- Enrollment of annuitants and dependent that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.92 percent contribution from active teachers and 0.69 percent contributions from school districts for program funding purposes

(b) Community College Insurance Plan (CCIP)

The CCIP is accounted for in the Community College Health Insurance Security Fund which was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2013, there were 38 community colleges and 1 community college association participating with approximately 5,717 annuitants and 838 dependents covered. The Department works in conjunction with the State Universities Retirement Systems (SURS) to administer the CCIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.5 percent contributions from active community college employees and community college districts for program funding purposes

(13) State Employees' Deferred Compensation Plan General Description

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The financial position and results of operations of the Plan for fiscal year 2013 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2013. The Plan issues separate financial statements on a calendar year basis that may be obtained by writing to the Deferred Compensation Plan, 201 E. Madison, Suite 1C, P.O. Box 19208, Springfield, Illinois 62794-9208.

The following description of the Plan is only general information. Participants and other interested parties should refer to the Plan agreement for a complete description of all Plan provisions.

Federal law requires the assets of the Plan and the income earned thereon to be held in trust for the exclusive benefit of the Plan participants and their beneficiaries. Participants' rights under the Plan are limited to an amount equal to the fair value of the deferral account for each individual participant.

In compliance with Section 457 of the Internal Revenue Code, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed $17,500 ($23,000 for participants age 50 or older) and $17,000 ($22,500 for participants age 50 or older) for calendar years 2013 and 2012, respectively. The State does not make any contributions to the Plan. The Plan allows participants a limited make-up on deferrals in the three years prior to the year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals, which were made in prior years, up to a maximum of $35,000 and $34,000 for calendar years 2013 and 2012, respectively.

Participants may withdraw the current value of funds contributed thirty days after termination of employment with the State of Illinois. Loans of up to 50% of a participant's balance or $50,000, whichever is less, are available in a new program begun 1/1/13. These loans are repaid to the participant's account. Withdrawals can also be made due to financial hardship if approved by a committee established by the Plan. Upon retirement, participants may select various payment options, including lump sum or periodic payments. The participants may also elect to delay the distribution of their accounts to a specific future date, but are required by the IRS to begin taking minimum distributions the year in which they turn 70 1/2. Death beneficiaries may select similar payment options as retired employees. All investments are assets of the Plan until such time as payments are made to participants.

(14) Restatement

The Department's financial statements have been restated to include balances associated with State healthcare purchasing on behalf of State employees and retired State employees, through the Health Insurance Reserve Fund and members of the Local Government Health Insurance Reserve Fund, the Teachers Health Insurance Security Fund and the Community College Health Insurance Security Fund. Pursuant to Executive Order 2012-1, these fiscal monitoring and healthcare purchasing functions transferred to the Department from the Department of Healthcare and Family Services effective July 1, 2012. The restatements (amounts expressed in thousands) are:

	Balance, June 30,2012 as originally reported	Restatement	Balance, June 30, 2012 as restated
Governmental Activites	$ 536,448	$ (8,498,746)	$ (7,962,298)
Business-Type Activities	$ -	$ 490	$ 490
Fiduciary Funds	$ 3,370,785	$ (69,182)	$ 3,301,603

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

June 30, 2013

Required Supplementary Information

Defined Benefit Other Postemployment Benefit Plans
Schedule of Funding Progress
(amounts expressed in thousands)
(unaudited)

The following schedule of funding progress for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for the three most recent actuarial valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2009	$ -	$ 27,124,061	$ 27,124,061	0.00%	$ 7,091,656	382.48%
6/30/2011	$ -	$ 33,295,354	$ 33,295,354	0.00%	$ 7,375,559	451.43%
6/30/2013	$ -	$ 34,488,085	$ 34,488,085	0.00%	$ 7,631,281	451.93%

Combining Balance Sheet -
Nonmajor Governmental Funds

June 30, 2013 (Expressed in Thousands)

	Special Revenue			Capital Projects	
	Illinois Prescription Drug Discount Program 0316	**Minority and Female Business Enterprise 0352**	**State Surplus Property Revolving 0903**	**Capital Development 0141**	**Total**
ASSETS					
Cash equity with State Treasurer	$ 257	$ 6	$ 1,241	$ -	$ 1,504
Receivables, net:					
Other	-	-	21	-	21
Due from other Department funds	-	-	3	-	3
Due from other State funds	-	-	17	-	17
Total assets	257	6	1,282	-	1,545
LIABILITIES					
Accounts payable and accrued liabilities	-	-	185	-	185
Intergovernmental payables	-	-	4	-	4
Due to other Department funds	-	-	48	-	48
Due to other State funds	-	-	43	-	43
Due to State of Illinois component units	-	-	1	-	1
Total liabilities	-	-	281	-	281
FUND BALANCES					
Restricted - General Government	-	6	-	-	6
Committed - General Government	257	-	1,001	-	1,258
Total fund balances	257	6	1,001	-	1,264
Total liabilities and fund balances	$ 257	$ 6	$ 1,282	$ -	$ 1,545

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

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Special Revenue			Capital Projects	
	Illinois Prescription Drug Discount Program 0316	Minority and Female Business Enterprise 0352	State Surplus Property Revolving 0903	Capital Development 0141	Total
REVENUES					
Other revenues	$ -	$ -	$ 2,627	$ -	$ 2,627
Other charges for services	-	-	147	-	147
Total revenues	-	-	2,774	-	2,774
EXPENDITURES					
General government	-	-	2,977	55	3,032
Capital outlay	-	-	45	16,792	16,837
Total expenditures	-	-	3,022	16,847	19,869
Excess (deficiency) of revenues over (under) expenditures	-	-	(248)	(16,847)	(17,095)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES					
Appropriations from State resources	-	-	-	29,339	29,339
Reappropriation to future year(s)	-	-	-	(12,492)	(12,492)
Transfers-out	-	-	50	-	50
Net other sources (uses) of financial resources	-	-	50	16,847	16,897
Net change in fund balances	-	-	(198)	-	(198)
Fund balances, July 1, 2012, as restated	257	6	1,199	-	1,462
Fund Balances, June 30, 2013	$ 257	$ 6	$ 1,001	$ -	$ 1,264

Combining Statement of Net Position

Internal Service Funds

June 30, 2013 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
ASSETS									
Cash equity with State Treasurer	$ 9,248	$ 7,190	$ 5,232	$ 11,225	$ 8,387	$ 55,657	$ 74,592	$ -	$ 171,531
Cash and cash equivalents	-	-	-	4,127	-	18,563	104,999	-	127,689
Securities lending collateral equity of State Treasurer	-	-	-	6,441	6,013	31,446	154,790	-	198,690
Receivables, net:									
Intergovernmental	36	-	18,424	-	-	-	8,974	-	27,434
Other	12	5	3,042	6	3	15	24,048	2,199	29,330
Due from other Department fiduciary funds	-	208	4	9	-	-	-	-	221
Due from other Department funds	139	1,963	21,807	17,243	257	384	1,775,972	6,002	1,823,767
Due from other State funds	18,917	69,669	41,488	55,663	9,576	509,698	1,287	38	706,336
Due from State of Illinois component units	11	1,312	1,074	35	-	-	26,376	788	29,596
Inventories	1,899	-	-	-	-	-	-	-	1,899
Total current assets	30,262	80,347	91,071	94,749	24,236	615,763	2,171,038	9,027	3,116,493
Capital assets not being depreciated	-	-	48,686	38,369	-	-	-	-	87,055
Capital assets being depreciated, net	7,804	11,966	11,475	181,523	-	-	3	-	212,771
Total noncurrent assets	7,804	11,966	60,161	219,892	-	-	3	-	299,826
Total assets	38,066	92,313	151,232	314,641	24,236	615,763	2,171,041	9,027	3,416,319
LIABILITIES									
Accounts payable and accrued liabilities	10,677	16,079	18,188	32,662	662	4,920	2,015,019	5,306	2,103,513
Intergovernmental payables	49	1,692	2,829	1,518	12	6	15	-	6,121
Due to other State fiduciary funds	-	-	-	-	61	28	22	-	111
Due to other Department funds	1,627	24,908	540	375	41	21	696	3,720	31,928
Due to other State funds	455	1,310	491	1,176	224	13	90	1	3,760
Due to State of Illinois component units	8	-	1,760	145	-	-	-	-	1,913
Obligations under securities lending of State Treasurer	-	-	-	6,441	6,013	31,446	154,790	-	198,690
Deferred revenue	-	-	-	1,634	-	-	-	-	1,634
Current portion of long-term obligations	131	566	86	3,567	51	141,216	10	-	145,627
Total current liabilities	12,947	44,555	23,894	47,518	7,064	177,650	2,170,642	9,027	2,493,297
Noncurrent portion of long-term obligations	1,199	4,109	1,451	18,246	285	438,113	399	-	463,802
Total liabilities	14,146	48,664	25,345	65,764	7,349	615,763	2,171,041	9,027	2,957,099
NET POSITION									
Net investment in capital assets	7,804	11,966	60,161	201,027	-	-	-	-	280,958
Restricted for debt services	-	-	-	4,127	-	-	(3)	-	4,124
Unrestricted	16,116	31,683	65,726	43,723	16,887	-	3	-	174,138
Total net position	$ 23,920	$ 43,649	$ 125,887	$ 248,877	$ 16,887	$ -	$ -	$ -	$ 459,220

Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
OPERATING REVENUES									
Charges for sales and services	$ 54,627	$ 151,358	$ 101,169	$ 187,155	$ 10,001	$ 119,156	$ 2,489,779	$ 29,538	$ 3,142,783
Other	23	-	29,867	-	-	-	-	-	29,890
Total operating revenues	54,650	151,358	131,036	187,155	10,001	119,156	2,489,779	29,538	3,172,673
OPERATING EXPENSES									
Cost of sales and services	38,087	148,830	90,749	175,754	9,122	-	-	29,548	492,090
Claims and judgments	-	-	-	-	-	119,231	2,249,374	-	2,368,605
General and administrative	8,628	2,690	10,734	10,597	(26)	-	100,620	22	133,265
Interest expense	-	-	-	-	-	-	176,613	-	176,613
Depreciation	1,258	4,091	3,832	12,762	-	-	4	-	21,947
Other	271	-	13,582	-	-	-	-	-	13,853
Total operating expenses	48,244	155,611	118,897	199,113	9,096	119,231	2,526,611	29,570	3,206,373
Operating income (loss)	6,406	(4,253)	12,139	(11,958)	905	(75)	(36,832)	(32)	(33,700)
NONOPERATING REVENUES (EXPENSES)									
Interest and investment income	-	-	-	27	30	75	561	32	725
Interest expense	(42)	(793)	(23)	(1,131)	-	-	-	-	(1,989)
Other revenue	-	-	-	-	-	-	36,271	-	36,271
Other expenses	(131)	(16)	(150)	-	-	-		-	(297)
Income (loss) before contributions	6,233	(5,062)	11,966	(13,062)	935	-	-	-	1,010
Contributions of capital assets	-	7,417	9,414	6,306	-	-	-	-	23,137
Change in net position	6,233	2,355	21,380	(6,756)	935	-	-	-	24,147
Net position, July 1, 2012, as restated	17,687	41,294	104,507	255,633	15,952	-	-	-	435,073
Net position, June 30, 2013	$ 23,920	$ 43,649	$ 125,887	$ 248,877	$ 16,887	$ -	$ -	$ -	$ 459,220

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from sales and services	$ 821	$ -	$ 15,985	$ 1,175	$ -	$ -	$ 147,838	$ -	$ 165,819
Cash received from transactions with other funds	44,005	131,066	86,722	183,152	9,640	155,320	1,777,155	33,699	2,420,759
Cash payments to suppliers for goods and services	(32,508)	(79,785)	(91,647)	(139,545)	(9,176)	(2,661)	(1,995,301)	(33,733)	(2,384,356)
Cash payments to employees for services	(13,936)	(53,969)	(21,882)	(32,808)	-	-	(5,105)	-	(127,700)
Cash payments for workers compensation	-	-	-	-	-	(96,519)	-	-	(96,519)
Cash receipts from other operating activities	21	-	25,227	-	-	-	49,739	-	74,987
Net cash provided (used) by operating activities	(1,597)	(2,688)	14,405	11,974	464	56,140	(25,674)	(34)	52,990
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers-in from other funds	10,000	-	-	-	-	-	-	-	10,000
Grants received	-	-	-	-	-	-	37,130	-	37,130
Other noncapital financing activities	(42)	(781)	(18)	-	-	-	-	-	(841)
Net cash provided (used) by noncapital financing activities	9,958	(781)	(18)	-	-	-	37,130	-	46,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(5,413)	(776)	(22,831)	(51)	-	-	-	-	(29,071)
Principal paid on capital debt	(39)	(923)	(792)	(3,160)	-	-	-	-	(4,914)
Interest paid on capital debt	-	(12)	(5)	(1,225)	-	-	-	-	(1,242)
Net cash (used) by capital and related financing activities	(5,452)	(1,711)	(23,628)	(4,436)	-	-	-	-	(35,227)
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest and dividends on investments	-	-	-	27	30	67	547	34	705
Net cash provided by investing activities	-	-	-	27	30	67	547	34	705
Net increase (decrease) in cash and cash equivalents	2,909	(5,180)	(9,241)	7,565	494	56,207	12,003	-	64,757
Cash and cash equivalents, July 1, 2012, as restated	6,339	12,370	14,473	7,787	7,893	18,013	167,588	-	234,463
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	$ 9,248	$ 7,190	$ 5,232	$ 15,352	$ 8,387	$ 74,220	$ 179,591	$ -	$ 299,220
Reconciliation of cash and cash equivalents to the statement of net assets:									
Total cash and cash equivalents per the statement of net assets	-	-	-	4,127	-	18,563	104,999	-	127,689
Add: cash equity with State Treasurer	9,248	7,190	5,232	11,225	8,387	55,657	74,592	-	171,531
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	$ 9,248	$ 7,190	$ 5,232	$ 15,352	$ 8,387	$ 74,220	$ 179,591	$ -	$ 299,220

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
OPERATING INCOME (LOSS)	$ 6,406	$ (4,253)	$ 12,139	$ (11,958)	$ 905	$ (75)	$ (36,832)	$ (32)	$ (33,700)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	1,258	4,091	3,832	12,762	-	-	4	-	21,947
Provision for uncollectible accounts	-	-	32	-	-	-	-	-	32
Changes in assets and liabilities:									
(Increase) decrease in accounts receivable	10	(5)	(635)	-	-	-	(1,566)	7,891	5,695
(Increase) decrease in intergovernmental receivables	14	-	(4,727)	-	(361)	-	-	-	(5,074)
(Increase) decrease in due from other funds	(9,821)	(9,375)	(2,155)	(3,151)	-	36,164	(568,773)	(6,024)	(563,135)
(Increase) decrease in due from component units	(11)	(1,284)	(181)	9	-	-	3,988	126	2,647
(Increase) decrease in inventories	(137)	-	-	-	-	-	-	-	(137)
Increase (decrease) in accounts payable and accrued liabilities	(91)	7,781	6,470	12,816	(49)	4,857	577,455	22	609,261
Increase (decrease) in intergovernmental payables	15	(9,630)	(1,562)	163	(1)	2	4	-	(11,009)
Increase (decrease) in due to other funds	745	10,531	326	662	(4)	(48)	(9)	(2,017)	10,186
Increase (decrease) in due to component units	7	-	1,000	(55)	-	-	-	-	952
Increase (decrease) in deferred revenues	-	-	-	321	-	-	-	-	321
Increase (decrease) in other liabilities	8	(544)	(134)	405	(26)	15,240	55	-	15,004
Total adjustments	(8,003)	1,565	2,266	23,932	(441)	56,215	11,158	(2)	86,690
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (1,597)	$ (2,688)	$ 14,405	$ 11,974	$ 464	$ 56,140	$ (25,674)	$ (34)	$ 52,990
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES									
Gain (loss) on sale of property and equipment	$ 131	$ 16	$ 150	$ -	$ -	$ -	$ -	$ -	$ 297
Transfer of capital assets, net of related debt, to/from other State funds	$ -	$ 7,417	$ 9,414	$ 6,306	$ -	$ -	$ -	$ -	$ 23,137

State of Illinois
Department of Central Management Services

Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds

June 30, 2013 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	Total
ASSETS				
Cash equity with State Treasurer	$ 32,482	$ 9,835	$ 3,779	$ 46,096
Cash and cash equivalents	12,067	1,861	1,654	15,582
Investments:				
Equities	-	-	2,441,124	2,441,124
Fixed income	-	-	306,025	306,025
Other	-	-	880,503	880,503
Intergovernmental receivables	5,365	-	-	5,365
Other receivables, net	21,817	2,361	563	24,741
Due from other State funds	86,683	-	-	86,683
Loans and note receivable, net	-	-	22,050	22,050
Securities lending collateral equity of State Treasurer	15,495	4,751	2,677	22,923
Total assets	173,909	18,808	3,658,375	3,851,092
LIABILITIES				
Accounts payable and accrued liabilities	238,263	27,221	850	266,334
Intergovernmental payables	3	-	2	5
Due to other Department funds	140	64	17	221
Due to other State fiduciary funds	14	-	9	23
Due to other State funds	29	5	9	43
Obligations under securities lending of State Treasurer	15,495	4,751	2,677	22,923
Current portion of long-term obligations	5	-	-	5
Noncurrent portion of long-term obligations	99	5	144	248
Total liabilities	254,048	32,046	3,708	289,802
NET POSITION				
Held in trust for:				
Other employee benefits	(80,139)	(13,238)	-	(93,377)
Deferred compensation benefits	-	-	3,654,667	3,654,667
Total net position	$ (80,139)	$ (13,238)	$ 3,654,667	$ 3,561,290

State of Illinois

Department of Central Management Services

Combining Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	Total
Deposits/Contributions:				
Employer	$ 74,023	$ 4,148	$ -	$ 78,171
State	86,683	40,176	-	126,859
Members/participants	274,071	4,148	157,574	435,793
Other contributions	24,095	18,155	5,718	47,968
Total contributions	458,872	66,627	163,292	688,791
Investment income:				
Interest, dividends and other investment income	119	26	110,407	110,552
Net appreciation of investments	-	-	261,220	261,220
Reimbursement of investment expenses not separable from investment income	-	-	2,291	2,291
Less: investment expense	-	-	(253)	(253)
Net investment income	119	26	373,665	373,810
Total additions	458,991	66,653	536,957	1,062,601
Deductions:				
Benefit payments	488,281	36,258	249,805	774,344
Refunds	-	-	70	70
Other Deductions	-	-	162	162
General and administration	19,653	5,647	3,038	28,338
Total deductions	507,934	41,905	253,075	802,914
Net additions (deductions)	(48,943)	24,748	283,882	259,687
Net position, July 1, 2012, as restated	(31,196)	(37,986)	3,370,785	3,301,603
Net position, June 30, 2013	$ (80,139)	$ (13,238)	$ 3,654,667	$ 3,561,290

State of Illinois
Department of Central Management Services

Combining Statement of Fiduciary Net Position
Agency Funds

June 30, 2013 (Expressed in Thousands)

	Flexible Spending Account 0202	Group Insurance Premium 0457	Total
ASSETS			
Cash equity with State Treasurer	$ 1,282	$ 7,802	$ 9,084
Cash and cash equivalents	3,786	-	3,786
Other receivables, net	-	995	995
Securities lending collateral equity of State Treasurer	-	3,639	3,639
Total assets	$ 5,068	$ 12,436	$ 17,504
LIABILITIES			
Accounts payable and accrued liabilities	$ 5,048	$ 8,797	$ 13,845
Intergovernmental payables	20	-	20
Obligations under securities lending of State Treasurer	-	3,639	3,639
Total liabilities	$ 5,068	$ 12,436	$ 17,504

State of Illinois

Department of Central Management Services

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2013 (Expressed in Thousands)

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Flexible Spending Account Fund (0202):				
ASSETS				
Cash equity with State Treasurer	$ 1,011	$ 28,833	$ 28,562	$ 1,282
Cash and cash equivalents	4,727	27,712	28,653	3,786
Total assets	$ 5,738	$ 56,545	$ 57,215	$ 5,068
LIABILITIES				
Accounts payable and accrued liabilities	$ 5,725	$ 28,505	$ 29,182	$ 5,048
Intergovernmental payables	13	328	321	20
Total liabilities	$ 5,738	$ 28,833	$ 29,503	$ 5,068
Group Insurance Premium Fund (0457):				
ASSETS				
Cash equity with State Treasurer	$ 7,914	$ 49,955	$ 50,067	$ 7,802
Other receivables, net	735	260	-	995
Securities lending collateral equity of State Treasurer	4,232	52,088	52,681	3,639
Total assets	$ 12,881	$ 102,303	$ 102,748	$ 12,436
LIABILITIES				
Accounts payable and accrued liabilities	$ 8,649	$ 50,215	$ 50,067	$ 8,797
Obligations under securities lending of State Treasurer	4,232	52,088	52,681	3,639
Total liabilities	$ 12,881	$ 102,303	$ 102,748	$ 12,436
Total				
ASSETS				
Cash equity with State Treasurer	$ 8,925	$ 78,788	$ 78,629	$ 9,084
Cash and cash equivalents	4,727	27,712	28,653	3,786
Other receivables, net	735	260	-	995
Securities lending collateral equity of State Treasurer	4,232	52,088	52,681	3,639
Total assets	$ 18,619	$ 158,848	$ 159,963	$ 17,504
LIABILITIES				
Accounts payable and accrued liabilities	$ 14,374	$ 78,720	$ 79,249	$ 13,845
Intergovernmental payables	13	328	321	20
Obligations under securities lending of State Treasurer	4,232	52,088	52,681	3,639
Total liabilities	$ 18,619	$ 131,136	$ 132,251	$ 17,504

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

  Schedule of Appropriations, Expenditures and Lapsed Balances
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  Schedule of Changes in State Property
  Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller
  Analysis of Significant Variations in Expenditures
  Analysis of Significant Variations in Receipts
  Analysis of Significant Lapse Period Spending
  Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):

  Agency Functions and Planning Program (Unaudited)
  Average Number of Employees (Unaudited)
  Emergency Purchases (Unaudited)
  Service Efforts and Accomplishments (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Financial Statement Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Fourteen Months Ended August 31, 2013

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1 to August 31, 2013	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue - 0001	$ 1,481,692,400	$ 1,478,592,025	$ 2,628,785	$ 1,481,220,810	$ 471,590
Road - 0011	176,323,000	120,773,000	-	120,773,000	55,550,000
Capital Development - 0141	37,339,261	16,846,781	-	16,846,781	20,492,480
State Garage Revolving - 0303	76,605,400	39,641,246	15,462,058	55,103,304	21,502,096
Statistical Services Revolving - 0304	182,705,200	119,157,558	23,270,095	142,427,653	40,277,547
Communications Revolving - 0312	185,688,200	123,604,622	20,886,856	144,491,478	41,196,722
Facilities Management Revolving - 0314	300,577,900	153,476,427	34,893,400	188,369,827	112,208,073
Professional Services - 0317	10,500,000	7,967,127	974,178	8,941,305	1,558,695
Workers' Compensation Revolving - 0332	165,890,500	108,821,918	16,016,604	124,838,522	41,051,978
Group Insurance Premium - 0457	95,740,100	69,777,973	14,104,844	83,882,817	11,857,283
State Employees' Deferred Compensation Plan - 0755	1,500,000	1,063,890	61,325	1,125,215	374,785
State Surplus Property Revolving - 0903	4,413,700	2,681,248	279,918	2,961,166	1,452,534
Health Insurance Reserve - 0907	2,900,775,800	1,788,411,628	386,884,064	2,175,295,692	725,480,108
Total appropriated funds	$ 5,619,751,461	4,030,815,443	515,462,127	4,546,277,570	$ 1,073,473,891
NON-APPROPRIATED FUNDS					
Local Government Health Insurance Reserve - 0193		35,550,906	4,764,768	40,315,674	
Flexible Spending Account - 0202		28,185,506	432,953	28,618,459	
Teacher Health Insurance Security - 0203		394,525,729	60,485,890	455,011,619	
Community College Health Insurance Security - 0577		55,000,138	3,978,719	58,978,857	
State Employees' Deferred Compensation Plan - 0755		163,941,678	443,268	164,384,946	
Total non-appropriated funds		677,203,957	70,105,598	747,309,555	
TOTAL		$ 4,708,019,400	$ 585,567,725	$ 5,293,587,125	

Note 1 Appropriated amounts were authorized by Public Act 97-0727, 98-0001, 98-0017
Note 2 The expenditure amounts are taken directly from the records of the State Comptroller and were reconciled with Department records.
Note 3 The expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Eighteen Months Ended December 31, 2012

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2012	Lapse Period Expenditures July 1 to December 31, 2012	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
Shared Funds:					
General Revenue - 0001	$ 75,371,055	$ 69,458,553	$ 5,522,283	$ 74,980,836	$ 390,219
Nonshared Funds:					
Capital Development - 0141	45,887,671	8,548,411	224,794	8,773,205	37,114,466
State Garage Revolving - 0303	75,771,900	35,441,966	12,235,906	47,677,872	28,094,028
Statistical Services Revolving - 0304	180,673,700	131,612,976	13,442,414	145,055,390	35,618,310
Communications Revolving - 0312	188,087,100	107,325,069	15,665,441	122,990,510	65,096,590
Facilities Management Revolving - 0314	303,296,100	160,831,147	21,530,046	182,361,193	120,934,907
Professional Services - 0317	12,500,000	7,281,957	952,388	8,234,345	4,265,655
Workers' Compensation Revolving - 0332	127,924,000	114,595,432	8,956,774	123,552,206	4,371,794
Group Insurance Premium - 0457	95,740,100	69,405,597	13,938,125	83,343,722	12,396,378
American Recovery & Reinvestment Act - 0693	20,000,000	-	-	-	20,000,000
State Employees' Deferred Compensation Plan - 0755	1,209,900	1,027,057	64,743	1,091,800	118,100
State Surplus Property Revolving - 0903	4,038,000	3,206,177	324,977	3,531,154	506,846
Health Insurance Reserve - 0907	28,388,500	25,320,104	1,086,343	26,406,447	1,982,053
Total appropriated funds	$ 1,158,888,026	$ 734,054,446	$ 93,944,234	$ 827,998,680	$ 330,889,346
NON-APPROPRIATED FUNDS					
Local Government Health Insurance Reserve - 0193		591,014	43,047	634,061	
Flexible Spending Account - 0202		32,232,414	367,670	32,600,084	
Teacher Health Insurance Security - 0203		1,783,731	157,952	1,941,683	
Community College Health Insurance Security - 0577		408,850	29,780	438,630	
State Employees' Deferred Compensation Plan - 0755		177,268,547	1,695,712	178,964,259	
Total non-appropriated funds		212,284,556	2,294,161	214,578,717	
TOTAL		$ 946,339,002	$ 96,238,395	$ 1,042,577,397	

Note 1 Appropriated amounts were authorized by Public Act 97-0057, 97-0727, 97-0685
Note 2 The expenditure amounts are taken directly from the records of the State Comptroller and were reconciled with Department records.
Note 3 The expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
General Revenue - 0001			
Appropriations (net after transfers)	$ 1,481,692,400	$ 75,371,055	$ 95,959,000
Expenditures:			
Personal services	10,394,002	9,604,336	-
Contribution to social security	768,130	709,099	-
Group insurance	1,450,000,000	24,021,000	-
Contractual services	14,630,700	20,037,245	-
Travel	-	38,073	-
Commodities	-	31,154	-
Printing	-	13,032	-
Equipment	-	166	-
Electronic data processing	-	828,972	-
Telecommunications services	-	124,636	-
Operation of automotive equipment	-	2,198	-
Automobile liability claims	-	1,359,373	-
Auto Liability SP Settlement	1,169,998	1,500,000	-
Payment of employee wage claims	1,112,716	1,111,404	-
Civil law suits - claims	1,128,683	1,143,640	-
Upward mobility program	-	3,953,210	-
Veterans job program	215,604	216,807	-
Vito Marzullo intern program	532,927	550,085	-
State Surplus Property	327,229	322,257	-
Nurses tuition	-	61,259	-
Operational expenses, awards	-	-	8,111,765
Operational expenses	940,821	-	77,422,241
Governor's discretionary approp.	-	-	10,000,000
Deposit into Communications Revolving Fund	-	9,352,890	-
Total expenditures	1,481,220,810	74,980,836	95,534,006
Lapsed balances	$ 471,590	$ 390,219	$ 424,994
Road - 0011			
Appropriations (net after transfers)	$ 176,323,000	$ -	$ -
Expenditures:			
Group insurance	120,773,000	-	-
Total expenditures	120,773,000	-	-
Lapsed balances	$ 55,550,000	$ -	$ -

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
Capital Development - 0141			
Appropriations (net after transfers)	$ 37,339,261	$ 45,887,671	$ 46,295,230
Expenditures:			
Information technology	-	-	407,559
Infrastructure improvement	8,065,551	-	-
For IL Century Network	8,781,230	5,869,532	-
Infrastructure expenses	-	2,903,673	-
Total expenditures	16,846,781	8,773,205	407,559
Reappropriations	-	-	45,887,671
Lapsed balances	$ 20,492,480	$ 37,114,466	$ -
State Garage Revolving - 0303			
Appropriations (net after transfers)	$ 76,605,400	$ 75,771,900	$ 58,671,900
Expenditures:			
Personal services	9,991,774	10,137,554	5,684,027
Contribution to SERS	3,798,867	3,469,727	1,591,976
Contribution to social security	740,297	751,688	421,056
Group insurance	3,547,906	2,849,923	1,517,212
Contractual services	1,264,448	1,248,933	1,331,255
Travel	16,199	17,070	7,501
Commodities	81,020	62,849	70,080
Printing	2,117	2,196	10,839
Equipment	8,540,293	3,851,204	806,657
Electronic data processing	918,512	778,226	704,732
Telecommunications services	60,767	46,987	50,405
Operation of automotive equipment	25,692,101	23,828,657	24,466,429
For General and Regulatory/ Shared Services Center	448,625	632,858	526,711
Refunds	378	-	75
Total expenditures	55,103,304	47,677,872	37,188,955
Lapsed balances	$ 21,502,096	$ 28,094,028	$ 21,482,945

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
Statistical Services Revolving - 0304			
Appropriations (net after transfers)	$ 182,705,200	$ 180,673,700	$ 180,678,600
Expenditures:			
Personal services	39,121,054	42,581,649	41,481,467
Contribution to SERS	14,884,126	14,605,323	11,626,487
Contribution to social security	2,849,734	3,127,553	3,048,163
Group insurance	9,873,098	8,483,169	7,720,140
Contractual services	769,087	672,494	482,904
Travel	43,654	70,511	35,987
Commodities	34,472	22,073	18,950
Printing	13,642	54,813	14,754
Equipment	36,938	84,142	75
Electronic data processing	70,878,758	73,908,416	62,180,470
Telecommunications services	19,040	21,695	2,588,888
Operation of automotive equipment	60,638	93,709	75,555
For General and Regulatory/Shared Services Center	1,404,428	1,329,843	945,222
Refunds	2,438,984	-	1,737,632
Total expenditures	142,427,653	145,055,390	131,956,694
Lapsed balances	$ 40,277,547	$ 35,618,310	$ 48,721,906
Communications Revolving - 0312			
Appropriations (net after transfers)	$ 185,688,200	$ 188,087,100	$ 154,779,400
Expenditures:			
Ordinary and contingent expenditures			
Personal services	10,932,312	11,365,405	11,050,601
Contribution to SERS	4,158,870	3,890,500	3,075,091
Contribution to social security	809,166	841,761	817,461
Group insurance	3,120,722	2,594,967	2,267,536
Contractual services	2,412,722	1,963,916	2,120,128
Travel	61,123	76,507	57,577
Commodities	41,558	36,262	39,238
Printing	17,686	27,787	30,012
Equipment	71,980	192,876	36,977
Electronic data processing	1,061,716	1,375,187	1,476,455
Telecommunications services	66,671,334	67,093,963	64,441,398
Operation of automotive equipment	66,421	91,050	111,429
For General and Regulatory/Shared Services Center	1,000,926	922,479	686,498
Broadband network	50,924,867	32,487,226	15,336,088
Refunds	3,140,075	30,624	1,567,030
Total expenditures	144,491,478	122,990,510	103,113,519
Lapsed balances	$ 41,196,722	$ 65,096,590	$ 51,665,881

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
Facilities Management Revolving - 0314			
Appropriations (net after transfers)	$ 300,577,900	$ 303,296,100	$ 303,296,100
Expenditures:			
Personal services	17,637,453	17,724,509	17,732,125
Contribution to SERS	6,709,766	6,075,132	4,970,003
Contribution to social security	1,304,076	1,299,345	1,297,106
Group insurance	5,271,140	4,209,018	3,872,924
Contractual services	123,225,164	122,629,674	131,311,736
Travel	55,320	40,630	32,828
Commodities	347,889	367,526	397,463
Printing	82	191	283
Equipment	35,359	62,733	57,451
Electronic data processing	437,465	433,446	517,589
Telecommunications services	191,936	204,575	234,932
Operation of automotive equipment	96,440	137,399	123,059
Lump sums	31,700,813	27,955,933	29,109,524
For General and Regulatory/Shared Services Center	1,356,924	1,221,082	982,624
Total expenditures	188,369,827	182,361,193	190,639,647
Lapsed balances	$ 112,208,073	$ 120,934,907	$ 112,656,453
Professional Services - 0317			
Appropriations (net after transfers)	$ 10,500,000	$ 12,500,000	$ 15,000,000
Expenditures:			
Internal audit consolidation	8,941,305	8,234,345	6,540,467
Total expenditures	8,941,305	8,234,345	6,540,467
Lapsed balances	$ 1,558,695	$ 4,265,655	$ 8,459,533
Workers' Compensation Revolving - 0332			
Appropriations (net after transfers)	$ 165,890,500	$ 127,924,000	$ 127,924,000
Expenditures:			
Workers' compensation claims	80,136,728	117,888,116	121,512,157
Admin. expenses and payment of temporary disability	44,701,794	5,664,090	6,364,300
Total expenditures	124,838,522	123,552,206	127,876,457
Lapsed balances	$ 41,051,978	$ 4,371,794	$ 47,543

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
Minority and Female Business Enterprise - 0352			
Appropriations (net after transfers)	$ -	$ -	$ 50,000
Expenditures:	-	-	-
Total expenditures	-	-	-
Lapsed balances	$ -	$ -	$ 50,000
Group Insurance Premium - 0457			
Appropriations (net after transfers)	$ 95,740,100	$ 95,740,100	$ 95,740,100
Expenditures:			
Life insurance coverage	83,882,817	83,343,722	84,707,717
Cost containment program	-	-	288,000
Total expenditures	83,882,817	83,343,722	84,995,717
Lapsed balances	$ 11,857,283	$ 12,396,378	$ 10,744,383
American Recovery and Reinvestment Act - 0693			
Appropriations (net after transfers)	-	$ 20,000,000	$ 20,000,000
Expenditures:			
Central Admin Costs - ARRA	-	-	-
Total expenditures	-	-	-
Lapsed balances	$ -	$ 20,000,000	$ 20,000,000
State Employees' Deferred Compensation Plan - 0755			
Appropriations (net after transfers)	$ 1,500,000	$ 1,209,900	$ 1,209,900
Expenditures:			
Administration	1,125,215	1,091,800	994,177
Total expenditures	1,125,215	1,091,800	994,177
Lapsed balances	$ 374,785	$ 118,100	$ 215,723

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES
AND LAPSED BALANCES
APPROPRIATED FUNDS

For the Fiscal Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727	P.A. 97-0685 P.A. 97-0057 P.A. 97-0727	P.A. 96-0956 P.A. 96-0957
State Surplus Property Revolving - 0903			
Appropriations (net after transfers)	$ 4,413,700	$ 4,038,000	$ 3,838,000
Expenditures:			
Record processing/I-Cycle program	2,961,166	3,531,154	3,474,789
Total expenditures	2,961,166	3,531,154	3,474,789
Lapsed balances	$ 1,452,534	$ 506,846	$ 363,211
Health Insurance Reserve - 0907			
Appropriations (net after transfers)	$ 2,900,775,800	$ 28,388,500	$ 28,388,500
Expenditures:			
Cost containment	2,228	17,671	5,098
For General and Regulatory/Shared Services Center	369,517	382,870	-
Health care coverage	2,174,923,947	26,005,906	24,611,532
Total expenditures	2,175,295,692	26,406,447	24,616,630
Lapsed balances	$ 725,480,108	$ 1,982,053	$ 3,771,870
Grand Total, All Appropriated Funds			
Appropriations (net after transfers)	$ 5,619,751,461	$ 1,158,888,026	$ 1,131,830,730
Total expenditures	4,546,277,570	827,998,680	807,338,617
Reappropriations	-	-	45,887,671
Total lapsed balances	$ 1,073,473,891	$ 330,889,346	$ 278,604,442
State Officers' Payroll			
Appropriations (through Comptroller's Office)	$ 384,600	$ 384,500	$ 384,500
Expenditures:			
For the Director	142,339	142,339	135,640
For Assistant Director	95,414	120,559	221,307
Total expenditures	237,753	262,898	356,947
Lapsed balances	$ 146,847	$ 121,602	$ 27,553

Note: The fiscal year 2011 expenditures and related lapsed balances do not reflect any interest payments approved for payment by the Department and submitted to the Office of the Comptroller for payment after August.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2013
(Exressed in Thousands)

	Restated Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Department-wide Capital Assets				
Land and land improvements	$ 7,937	$ 427	$ (7,895)	$ 469
Building and building improvements	117,165	56,409	(75)	173,499
Equipment	2,267	7,930	(8,272)	1,925
Total Department-wide Capital Assets	127,369	64,766	(16,242)	175,893
Local Government Health Insurance Reserve Fund - 0193				
Equipment	9	6	-	15
Total Local Government Health Insurance Reserve Fund - 0193	9	6	-	15
State Garage Revolving Fund - 0303				
Equipment	4,289	6,706	(453)	10,542
Total State Garage Revolving Fund - 0303	4,289	6,706	(453)	10,542
Statistical Services Revolving Fund - 0304				
Equipment	85,117	2,783	(10,309)	77,591
Total Statistical Services Revolving Fund - 0304	85,117	2,783	(10,309)	77,591
Paper and Printing Revolving Fund - 0308				
Equipment	15	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	15
Communications Revolving Fund - 0312				
Equipment	95,493	2,403	(3,908)	93,988
Intangibles	1,024	687	-	1,711
Leases: Buildings and Building Improvements	696	-	-	696
Construction in Process	15,682	33,004	-	48,686
Total Communications Revolving Fund - 0312	112,895	36,094	(3,908)	145,081
Facilities Management Revolving Fund - 0314				
Land and land improvements	38,365	-	-	38,365
Site improvements	3,889	-	-	3,889
Buildings and building improvements	410,781	6,279	-	417,060
Leases: Buildings and building improvements	50,202	-	-	50,202
Equipment	844	46	(13)	877
Works of Art	974	-	-	974
Total Facilities Management Revolving Fund - 0314	505,055	6,325	(13)	511,367
Health Insurance Reserve Fund - 0907				
Equipment	33	-	(16)	17
Total Health Insurance Reserve Fund - 0907	33	-	(16)	17
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 834,782	$ 116,680	$ (30,941)	$ 920,521

(1) This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

(2) This schedule has been reconciled to the financial statements.

(3) This schedule was prepared on the cash basis of accounting and, therefore, does not include lapse period purchases nor in-transit items.

(4) The information in this schedule has been reconciled to the property reports submitted to the State Comptroller.

(5) Effective July 1, 2012 the local Government Health Insurance Reserve Fund (0193) and the Health Insurance Reserve Fund (0907) were transferred to the Department from the Department of Healthcare and Family Services.

Schedule 5

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2012
(Exressed in Thousands)

	Restated Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Department-wide Capital Assets				
Land and land improvements	$ 7,937	$ -	$ -	$ 7,937
Building and building improvements	117,165	-	-	117,165
Equipment	2,384	2,904	(3,021)	2,267
Total Department-wide Capital Assets	127,486	2,904	(3,021)	127,369
State Garage Revolving Fund - 0303				
Equipment	3,425	1,376	(512)	4,289
Total State Garage Revolving Fund - 0303	3,425	1,376	(512)	4,289
Statistical Services Revolving Fund - 0304				
Equipment	89,696	3,246	(7,825)	85,117
Total Statistical Services Revolving Fund - 0304	89,696	3,246	(7,825)	85,117
Paper and Printing Revolving Fund - 0308				
Equipment	15	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	15
Communications Revolving Fund - 0312				
Equipment	95,677	7,036	(7,220)	95,493
Intagibles	-	1,024	-	1,024
Leases: Buildings and Building Improvements	696	-	-	696
Construction in Process	-	15,682	-	15,682
Total Communications Revolving Fund - 0312	96,373	23,742	(7,220)	112,895
Facilities Management Revolving Fund - 0314				
Land and land improvements	38,365	-	-	38,365
Site improvements	3,889 -	-	-	3,889
Buildings and building improvements	404,337	6,444	-	410,781
Leases: Buildings and building improvements	50,202	-	-	50,202
Equipment	836	48	(40)	844
Works of art	974	-	-	974
Total Facilities Management Revolving Fund - 0314	498,603	6,492	(40)	505,055
Workers' Compensation Revolving Fund - 0332				
Equipment	11	-	(11)	-
Total Workers' Compensation Revolving Fund - 0332	11	-	(11)	-
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 815,609	$ 37,760	$ (18,629)	$ 834,740

(1) This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

(2) This schedule has been reconciled to the financial statements.

(3) This schedule was prepared on the cash basis of accounting and, therefore, does not include lapse period purchases nor in-transit items

(4) The information in this schedule has been reconciled to the property reports submitted to the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011
General Revenue - 0001			
Miscellaneous	$ 210,998	$ 28,502	$ 41,537
Repay State-upward mobility	67,696	33,043	84,917
Other	(8)	-	-
Total cash receipts per Department	278,686	61,545	126,454
Less - In transit at End of Year	(451)	-	(32,731)
Plus - In transit at Beginning of Year	-	32,731	182
Plus - PY Refunds / Warrant Voids	1,133	4,796	6,863
Total cash receipts per State Comptroller's Records	$ 279,368	$ 99,072	$ 100,768
Local Government Health Insurance Reserve - 0193			
Insurance Premiums	$ 38,764,969	$ 45,769,039	$ 52,506,763
Third Party Reimbursements	341,254	577,732	585,805
Other Charges for Services	-	(1,450)	-
Federal Medicare Part D	68,389	105,947	128,110
Total cash receipts per Department	39,174,612	46,451,268	53,220,678
Less - In transit at End of Year	(225,296)	-	-
Plus - In transit at Beginning of Year	-	-	1,057,349
Total cash receipts per State Comptroller's Records	$ 38,949,316	$ 46,451,268	$ 54,278,027
Flexible Spending Account - 0202			
Payroll deductions	$ 28,812,056	$ 31,943,202	$ 30,492,408
Total cash receipts per Department	28,812,056	31,943,202	30,492,408
Less - In transit at End of Year	(906)	-	-
Plus - In transit at Beginning of Year	-	-	3,164
Total cash receipts per State Comptroller's Records	$ 28,811,150	$ 31,943,202	$ 30,495,572
Teachers Health Insurance Security - 0203			
Insurance Premiums	$ 347,220,775		
Third Party Reimbursements	18,681,542		
Transfers in from other funds	86,683,000		
Federal Medicare Part D	24,454,450		
Other	-		
Total cash receipts per State Comptoller's Records	$ 477,039,767		

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011
State Garage Revolving - 0303			
Charges to user agencies	$ 44,853,631	$ 44,163,334	$ 41,393,859
Total cash receipts per Department	44,853,631	44,163,334	41,393,859
Less - In transit at End of Year	(6,798)	-	-
Less - Due from Other Funds at Beginning of Year	(1,210,919)	(2,314,293)	(3,373,188)
Plus - Due from Other Funds at End of Year	6,094,504	1,210,919	2,314,293
Plus - PY Refunds / Warrant Voids	480	3,546	2,985
Total cash receipts per State Comptroller's Records	$ 49,730,898	$ 43,063,506	$ 40,337,949
Statistical Services Revolving - 0304			
Charges to user agencies	$ 133,503,883	$ 163,967,837	$ 138,397,266
Total cash receipts per Department	133,503,883	163,967,837	138,397,266
Less - In transit at End of Year	(3,660)	(144)	(216)
Less - Due from Other Funds at Beginning of Year	(5,041,694)	(6,753,500)	(9,740,712)
Plus - In transit at Beginning of Year	144	216	3,043
Plus - Due from Other Funds at End of Year	13,798,520	5,041,694	6,753,500
Less - PY Refunds / Warrant Voids	-	(25)	1,034
Total cash receipts per State Comptroller's Records	$ 142,257,193	$ 162,256,078	$ 135,413,915
Communications Revolving - 0312			
Charges to user agencies	$ 100,596,100	$ 130,264,482	$ 108,561,486
Federal Stimulus Package	25,230,531	-	1,975,847
Total cash receipts per Department	125,826,631	130,264,482	110,537,333
Less - In transit at End of Year	(189,031)	(1,756)	(576,228)
Less - Due from Other Funds at Beginning of Year	(20,759,693)	(22,067,749)	(14,806,141)
Plus - In transit at Beginning of Year	1,756	576,228	439
Plus - Due from Other Funds at End of Year	16,324,004	20,759,693	22,067,749
Plus - PY Refunds / Warrant Voids	17,789	-	48
Total cash receipts per State Comptroller's Records	$ 121,221,456	$ 129,530,898	$ 117,223,200

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 6

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011
Facilities Management Revolving - 0314			
Rental income	$ 184,375,738	$ 211,099,335	$ 208,877,824
Total cash receipts per Department	184,375,738	211,099,335	208,877,824
Less - In transit at End of Year	(39,497)	-	-
Less - Due from Other Funds at Beginning of Year	(11,349,578)	(8,451,501)	(78,460)
Plus - In transit at Beginning of Year	-	-	2,482
Plus - Due from Other Funds at End of Year	9,355,383	11,349,578	8,451,501
Plus - PY Refunds / Warrant Voids	-	-	48,946
Total cash receipts per State Comptroller's Records	$ 182,342,046	$ 213,997,412	$ 217,302,293
Illinois Prescription Drug Discount Program - 0316			
Senior citizens / Prescription drug discount fees	$ -	$ -	$ 2,290
Total cash receipts per Department and State Comptroller's Records	$ -	$ -	$ 2,290
Professional Services - 0317			
Miscellaneous	$ -	$ 2,809	$ -
Total cash receipts per Department	-	2,809	-
Less - Interest Income	-	(2,809)	-
Total cash receipts per State Comptroller's Records	$ -	$ -	$ -
State Police Vehicle Maintenance - 0328			
State property sales	$ 283,647	$ 289,994	$ 245,393
Total cash receipts per Department and State Comptroller's Records	$ 283,647	$ 289,994	$ 245,393
Workers' Compensation Revolving - 0332			
Receipts due to subrogation of workers' compensation claims	$ 1,595,819	$ 10,969,184	$ 2,251,168
Total cash receipts per Department	1,595,819	10,969,184	2,251,168
Less - Interest Income	-	(6,890)	-
Less - In transit at End of Year	(35,065)	-	-
Plus - Adjustments	-	27,564	-
Plus - In transit at Beginning of Year	-	-	12,587
Plus - PY Refunds / Warrant Voids	6,375	-	46,670
Total cash receipts per State Comptroller's Records	$ 1,567,129	$ 10,989,858	$ 2,310,425

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011
Group Insurance Premium - 0457			
Direct payments of insurance premiums by employees	$ 893,207	$ 721,960	$ 1,002,517
Optional life deductions	51,041,315	50,224,390	56,256,794
Carrier refunds	9,799,178	6,901,348	11,137,738
Employer reimbursement for basic life coverage	12,887,309	10,616,260	9,589,051
Transfers in from other funds	9,000,000	12,015,567	9,463,100
Total cash receipts per Department	83,621,009	80,479,525	87,449,200
Less - Interest Income	(1,458)	-	-
Less - In transit at End of Year	-	-	(100,212)
Less - Due from Other Funds at Beginning of Year	(5,433)	-	(3,693,800)
Plus - In transit at Beginning of Year	-	100,212	-
Plus - Due from Other Funds at End of Year	6,000,000	5,433	-
Plus - PY Refunds / Warrant Voids	-	6,881	59
Total cash receipts per State Comptroller's Records	$ 89,614,118	$ 80,592,051	$ 83,655,247
Community College Health Insurance Security - 0577			
Transfers in from other funds	$ 6,743,493	$ 1,831,750	$ 4,237,280
Federal Medicare Part D	2,369,792	2,419,608	2,269,248
Third Party Reimbursement	1,978,925	1,812,772	1,835,229
Total cash receipts per Department	11,092,210	6,064,130	8,341,757
Less - In transit at End of Year	(3,223)	-	-
Less - Due from Other Funds at Beginning of Year	(2,564,450)	-	-
Plus - Due from Other Funds at End of Year	-	2,564,450	-
Total cash receipts per State Comptroller's Records	$ 8,524,537	$ 8,628,580	$ 8,341,757
State Employees' Deferred Compensation Plan - 0755			
Benefit receipts	$ 5,661,716	$ 4,164,742	$ 5,489,361
Annual asset charge and investment exchange	-	1,109,075	1,304,875
Payroll deductions	159,290,204	173,381,353	166,700,023
Other	1,295	26	152
Total cash receipts per Department	164,953,215	178,655,196	173,494,411
Less - In transit at End of Year	(41,949)	(91,089)	(232,083)
Less - Interest Income	(18,349)	(23,862)	-
Plus - In transit at Beginning of Year	91,089	232,083	25,344
Total cash receipts per State Comptroller's Records	$ 164,984,006	$ 178,772,328	$ 173,287,672

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011
State Surplus Property Revolving - 0903			
Sales of surplus property	$ 2,881,493	$ 6,570,802	$ 5,244,466
Total cash receipts per Department	2,881,493	6,570,802	5,244,466
Less - In transit at End of Year	(22,117)	(20,696)	(8,873)
Plus - Refunds	15,717	-	-
Plus - In transit at Beginning of Year	20,696	8,873	12,109
Total cash receipts per State Comptroller's Records	$ 2,895,789	$ 6,558,979	$ 5,247,702
Health Insurance Reserve - 0907			
Reimbursement of insurance premiums from federal trusts, other funds, and employers	$ 195,070,065	$ 169,214,451	$ 147,995,053
Direct payments of insurance premiums by employees	4,447,852	4,092,292	12,169,336
Refunds from insurance carriers	40,737,180	38,121,697	36,691,299
Optional health deductions	246,763,016	245,647,336	241,213,258
Health facilities	273,464,169	202,758,415	190,424,397
Transfers in from other funds	1,206,773,000	19,500,000	11,500,000
Federal Medicare Part D	37,129,730	37,889,979	36,534,853
Total cash receipts per Department	2,004,385,012	717,224,170	676,528,196
Less - In transit at End of Year	(261,191)	-	-
Less - Due from Other Funds at Beginning of Year	(8,000,000)	-	-
Plus -Due from Other Funds at End of Year	350,000,000	8,000,000	-
Plus - PY Refunds / Warrant Voids	28,267	1,332	1,217
Total cash receipts per State Comptroller's Records	$ 2,346,152,088	$ 725,225,502	$ 676,529,413
GRAND TOTAL - ALL FUNDS	$ 3,302,677,408	$ 1,628,206,813	$ 1,536,602,703
Less - In transit at End of Year	(567,993)	(113,685)	(950,343)
Less - Due from Other Funds at Beginning of Year	(48,931,767)	(39,587,043)	(31,692,301)
Less - Interest Income	(19,807)	(33,561)	-
Plus - In transit at Beginning of Year	113,685	950,343	1,116,699
Plus - Due from Other Funds at End of Year	401,572,411	48,931,767	39,587,043
Plus - Adjustments	-	27,564	-
Plus - PY Refunds / Warrant Voids	54,045	16,530	107,822
Total cash receipts per State Comptroller's Records - All Funds	$ 3,654,913,699	$ 1,638,398,728	$ 1,544,771,623

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Two Years Ended June 30, 2013

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures within appropriated and non-appropriated funds greater than $500,000 and 20% between fiscal years 2011 and 2012, and 2012 and 2013 as presented in the "Comparative Schedule of Net Appropriations, Expenditure, and Lapsed Balances – Appropriated Funds" (Schedule 3) are detailed below. Other fluctuations, including fluctuations in non-appropriated funds, were also included that fell outside of that threshold because they were considered qualitatively significant by the accountants.

2011 to 2012

General Revenue – 0001

For fiscal year 2011, the appropriation process adopted by the General Assembly resulted in lump sum appropriations for operational expenses and awards rather than individual appropriations designed for specific purposes. For fiscal year 2012, appropriations were designated for specific purposes.

Governor's discretionary appropriation expenditures decreased as the Department received a one-time allocation from the Governor's Office for purposes of paying worker's compensation claims.

Capital Development – 0141

Expenditures for the Illinois Century Network and infrastructure expenses increased due to the continuance of fiber optic projects as well as hardware purchases during the fiscal year.

State Garage Revolving – 0303

Personal services expenditures increased in fiscal year 2012 due to a move of the State Garage Revolving Fund payroll back to this fund. During fiscal year 2011 a total of nine payrolls for the State Garage Revolving Fund were moved to the General Revenue Fund. This also caused the increase in contributions to the State Employees' Retirement System, contributions to social security and group insurance expenditures.

Contribution to the State Employees' Retirement System increased due to the state retirement rate increase from 27.988% to 34.19%.

Equipment expenditures increased in fiscal year 2012 due to the purchasing of new cars as part of the State fleet replacement initiative, a substantial portion of which were paid for during the 2012 lapse period.

Contribution to the State Employees' Retirement System increased due to the state retirement rate increase from 27.988% to 34.19%.

Refunds decreased as the Federal Health and Human Services agency generally reviews the Department's State-Wide Cost Allocation Plan filings every other year and determines if any federal rate overcharges occurred. The fiscal year 2011 refund amount relates only to the fiscal year 2009 State-Wide Cost Allocation Plan filing and no review or refund was conducted during fiscal year 2012.

Telecommunication services expenditures decreased due to payments being held for invoices in fiscal year 2012 and full payments were made in fiscal year 2011.

Communications Revolving - 0312

Contribution to the State Employees' Retirement System increased due to the state retirement rate increase from 27.988% to 34.19%.

Broadband network expenditures increased due to the continuance of the broadband project in Illinois funded through a Federal American Recovery and Reinvestment Act (ARRA) grant.

Refunds decreased as the Federal Health and Human Services agency generally reviews the Department's State-Wide Cost Allocation Plan filings every other year and determines if any federal rate overcharges occurred. The fiscal year 2011 refund amount relates only to the fiscal year 2009 State-Wide Cost Allocation Plan filing and no review or refund was conducted during fiscal year 2012.

Facilities Management Revolving - 0314

Contribution to the State Employees' Retirement System increased due to the state retirement rate increase from 27.988% to 34.19%.

Professional Services – 0317

Internal audit consolidation expenditures increased primarily due to an increase in headcount for most of fiscal year 2012.

General Revenue – 0001

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Contractual services expenditures decreased due to a reduction in the appropriation authority for purposes of paying State owned building costs billed from the Facilities Management Revolving Fund.

Electronic data processing expenditures decreased due to a change in the line item in which the funds were appropriated. In fiscal year 2013, the funds were appropriated and paid out of operational expenses and not electronic data processing.

Automobile liability claims decreased because in fiscal year 2012 there was a one-time significant auto liability settlement payment that was paid under this line item.

Upward Mobility Program expenditures decreased because there was no appropriation for fiscal year 2013 for this program.

Road – 0011

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Capital Development – 0141

Infrastructure improvement expenditures increased due to the purchase of hardware during the fiscal year and a change in the line item under which funds were appropriated to the Department. Funds were appropriated for infrastructure expenses in fiscal year 2012 but to infrastructure improvements in fiscal year 2013.

Expenditures for the Illinois Century Network increased due to the continuance of fiber optic projects during the fiscal year.

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Equipment expenditures increased as a result of a significant number of vehicles purchased in fiscal year 2013 under the State fleet replacement initiative.

Statistical Services Revolving – 0304

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Refunds increased as the Federal Health and Human Services agency generally reviews the Department's State-Wide Cost Allocation Plan filings every other year and determines if any federal rate overcharges occurred. The fiscal year 2013 refund amount relates to fiscal years 2010 and 2011 State-Wide Cost Allocation Plan filings. No review or refund was conducted during fiscal year 2012.

Communications Revolving – 0312

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Broadband network expenditures increased due to the continuance of the broadband project in Illinois funded through a Federal ARRA grant.

Refunds increased as the Federal Health and Human Services agency generally reviews the Department's State-Wide Cost Allocation Plan filings every other year and determines if any federal rate overcharges occurred. The fiscal year 2013 refund amount relates to fiscal years 2010 and 2011 State-Wide Cost Allocation Plan filings. No review or refund was conducted during fiscal year 2012.

Facilities Management Revolving – 0314

Group insurance expenditures increased as a result of the transfer of group insurance activities from the Department of Healthcare and Family Services to the Department. At the beginning of fiscal year 2013, four insurance funds (0193, 0203, 0577 and 0907) were transferred to the Department and all costs associated with the administration of the State employee plan are being paid by the Department.

Workers' Compensation Revolving – 0332

Changes to the way funds were appropriated to the Department resulted in a decrease in workers' compensation claims expenditures and an increase in administrative expenses and the payment of temporary disability expenditures. Total expenditures for the fund remained relatively consistent with the prior fiscal year.

Health Insurance Reserve – 0907

Health care coverage expenditures increased as a result of the transfer of State employee claims payment responsibility from the Department of Healthcare and Family Services to the Department effective July 1, 2012.

Local Government Health Insurance Reserve – 0193

At the beginning of fiscal year 2013, the Local Government Health Insurance Reserve Fund was transferred from the Department of Healthcare and Family Services to the Department of Central Management Services. Expenditures from the fund increased as a result of this transfer.

Teachers Health Insurance Security – 0203

At the beginning of fiscal year 2013, the Teachers Health Insurance Security Fund was transferred from the Department of Healthcare and Family Services to the Department of Central Management Services. Expenditures from the fund increased as a result of this transfer.

Community College Health Insurance Security – 0577

At the beginning of fiscal year 2013, the Community College Health Insurance Security Fund was transferred from the Department of Healthcare and Family Services to the Department of Central Management Services. Expenditures from the fund increased as a result of this transfer.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Two Years Ended June 30, 2013

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than $500,000 and 15% between fiscal years 2012 and 2011, and between fiscal years 2013 and 2012, as presented in the "Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller" (Schedule 6) are detailed below:

2011 and 2012

Local Government Health Insurance Reserve – 0193

The reimbursement of insurance premiums decreased due to an approximate 11% decrease in plan membership from fiscal year 2011 to 2012.

Statistical Services Revolving – 0304

Receipts within this fund increased due to additional Department billings for the consolidation of the Department of Corrections information technology staff within the Department, as well as related volume increases. Increase is also attributed to the timing of receipts due to the General Revenue Fund holds at the Illinois Office of the Comptroller.

Communications Revolving – 0312

Receipts within the Communications Revolving Fund increased due to more activity in fiscal year 2012 from a Federal American Recovery and Reinvestment Act (ARRA) grant utilized to build a new fiber communications network. The Federal funding is received by the Department on a reimbursement basis as the project progresses. The grant began in late fiscal year 2011 and continued into fiscal year 2012.

Workers' Compensation Revolving – 0332

The Worker's Compensation Revolving Fund receipts increased due to a supplemental appropriation via the Governor's Discretionary Appropriation of $10 million from the General Revenue Fund. The transfer was appropriated in fiscal year 2011 but cash was not received until fiscal year 2012. This is a one time revenue influx.

Group Insurance Premium – 0457

Carrier refunds decreased due to the timing of receipts being received. Typically receipts are received in November for the prior fiscal year's experience. Fiscal year 2012 refunds were the result of fiscal year 2011 experience.

Transfers in from other funds increased due to a change in the favorable experience rating

State Employee Deferred Compensation Plan – 0755

Benefit receipts decreased as a result of fewer participants transferring money from other accounts. Contributions (transfers into the plan) were unusually high for fiscal year 2011 due to the popularity of the Stable Return Fund.

State Surplus Property Revolving – 0903

Receipts for the sales of surplus property increased due to large receivables which were collected in fiscal year 2012. This was the result of the fund purchasing and selling cars to various other agencies during fiscal year 2011.

Health Insurance Reserve – 0907

The reimbursement of insurance premiums from federal trusts, other funds, and employers increased due to an increase in fiscal year 2012 Group Insurance Reimbursement Rate and better collection efforts by the Department, in addition to prior year receivables collected in the current year.

2012 and 2013

Local Government Health Insurance Reserve – 0193

Insurance premiums decreased due to a decrease in plan membership from fiscal year 2012 to fiscal year 2013 of approximately 20%.

Teachers Health Insurance Security – 0203

At the beginning of fiscal year 2013, the Teachers Health Insurance Security Fund was transferred from the Department of Healthcare and Family Services to the Department of Central Management Services.

State Garage Revolving – 0303

Charges to user agencies increased due to an increase in fiscal year 2013 rates and rate structure as well as increase in fuel prices.

Statistical Services Revolving – 0304

Charges to user agencies decreased as a result of fiscal year 2012 including one time consolidation charges to users as well as delay in receipts received due to increased held transactions from the General Revenue Fund at the end of fiscal year 2013. Also, the receipts decreased due to a combination of service rate reductions and decrease in agency demand for the services.

Charges to user agencies decreased as a result of lower agency demand for equipment and moving the Lottery circuit management to an outside vendor, thus reducing the Department's costs and billings.

Receipts for the Federal Stimulus Package increased due to the American Recovery and Reinvestment Act (ARRA) grant to build a new fiber communications network. The Federal funding is received as reimbursements as the project progresses. The project began late in fiscal year 2011 and had significantly more activity in fiscal year 2013.

Workers' Compensation Revolving – 0332

Subrogation of workers' compensation claims decreased due to the Department receiving a supplemental appropriation via the Governor's Discretionary Appropriation of $10 million during fiscal year 2012. This was a one time revenue influx.

Group Insurance Premium – 0457

The increase in carrier refunds was caused by a reduction in rates based on a more favorable experience rating and the timing of receipts. Typically receipts are received in November for the prior fiscal year's experience. Fiscal year 2013 refunds were the result of fiscal year 2012 experience.

The increase in employer reimbursement for basic life coverage is due to more participants within the plan in fiscal year 2013.

Transfers in from other funds increased due to an increase in operating transfers from the General Revenue Fund to the Group Insurance Premium Fund in fiscal year 2013.

State Employee' Deferred Compensation Plan – 0755

The increase in benefit receipts resulted from larger contributions into the plan by participants. The State's Deferred Compensation Plan has become increasingly attractive with current participants in recent years.

Health Insurance Reserve – 0907

Reimbursement of insurance premiums from federal trusts, other funds, and employers increased due to an increase in fiscal year 2013 Group Insurance Reimbursement Rate and better collection efforts by the Department, in addition to prior year receivables collected in the current year.

Transfers in from other funds increased due to the administration of Health Insurance Plans being transferred from the Department of Healthcare and Family Services to the Department of Central Management Services in fiscal year 2013.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Two Years Ended June 30, 2013

The State of Illinois, Department of Central Management Services' (Department) explanations for significant lapse period spending greater than $500,000 and 15% as presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances" (Schedules 1 and 2) by fund for fiscal year 2012 and 2013 are detailed below. Other fluctuations were also included that fell outside of that threshold because they were considered qualitatively significant by the accountants.

2012

State Garage Revolving – 0303

Approximately 25.7% of total expenditures in the State Garage Revolving Fund were paid during the lapse period during fiscal year 2012. This is due to the fund being cash managed for the entire fiscal year; paying bills when cash were available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills.

Group Insurance Premium – 0457

Approximately 16.7% of total expenditures in the Group Insurance Premium Fund were paid during lapse period during fiscal year 2012. The Group Insurance Premium Fund makes twelve monthly premium payments to its life insurance carrier. However, these payments are made two months in arrears to ensure that accurate member counts are used to assess the amount due, and therefore, two of the twelve payments (16.7%) were paid during the lapse period during fiscal year 2012.

2013

State Garage Revolving – 0303

Approximately 28% of total expenditures in the State Garage Revolving Fund were paid during the lapse period during fiscal year 2013. This is due to the fund being cash managed for the entire fiscal year; paying bills when cash was available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills.

Statistical Services Revolving – 0304

Approximately 16.3% of total expenditures in the Statistical Services Revolving Fund were paid during the lapse period during fiscal year 2013. This is due to the fund being cash managed for the entire fiscal year; paying bills when cash was available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills.

Approximately 14.5% of total expenditures in the Communications Revolving Fund were paid during the lapse period during fiscal year 2013. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash were available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills.

Facilities Management Revolving – 0314

Approximately 18.5% of total expenditures in the Facilities Management Revolving Fund were paid during the lapse period during fiscal year 2013. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash were available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills.

Group Insurance Premium – 0457

Approximately 16.8% of total expenditures in the Group Insurance Premium Fund were paid during lapse period during fiscal year 2013. The Group Insurance Premium Fund makes twelve monthly premium payments to its life insurance carrier. However, these payments are made two months in arrears to ensure that accurate member counts are used to assess the amount due and therefore two of the twelve payments (16.7%) were paid during the lapse period during fiscal year 2013.

Health Insurance Reserve – 0907

Approximately 17.8% of total expenditures in the Health Insurance Reserve Fund were paid during lapse period during fiscal year 2013. Effective July 1, 2012, State employee claims payment responsibility was transferred from the Department of Healthcare and Family Services to the Department and resulted in a significant increase in expenditures and backlog of outstanding claims within this fund as well. During the lapse period, there was a push to pay remaining bills and health claims.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2013
(Expressed in Thousands)

	General Revenue 0001	Local Government Health Insurance Reserve 0193	Teachers Health Insurance Security 0203	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317
Accounts receivable - Intergovernmental and other	$ -	$ 215	$ 5,365	$ 36	$ -	$ 18,642	$ -	$ -
Accounts receivable - other	647	376	21,817	12	5	3,094	6	3
Total accounts receivable	647	591	27,182	48	5	21,736	6	3
Allowance for doubtful accounts	55	-	-	-	-	270	-	-
Net accounts receivable	$ 592	$ 591	$ 27,182	$ 48	$ 5	$ 21,466	$ 6	$ 3

	Workers' Compensation Revolving 0332	Group Insurance Premium 0457	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	State Surplus Property Revolving 0903	Health Insurance Reserve 0907	Group Insurance 1457
Accounts receivable - Intergovernmental and other	$ -	$ -	$ -	$ -	$ -	$ 8,974	$ -
Accounts receivable - other	15	995	2,361	563	51	24,048	2,199
Total accounts receivable	15	995	2,361	563	51	33,022	2,199
Allowance for doubtful accounts	-	-	-	-	30	-	-
Net accounts receivable	$ 15	$ 995	$ 2,361	$ 563	$ 21	$ 33,022	$ 2,199

The information in this schedule has been reconciled to the receivable reports submitted to the State Comptroller.

The Department assesses collectibility through comparison of the receivable balance outstanding to the total billings. The Department utilizes the Comptroller's offset system for non-State agency receivables.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2012
(Expressed in Thousands)

	General Revenue 0001	Local Government Health Insurance Reserve 0193	Teachers Health Insurance Security 0203	State Garage Revolving 0303	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Insurance Premium 0457	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	State Surplus Property Revolving 0903	Health Insurance Reserve 0907	Group Insurance 1457
Accounts receivable - Intergovernmental and other	$ -	$ 174	$ 5,862	$ 50	$ 13,915	$ -	$ -	$ -	$ -	$ -	$ -	$ 37	$ 9,833	$ -
Accounts receivable - other	670	259	17,270	22	2,459	6	3	7	735	1,904	903	19	22,468	10,092
Total accounts receivable	670	433	23,132	72	16,374	6	3	7	735	1,904	903	56	32,301	10,092
Allowance for doubtful accounts	54	-	-	-	238	-	-	-	-	-	-	19	-	-
Net accounts receivable	$ 616	$ 433	$ 23,132	$ 72	$ 16,136	$ 6	$ 3	$ 7	$ 735	$ 1,904	$ 903	$ 37	$ 32,301	$ 10,092

The information in this schedule has been reconciled to the receivable reports submitted to the State Comptroller.

The Department assesses collectibility through comparison of the receivable balance outstanding to the total billings. The Department utilizes the Comptroller's offset system for non-State agency receivables.

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Years Ended June 30, 2013 and 2012
(Unaudited)

The Department of Central Management Services (Department) provides a wide variety of centralized services to other State and local government agencies. As an agency that provides services to other units of government, the Department is in a unique position to ensure that tax resources are expended in a responsible and effective manner.

The Department is administered from the seventh floor of the Stratton Office Building in Springfield, Illinois. Malcolm Weems was appointed as Acting Director effective June 16, 2011 and Director in April, 2012. Following Mr. Weems resignation, Simone McNeil was appointed Acting Director effective October 5, 2013.

The Department is organized in eight major division/bureaus:

- Benefits
- Communication and Computer Services
- Illinois Office of Communication and Information
- Business Enterprise Program
- Personnel
- Property Management
- Strategic Sourcing
- Administrative Operations

Administrative Operations includes the Director's Office and the divisions of Governmental Affairs, Legal Services, Office of Finance and Management, and Office of Internal Audit.

The current organizational structure of the Department was developed to provide streamlined management, improved accountability and improved efficiency in the delivery of service to other agencies. The Department is responsible for the coordination of data processing and data communications; providing personnel, procurement, vehicles, and property management services; management of State employee benefit plans; and administration of the State's Business Enterprises Program for Minorities, Females and Persons with Disabilities.

Agency Planning Program

The Department integrated strategic planning with the measurement of plan implementation to better focus and evaluate its programs. For the two years ended June 30, 2013, the Department's Director authorized the Department's Office of Finance and Management to be the liaison to the Governor's Office of Management and Budget to facilitate the strategic planning process. This process results in an agency-wide strategic plan.

For the two years ended June 30, 2013, the Department's Director authorized the Department's Office of Finance and Management to be the liaison to the Governor's Office of Management and Budget to facilitate the performance management process. The performance management process requires the periodic reporting of program performance information.

The Department enters performance data for each of its programs within the inputs and outputs, outcome and efficiency/cost effectiveness measures along with benchmark data where designated. It is ultimately up to respective bureau managers to determine what, how, and the frequency of what gets reported.

The Department's programs complete Agency Performance Indicators for each of its programs. These indicators provide activity measures data as inputs and outputs, and operational performance measures as customer services or efficiency measures in conjunction with benchmark data. At the completion of each fiscal year, the Department submits Service Efforts and Accomplishments (information on at least five of its programs) to the Comptroller's Public Accountability Project. The information includes a narrative, program mission, goals and input, output and performance data.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2013, 2012, and 2011
(Unaudited)

The following information was prepared from the State of Illinois, Department of Central Management Services records and represents the average full-time equivalent number of employees by bureau during the fiscal years ended June 30:

Bureau	2013	2012	2011
Administrative Operations	103	107	101
Communications and Computer Services	533	569	601
Personnel	98	100	100
Benefits	98	88	87
Property Management	303	273	285
Information Services	66	69	72
Business Enterprise Programs	12	13	11
Strategic Sourcing and Procurement	181	197	191
Total	1,394	1,416	1,448

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

EMERGENCY PURCHASES

For the Fiscal Year Ended June 30, 2013
(Unaudited)

Description	Amount	
Emergency procurement for 90 day extension for Inmate Collect Calling Services contract. Contract allowed vendor to provide payphone service to inmates which resulted in commissions being paid to the State; therefore, no costs were associated with this procurement.	$ -	
Procurement of extension on Master contract so that all agencies can continue to purchase commercial envelopes on an as needed basis.	168,278	
Procurement of contract extension for janitorial services through Smith Maintenance Co. for the Bilandic Building.	61,572	
Procurement of extension for Health Alliance Illinois contract to allow continued health coverage services to enrollees while procurement process is being completed for replacement contract. This contract was transferred from Healthcare and Family Services (HFS).	1,303,374	*
Procurement of extension for Coventry Healthcare of Illinois contract to allow continued health coverage services to enrollees while procurement process is being completed for replacement contract. This contract was transferred from HFS.	45,747,711	*
Procurement of extension for Health Alliance Med Plans contract to allow continued health coverage services to enrollees while procurement process is being completed for replacement contract. This contract was transferred from HFS.	334,132,245	*
Procurement of a 90 day contract for connectivity to the State's DMS100 switches and GX17 line cards to allow time to complete the procurement process for a new contract.	35,000	*
Procurement of two mainframe developers to provide specialized technical services with specific experience in mainframe applications in order to complete projects within their mandated due dates.	108,000	*
Procurement of lease extension for the space that houses Department of Human Services (DHS) Division of Rehabilitation Services office while new lease is being finalized.	22,499	

Description	Amount	
Procurement of lease extension for the space that houses Department of Correction's (DOC) Adult Transition/Work release center due to complications in the procurement process for a replacement lease. (Includes subsequent extensions.)	147,071	
Procurement of contract with Motorola to provide STARCOM 21 services while procurement process is being finalized.	25,500,000	
Procurement of contract for carpentry services for vendor that can provide a two hour response time in case of emergencies for James R. Thompson Center, Michael Bilandic Building, and the Chicago Medical Center due to incumbent vendor's inability to meet this requirement.	85,000	*
Procurement of lease to provide storage space for Illinois State Police (ISP) Chicago Forensics Lab new lease consolidation is finalized.	573	
Procurement of extension for leased facility that houses Department of Employment Security Office. The lease is needed to prevent holdover and to allow time to process the Request for Information (RFI) and address protest letter.	16,881	
Procurement of emergency contract for Lubricants, Grease, & Oil due to inability to solicit responsive bidders in initial offering.	90,000	*
Procurement of extension on leased space that houses DHS Family Community Resource Center. This office will close and upon completion of build out.	44,232	
Procurement of extension on leased space for DHS until build out of new space is complete. The build out has been delayed due to asbestos issues.	73,154	
Procurement of 30 day extension on leased space that houses ISP and the Illinois Gaming Board. This extension will provide continued occupancy until the new lease takes effect on March 12. Delays in obtaining lessor's signature and disclosure documentation prevented the new lease from being executed timely.	30,814	
Procurement of extension on leased space that houses DHS Family Community Resource Center. This office will close and consolidate upon completion of build out. Short-term lease to fill lapse could not be used because the contract was not returned to the Agency within the required timeframe.	33,034	
Procurement of extension on leased space for DHS until build out of new space is complete. The build out has been delayed due to asbestos issues.	12,954	

Description	Amount	
Procurement of two month extension on existing lease for HFS. Central Management Services (CMS) intends to vacate this space effective April 30 for consolidation purposes.	623,588	
Procurement of 90 day contract and subsequent extensions for DOC security staff uniforms due to inability to execute formal contract as a result of ongoing labor negotiations.	232,111	*
Procurement of extension on existing lease for DHS Family Community Resource Center while procurement process is completed. Earlier efforts to consolidate lease were unsuccessful prior to the expiration of the existing lease.	33,223	
Procurement of extension on existing lease for Department of Children and Family Services (DCFS) Client Service Office while build out is being completed on new location. Build out has been delayed due to permitting issues.	82,770	
Lease of temporary space needed for implementation of the Illinois Medicaid Redetermination Project while permanent housing is being procured. Housing is needed prior to the execution of a permanent space in order to begin work and avoid federal penalties.	42,135	
Extension of contract to purchase corrugated sheets at current contract prices in order to meet existing order obligations for Illinois Correctional Industries. ICI is planning to disclose box making operations, but requires additional supplies to meet outstanding orders.	150,000	*
Procurement of fiber locating services at all times for Statewide Fiber Networks in order to avoid damage to infrastructure of disruption of services.	49,000	*
	$ 408,825,219	

* Estimated Cost

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

EMERGENCY PURCHASES

For the Fiscal Year Ended June 30, 2012
(Unaudited)

Description	Amount	
Procurement of contract for OC12 circuit between Bloomington/Normal and Champaign to allow time for execution of interagency agreement with University of Illinois for use of fiber in the area.	$ 53,084	
Procurement of drugs and pharmaceuticals for both Department of Public Health (DPH) and DHS as a 90-day extension of Master Contract with vendor.	5,571,863	
Procurement of repair services for chiller at the Illinois State Police headquarters.	54,513	
Rental of office space to provide using agency with continued occupancy after Request for Information (RFI) attempts were unsuccessful.	6,115	
Procurement of cleaning services at James R. Thompson Center due to complications in contracting of services to a new vendor. Includes subsequent extensions.	135,340	
Rental of office space in order to provide sufficient time for compliance requirements to be met for new lease.	915	
Procurement of network and data communications services while these services are transitioned to vendors under contract from the Statewide Telecommunication Network Voice and Data Services solicitation.	355,182	*
Procurement of network and data communications services resulting from contract lapse due to failure of vendor to return an executed copy of the contract prior to expiration.	39,170	
Procurement of network and data communications services resulting from contract lapse due to failure of vendor to return an executed copy of the contract prior to expiration.	156,405	
Procurement of lab supplies and chemicals until the competitive bidding process can be completed for a replacement contract. Includes subsequent extensions.	2,143,706	
Procurement of emergency lease for continued occupancy of DHS in Aurora, IL.	72,820	

Description	Amount	
Existing lease expired, procurement of one month lease extension while new contract was being executed.	166,714	
Procurement for expansion of space within another existing lease facility due to unsuccessful attempts to solicit a separate lease.	152,215	
Procurement to provide Internet egress services to State agencies and universities in the Chicago region.	114,480	
Procurement of emergency lease extension for DHS in Chicago area while lease consolidation is finalized.	54,927	
Procurement of emergency lease extension for DHS in the Chicago area while lease consolidation is finalized.	10,955	
Emergency procurement for 90 day extension for Inmate Collect Calling Services contract. (Contract allowed vendor to provide payphone service to inmates which resulted in commissions being paid to the State; therefore, no costs were associated with this procurement.)	-	
Procurement to extend Central Management Services (CMS) telecommunications services by 12 months, while new services are being installed.	1,057,230	
Procurement of 90 day extension on IBM Technical Services Program while new contract is finalized.	6,000,000	*
Procurement of 90 day extension on Master Contract for aggregate while procurement process for replacement contract is being finalized.	600,000	*
Procurement of emergency contract extension to purchase bituminous mix while procurement process for replacement contract is being finalized.	915,356	*
Procurement of 90 day extension for contract with American Surveying & Engineering while new contract is being finalized.	13,500	*
	$ 17,674,490	

* Estimated Cost

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Years Ended June 30, 2013 and 2012
(Unaudited)

(Dollars in Thousands)

	FY2013		FY2012	
Program	**Expenditures**	**Headcount**	**Expenditures**	**Headcount**
Employee Benefits and Risk Management	$ 3,957,844	98	$ 262,035	87
Communications and Computer Services	289,296	532	270,204	576
Property Management	204,785	301	204,423	276
Strategic Sourcing	57,244	181	51,553	198
Personnel	8,557	97	12,305	100
Business Enterprise Program	1,108	12	1,065	13
Other/Non Programs	13,276	69	12,897	67
Media Services	9,588	67	9,028	69
Shared Services	4,580	37	4,489	38
Agency Totals	**$ 4,546,278**	**1,394**	**$ 827,999**	**1,424**

Explanatory Notes

Expenditures reported as Other/Non Programs in fiscal year 2012, have been reallocated to reflect Shared Services spending of $4,489,100. Also, to report monies spent by CMS from the Capital Development Fund, the amount of $8,773,200 has been reallocated to the Bureau of Communications and Computer Services. Finally, Other/Non Programs fiscal year 2012 reported headcount of 105 has been reallocated between Other/Non Programs (67) and Shared Services (38).

The mission of the Illinois Department of Central Management Services (CMS) is to free Illinois State agencies and governmental entities from certain administrative responsibilities so they can focus their energy and resources on accomplishing their core missions. CMS works with State agencies and members of the Illinois General Assembly to deliver essential services including procurement, property management, information technology, telecommunications, internal audit, legal services, personnel, employee and retiree benefits, and supplier diversity programs. This report details six of the Department’s key programs.

The Business Enterprise Program (BEP) certifies businesses that are owned and operated by minorities, women, and persons with disabilities in order to bid for State contracts. The Department continues to advance efforts to expand opportunities for businesses owned by women, minorities, and persons with disabilities. The Department also encourages large State contracts to include subcontracting opportunities for BEP-certified firms. The Bureau of Communications and Computer Services (BCCS) manages the planning and delivery of Statewide information technology and telecommunications services. It operates central computing facilities, maintains common computer applications and manages the Illinois Century Network (ICN), which provides broadband network connectivity to educational institutions and State government. CMS continues to pursue IT consolidation efforts to drive down operating costs and improve service delivery.

The Bureau of Benefits administers group insurance programs for all active and retired State employees, retired teachers, retired community college employees, and employees of local government units, the State's deferred compensation program, the pre-tax flexible spending and commuter savings programs for State employees and the State's risk management programs, including workers' compensation, auto liability, representation and indemnification and insurance procurement.

The Bureau of Personnel administers the State personnel code, manages the State personnel program, and recruits and qualifies prospective employees. In addition, CMS administers the Upward Mobility Program, Veterans' Outreach Program and Diversity Enrichment Program, Back Wage Claims, Governor's Internship Program, and oversees agency day-care services. Labor Relations represents the State of Illinois at arbitration hearings, at collective bargaining negotiations and before the Illinois Labor Relations Board. The Bureau of Personnel continues to implement the electronic Web-based hiring application to simplify and increase access to State employment opportunities, and enhance objectivity throughout the selection process.

The Bureau of Property Management manages and maintains State owned properties, oversees the lease or purchase of needed space, coordinates the disposition of surplus real and personal property, administers State and federal surplus property programs, coordinates recycling programs and administers special events. As the State's coordinator for the Law Enforcement Support Office (LESO), CMS secures military equipment for use by Illinois law enforcement agencies.

The Bureau of Strategic Sourcing is focused on reducing the cost of State government while alleviating the burdens Illinois businesses have faced in doing business with the State. Through a center-led approach to procurement and standardizing the procurement process for equipment, commodities and services across State agencies, this program has reduced the total cost of the provision of these goods and services. This program is also responsible for managing the State's fleet operations.

Central Management Services – Business Enterprise Program

Mission Statement: To promote and encourage the continued economic development of minority and female owned and operated business and that minority and female owned and operated businesses participate in the State's procurement process as both prime and subcontractors.

Program Goals:

Objectives:

1. Promote the participation of BEP prime and subcontractor goals for RFP's and IFB's over $250,000.
   - [a] Seek achievement of BEP participation goals.
   - [b] Ensure that good faith efforts are made by the prime to achieve BEP participation goals prior to any waiver.
   - [c] Continue to enhance CMS management controls to maximize BEP participation goals.
   - [d] Review goals.
   - [e] Review utilization plans of Prime Bidder.
   - [f] Review waivers of goals from agencies.
2. Monitor the efforts of agencies towards their achievement of BEP prime and subcontracting goals for all State contracts.
   - [a] Improve the monitoring system for compliance of BEP participation goals.
   - [b] Work closely with all state agencies on monthly progress of BEP participation goals.
   - [c] Recommend additional and/or remedial efforts by agencies when BEP participation goals are or appear to be below reasonable expectations.

Funds: General Revenue Fund

Statutory Authority: 30 ILCS 575

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands)	$ 936.5	$ 1,065.4	$ 1,151.4	$ 1,107.6	$ 1,452.1
Total expenditures – state appropriated funds (in thousands)	$ 936.5	$ 1,065.4	$ 1,151.4	$ 1,107.6	$ 1,452.1
Average monthly full-time equivalents	10.0	13.0	17.0	12.0	17.0
Output Indicators					
Number of outreach events attended	89.0	75.0	75.0	85.0	85.0
Number of BEO applications received	1,814	2,175	2,190	2,237	2,250
Number of BEP certifications approved	1,513	1,776	1,790	1,707	1,725
Number of BEP certifications denied	286.0	399.0	400.0	429.0	430.0
Number of BEP (Minority, Women, disabled Business Enterprise) contracting firms (a)	840.0	799.0	N/A	N/A	840.0
Outcome Indicators					
Total contract dollars generated from diverse business contracting goals (in thousands) (a)	$ 274,339.7	$ 269,460.6	N/A	N/A	$ 210,000.0

Footnote:

(a) Fiscal year 2013 data not yet available.

Central Management Services – Communications and Computer Services

Mission Statement: The Communications and Computer Services Program (BCCS) is mandated by State statute and is committed to procuring and providing state-of-the-art, reliable, cost-effective, high quality telecommunications and computer services to state agencies, boards, commissions, constitutional offices, educational entities and participating units of local and county government. To that end, the program maintains optimum accountability, professionalism, and efficiency in the management and delivery of those services to enable its customers to accomplish their missions and service the people of the State of Illinois.

Program Goals:

Objectives:

1. Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.
   [a] Maintain information technology (IT) and communications infrastructure availability.
   [b] Develop and achieve timeliness and performance standards in each major service area.
   [c] Support state agencies and enterprise-wide IT initiatives.
2. Collaborate with state agencies, boards and commissions to manage the application of technology to business needs.
   [a] Ensure alignment with the state's technical architecture and strategy.
   [b] Identify functional areas where the adoption of program standards would be beneficial.
3. Make available opportunities for state employees to take advantage of technology training to improve their job performance.
   [a] Provide quality technical training opportunities for state employees in technical positions.
   [b] Provide classes, seminars and presentations to promote technology awareness among employees in non-technical positions.
4. Provide technology support for CMS Bureaus.
   [a] Assist CMS Bureaus in assessing their business program technology needs.
   [b] Develop and maintain computer applications to support the CMS Bureaus.
5. Establish benchmarks, performance measures and service level expectations for our customers.
   [a] Continually monitor performance metrics and service level expectations.
   [b] Provide regular performance metrics and service level expectations.
   [c] Research various performance metric methodologies and industry-based standards and benchmarks.
6. Manage resources and services efficiently to minimize costs.
   [a] Ensure that the state only pays reasonable prices for goods and services that it needs and for which it is responsible.
   [b] Ensure that the rates state government pays and the prices CMS charges for services are appropriate.
7. Communicate effectively regarding BCCS service information and accomplishments.
   [a] Hold periodic meetings with agency stakeholders regarding available program service offerings.
   [b] Communicate regularly with agency stakeholders via websites, online service catalogs, and electronic publications.

Funds: General Revenue Fund, Capital Development Fund, Statistical Services Revolving Fund, Communications Revolving Fund

Statutory Authority: 20 ILCS 405/405-20, 405/405-27

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands) (a)	$ 231,526.7	$ 270,203.9	$ 347,887.1	$ 289,295.7	$ 363,046.3
Total expenditures – state appropriated funds (in thousands) (a)	$ 231,526.7	$ 270,203.9	$ 347,887.1	$ 289,295.7	$ 363,046.3
Average monthly full-time equivalents	604.0	576.0	593.0	532.0	612.0
Output Indicators					
Number of network data circuits managed	7,505	6,873	6,500	6,204	5,900
Telecommunications Voice Orders (TSR) processed/month	1,042	857.0	875.0	833.0	850.0
Megabytes of Direct Access Storage Device (DASD) billed/month	46,717,174	39,926,466	40,000,000	39,910,495	40,000,000
Outcome Indicators					
Percent mainframe transactions completed within 1 second	98.2%	98.4%	98.4%	98.8%	98.5%
Percent mainframe system availability	99.5%	99.1%	99.2%	99.4%	99.2%

External Benchmarks	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Mainframe transactions completed within 2 seconds (per Gartner Group Research)	98.4%	98.4%	98.4%	98.4%	98.4%

Footnote:

(a) Fiscal year 2012 Actual expenditures have been updated to reflect Capital Development fund's expenditures.

Central Management Services – Employee Benefits & Risk Management

Mission Statement: To administer high-quality benefit programs that contribute positively to the health, well-being and prosperity of statutorily-specified groups of Illinois government employees, retirees and their families, and to minimize the State of Illinois exposure to risk.

Program Goals:

Objectives:

1. Administer and provide member facing functions to support employee benefit programs that promote and maintain individual well-being.
   - [a] Offer health, dental and vision benefits for all enrollees each year.
   - [b] Increase enrollment in the Flexible Spending Accounts.
2. Promote and maintain a safe and secure work environment.
   - [a] Provide prompt and equitable services to state employees who have work-related injuries and facilitate their return to work as safely and quickly as possible.
3. Establish benchmarks, measures and service expectations.
   - [a] Resolve disputes between members and carriers within 30 days of notification.
   - [b] Conduct audits of all agencies to determine that correct reimbursement payments have been made by agencies, boards, commission, office and universities.
   - [c] Increase total dollars deferred each year.
   - [d] Effectively and efficiently process payments for bills related to medical treatment, rehabilitation services, temporary disability income payments, and settlements for permanent impairments within ninety days of service.
4. Manage resources and services efficiently to minimize costs and maximize value.
5. Improve the communication level and quality of information on programs and services provided and accomplishment achieved by CMS.
   - [a] Educate eligible enrollees regarding all benefit programs available through issuing educational materials prior to the annual benefits choice period.
6. Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.

Funds: General Revenue Fund, Workers' Compensation Revolving Fund, Group Insurance Premium Fund, State Employees Deferred Compensation Plan Fund, Health Insurance Reserve Fund

Statutory Authority: 5 ILCS 375 et seq: 20 ILCS 405

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands) (a)	$ 262,482.5	$ 262,035.3	$ 2,759,940.6	$3,957,844.4	$4,419,757.6
Total expenditures – state appropriated funds (in thousands) (a)	$ 262,482.5	$ 262,035.3	$ 2,759,940.6	$3,957,844.4	$4,419,757.6
Average monthly full-time equivalents	67.0	87.0	118.0	98.0	99.0
Output Indicators					
Number of disputes resolved	4,676	3,833	3,800	2,454	2,750
Number of flexible spending account participants (MCAP & DCAP) (b)	13,509	14,896	14,900	14,560	14,900
Number of payroll deduction discrepancies received	4,961	6,253	6,300	6,460	6,500
Number of premium refund requests received	1,654	1,502	1,500	1,600	1,600
Number of SERS Financial Incentive program Participants	217.0	257.0	260.0	293.0	350.0
Number of new SERS Financial incentive Program Participants	74.0	90.0	90.0	95.0	150.0
Number of COBRA notifications mailed	11,975	8,361	8,400	9,167	9,000
Number of Medicare Coordination of benefits cases received	6,713	4,818	4,800	5,455	5,000
Deferred compensation – total dollars deferred (in millions)	$166.2	$174.7	$175.0	$158.7	$160.0
Number of deferred compensation participants	52,386	51,906	52,00	51,285	52,000
Number of new deferred compensation participants	2,180	2,062	2,100	1,875	1,800
Number of workers' compensation injuries	6,514	5,216	5,200	5,013	5,200
Number of independent medical evaluations performed (c)	318.0	869.0	870.0	253.0	300.0

Output Indicators – Continued	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Number of injured employees returned to work at modified duty	2,206	2,023	2,000	1,752	1,800
Number of motor vehicle liability claims	1,512	1,341	1,400	1,459	1,450
Number of non-litigated vehicle liability claims closed	1,578	1,387	1,400	1,447	1,425
Outcome Indicators					
Percent of disputes resolved within 30 days of notification	98%	97%	98%	72.9%	95%
Percent of payroll deduction discrepancies resolved within 60 days of benefits notification	89.9%	92%	90%	85.5%	90%
Percent of premium refunds processed within 30 days of receipt	73.4%	86%	80%	91.6%	90%
Percent of COBRA eligible participants notified within 30 days	82.8%	83%	83%	80.6%	80%
Percent of Medicare COB cases completed within 30 days (b)	99.9%	100%	99%	69%	80%
Annual change in Workers' compensation spending	1.9%	1.5%	1%	4.4%	1%
Savings resulted from Workers' compensation Physicians PPO network (in millions) (c)	$5.5	$6.2	$6.0	$5.5	$5.0
Percent of medical cost containment savings to total medical program cost	38.1%	28.2%	30%	12.8%	15%
Percent of vehicle liability claimants contacted within 5 calendar days	100%	100%	99%	100%	99%
Average number of days to close a vehicle liability case (bodily injury and property damage)	60.0	58.0	60.0	60.0	60.0
Percent of indemnity expenses and awards within a 20 business day period	98.3%	95%	95%	95%	95%
External Benchmarks					
Number of deferred compensation investments exceeding benchmark – 1 year rolling return (16 current investments. Prior to fiscal year 2006, there were 12 total investments.)	10.0	7.0	8.0	8.0	8.0
Efficiency/Cost-Effectiveness					
Average annual administrative cost per deferred compensation participant (state program) (in dollars)	$18.98	$20.64	$20.70	$21.94	$22.00
State FICA savings from Commuter savings Program (in thousands)	$107.4	$223.7	$224.0	$502.3	$500.0
State FICA Savings from Flexible spending Programs (in thousands)	$2,023.1	$2,159.1	$2,160.0	$1,874.3	$1,800.0

Footnotes:

(a) Fiscal year 2013 Projected and Actual figures are drastically higher due to the re-integration of the State's Group Health Insurance Program.

(b) MCAP-Medical Care Assistance Plan; DCAP-Dependent care Assistance Plan

(c) The increase is the result of challenges to large numbers of repetitive motive claims in Southern Illinois. CMS anticipates continued Workers' Compensation challenges and the need for independent medical evaluations at these levers through fiscal year 2013.

Central Management Services – Personnel

Mission Statement: To develop and administer the State's Personnel Code, Personnel Rules, Pay Plan, Position Classification Plan, current collective bargaining agreements and other applicable laws.

Program Goals:

Objectives:

1. Provide adequate levels of personnel services to other agencies to assist them in carrying out their core missions.
   - [a] Improve timeframes for hiring and recruitment efforts.
   - [b] Improve turnaround time to all agencies regarding classification issues and Rutan compliance.
   - [c] Improve development and administration of testing and selection instruments.
2. Increase diversity of Illinois workforce and access to job opportunities.
   - [a] Develop plans to recruit and monitor hiring of minorities.
   - [b] Conduct job fairs across Illinois to help increase diversity of state workforce.
3. Improve Personnel-related technology and form automation.

Funds: General Revenue Fund

Statutory Authority: 20 ILCS 415

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands) (a)	$ 12,785.2	$ 12,304.7	$ 8,959.0	$ 8,556.5	$ 9,073.1
Total expenditures – state appropriated funds (in thousands) (a)	$ 12,785.2	$ 12,304.7	$ 8,959.0	$ 8,556.5	$ 9,073.1
Average monthly full-time equivalents	100.0	100.0	108.0	97.0	101.0
Output Indicators					
Number of job descriptions (104s) Processed	7,449	6,372	6,700	7,627	6,700
Number of Rutan reviews processed	1,547	1,361	1,300	1,800	1,300
Number of people trained	1,656	375.0	2,800	443.0	500.0
Number of participants at Diversity Enrichment job fairs	5,070	14,827	12,000	9,007	12,000
Number of Diversity Enrichment Program Events	18.0	41.0	25.0	28.0	25.0
Number of Packers distributed at Diversity Enrichment Program job fairs	3,940	8,307	4,400	4,707	4,400
Number of Veterans counseled	592.0	434.0	600.0	385.0	600.0
Number of automated exams given	92,184	79,778	80,000	90,349	80,000
Number of job applications received	184,400	177,450	155,000	200,064	155,000
Number of Upward Mobility Program participants certified and credentialed	1,074	1,035	1,000	915.0	1,000
Number of TRAEX exams graded (a)	84,239	74,951	55,000	73,391	55,000
Number of Upward Mobility Program participants appointed to UMP positions	507.0	283.0	280.0	220.0	280.0
Number of people enrolled in Upward Mobility Program	3,653	3,341	4,100	2,353	4,100
Number of transactions processed	119,537	108,423	115,000	78,247	115,000
Number of grievances resolved	86.0	37.0	65.0	58.0	65.0
Outcome Indicators					
Average number of days for personnel to review and approve job descriptions	27.1	35.1	60.0	30.7	60.0
Percent of Full-Time Permanent State employees in code agencies that represent a Minority Group	58.6%	58.7%	58.2%	58.8%	58.2%

Footnoes:

(a) TRAEX – Training and Experience

Central Management Services – Property Management

Mission Statement: The Property Management Program is authorized by statute to provide, coordinate, operate, and oversee State of Illinois facilities, and real and personal property for state agencies. To that end, the program secures property by lease or purchase and manages the daily operations of and public access to facilities by maintaining grounds, structures, utilities, and environmental systems. The program acquires and disposes of real and personal property through the surplus property program in an efficient and cost effective manner.

Program Goals:

Objectives:

1. Establish benchmarks, measures and service expectations.
   - [a] Continue to maintain and coordinate a fully integrated facility and real estate enterprise best practices solution.
   - [b] Reduce the State's cost of occupancy in both state owned and leased properties.
   - [c] Improve the Bureau's timeliness, responsiveness, and customer satisfaction by streamlining internal procedures.
   - [d] Reduce the State's energy cost utilizing energy consumption and contract consolidation strategies.
2. Manage resources and services efficiently to minimize cost.
   - [a] Drive down occupancy cost through the application of newly developed space standards, the due diligence process, facilities assessment and operational consolidation.
   - [b] Ensure the state only pays for goods and services that it needs and for which it is responsible.
   - [c] Ensure the rates State Government pays and the prices that CMS charges for services are appropriate.
3. Expand marketing efforts of i-Cycle program to educate state government employees about the benefits of recycling.
   - [a] Initiate marketing strategies in coordination with the Governor's Green Council Committee, Department of Natural Resources, and Department of Commerce and Economic Opportunity.
   - [b] Implement programs and policies for recycling of plastics and fluorescent and high intensity discharge lamps.
   - [c] Continue to review, recommend and implement recycling programs for various types of batteries and small electronics.
   - [d] Continue to participate in toner cartridge and book recycling.

Funds: General Revenue Fund, Facilities Management Revolving Fund, State Surplus Property Revolving Fund

Statutory Authority: 20 ILCS 405-300

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands) (a)	$ 220,719.2	$ 204,422.8	$ 317,962.0	$ 204,785.4	$ 312,862.8
Total expenditures – state appropriated funds (in thousands) (a)	$ 220,719.2	$ 204,422.8	$ 317,962.0	$ 204,785.4	$ 312,862.8
Average monthly full-time equivalents	285.0	276.0	307.0	301.0	288.0
Output Indicators					
Number of facilities participating in I-Cycle Program	283.0	285.0	290.0	286.0	290.0
Number of equipment items transferred Out of State Surplus Warehouse (a)	4,129	2,000	4,000	2,198	3,000
Number of items sold via I-Bid (b)	2,997	1,604	45,000	2,657	3,000
Number of Registered bidders for I-Bid Program	5,695	13,708	15,000	18,069	22,000
Outcome Indicators					
Percent of work orders completed within the fiscal year	90%	90%	90%	92%	96%

Footnotes

(a) Transfers dropped in fiscal year 2012 due to the implementation of new inventory management system that reduced staff availability.

(b) Fiscal year 2013 projections have increased sharply due to a decision that requires the majority of surplus property to be auctioned via I-Bid rather than on-site auctions from the warehouse.

Central Management Services – Strategic Sourcing

Mission Statement: To reduce the cost of State government through a center-led procurement approach, while alleviating the burden Illinois businesses have faced in doing business with the State. State fleet operations and maintenance, fuel management, and providing vehicles through the usage/maintenance program for all state agencies, as well as timely mail service for State government, are also under the Bureau.

Program Goals:

Objectives:

1. Provide seamless, high quality strategic sourcing services to other state agencies while reducing the cost of government.
   [a] Provide adequate levels of services to other agencies to allow them to focus on their core missions.
   [b] Improve the transparency, quality and consistency of procurement processes and documents.
2. Improve the ease and accessibility of doing business with the State with particular emphasis on small and diverse businesses.
   [a] Increase access and expand contracting opportunities for small and diverse businesses.
3. Manage fleet resources and service efficiently to minimize costs.
   [a] Increase mechanical repair capabilities to ensure agency fleet needs are met and fleet cost reductions maintained.
   [b] Stabilize fleet management costs and enhance fleet assets.
   [c] Capture fleet data for enhanced fleet management.

Funds: General Revenue Fund, State Garage Revolving Fund Statistical Services Revolving Fund, Communications Revolving Fund, Facilities Management Revolving Fund

Statutory Authority: 30 ILCS 500
20 ILCS 405

Input Indicators	Fiscal Year 2011 Actual	Fiscal Year 2012 Actual	Fiscal Year 2013 Target/ Projected	Fiscal Year 2013 Actual	Fiscal Year 2014 Target/ Projected
Total expenditures – all sources (in thousands) (a)	$46,895.9	$51,552.7	$81,053.8	$57,244.2	$84,950.9
Total expenditures – state appropriated funds (in thousands) (a)	$46,895.9	$51,552.7	$81,053.8	$57,244.2	$84,950.9
Average monthly full-time equivalents	190.0	198.0	211.0	181.0	211.0
Output Indicators					
Gallons of gasohol sold	683,249	719,803	720,000	677,258	680,000
Fleet Consumption-Biodiesel (gallons)	2,432,929	2,047,206	2,400,000	2,100,000	2,100,000
Fleet Consumption – E-85 (gallons)	165,118	162,371	150,000	160,000	160,000
Total state garage billings (in millions) (a)	$ 33.9	$ 34.0	$ 41.1	$ 41.1	$ 41.1
Outcome Indicators					
Mechanic productivity rate	103.4%	102.8%	103%	102.8%	103%
Percent savings to state agencies- DOV mechanical labor rate per hour vs. industry average for passenger vehicles (b)	24.7%	26.3%	27.8%	29.2%	30.6%
Percent of vehicles purchased meeting federal requirements when FFV vehicles are available (EPACT) (c,d)	97.7%	116%	118%	126%	126%
Efficiency/Cost-Effectiveness					
DOV mechanical labor rate per hour (in dollars) (b)	$ 70.00	$ 70.00	$ 70.00	$70.00	$70.00
External Benchmarks					
Industry average mechanical labor rate per hour (in dollars)	$ 93.00	$ 95.00	$ 97.00	$ 99.00	$ 101.00

Footnotes:

(a) Contains fees from the Usage/Maintenance program
(b) DOV – Department of Vehicles
(c) P.A. 1079 requires the purchase of Hybrid vehicles, which lowers the number of FFV purchases.
(d) FFV – Flexible Fuel Vehicles; EPACT-Energy Policy Act (Federal).