STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2009

Performed as Special Assistant Auditors for
The Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPLIANCE EXAMINATION
For the Year Ended June 30, 2009

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS

Director	Mr. James Sledge (Effective August 25, 2008)
	Ms. Maureen O'Donnell (Acting, effective through August 24, 2008)
Assistant Director	Ms. Christine Cegelis (Effective June 23, 2009)
	Mr. Steve McCurdy (Effective June 24, 2009)
	Mr. Mathew Beaudet (Effective through June 22, 2009)
Chief Operating Officer	Ms. Elizabeth Nicholson (Effective August 25, 2008)
	Ms. Marcia Armstrong (Effective through August 25, 2008)
Chief Fiscal Officer	Mr. Paul Romiti
General Counsel	Ms. Debra Matlock
Chief Internal Auditor (Illinois Office of Internal Audit)	Ms. Carol Kraus

AGENCY OFFICE LOCATION

Stratton Office Building
401 South Spring Street
Springfield, IL 62706

CMS

ILLINOIS Pat Quinn, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

James P. Sledge, Director

MANAGEMENT ASSERTION LETTER

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

March 25, 2010

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 year ended June 30, 2009. Based on this evaluation, we assert that during the year ended June 30, 2009, 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.

704 Stratton Office Building, 401 South Spring Street, Springfield, IL 62706
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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

James P. Sledge, Director

Paul Romiti, Fiscal Officer

Nadine Lacombe, General Counsel on info & belief

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.

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	19	24
Repeated findings	18	19
Prior recommendations implemented or not repeated	6	9

Details of findings are presented in a separately tabbed report section of this report.

SCHEDULE OF FINDINGS

Item Number	Page	Description	Finding Type
		FINDINGS *(GOVERNMENT AUDITING STANDARDS)*	
09-1	15	Weaknesses in internal control over financial reporting	Material Weakness and Noncompliance
09-2	18	Excess retained earnings balances representing noncompliance with federal regulations	Significant Deficiency and Noncompliance
09-3	20	Reporting of costs not in accordance with federal regulations	Material Weakness and Noncompliance

Item Number	Page	Description	Finding Type
		FINDINGS *(GOVERNMENT AUDITING STANDARDS)* – (Continued)	
09-4	22	Inadequate security and control over the midrange environment	Significant Deficiency
09-5	24	Incomplete and inaccurate records over computer systems and equipment	Significant Deficiency
		FINDINGS (STATE COMPLIANCE)	
09-6	26	Inadequate control over property and equipment	Significant Deficiency and Noncompliance
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09-11	37	Not timely in filing contracts with the Comptroller	Significant Deficiency and Noncompliance
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09-13	39	Late approval and payment of vouchers	Significant Deficiency and Noncompliance

Item Number	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
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09-15	41	Failure to develop rules or policies describing the State employees' group insurance program	Significant Deficiency and Noncompliance
09-16	42	Inadequate monitoring of interagency agreements	Significant Deficiency and Noncompliance
09-17	43	Leases in holdover status	Significant Deficiency and Noncompliance
09-18	45	Avoidable use of emergency contracts	Significant Deficiency and Noncompliance
09-19	47	Inadequate documentation of compliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance

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

09-1	15	Weaknesses in internal control over financial reporting	Material Weakness and Material Noncompliance
09-2	18	Excess retained earnings balances representing noncompliance with federal regulations	Significant Deficiency and Noncompliance
09-3	20	Reporting of costs not in accordance with federal regulations	Material Weakness and Noncompliance
09-4	22	Inadequate security and control over the midrange environment	Significant Deficiency

Item Number	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
09-5	24	Incomplete and inaccurate records over computer systems and equipment	Significant Deficiency
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A	49	Documentation of payroll costs not in compliance with federal regulations	
B	49	Inappropriate use of appropriation authority	
C	49	Ineffective property management	
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E	50	Communication with prospective bidder during procurement process	
F	50	Costs paid from shared services appropriations not related to the shared services initiative	

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 16, 2010. Attending were:

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

James P. Sledge, Director
Paul Romiti, Chief Fiscal Officer
Nadine Lacombe, Legal
Debbie Abbott, Acting Chief Internal Auditor
Tammy Compton, Fiscal
Phillina King, BEP
John Donato, BOSSAP
Rich Fetter, BCCS
Nick Kanellopoulos, BOPM
David Boyd, Audit Liaison

OFFICE OF THE AUDITOR GENERAL

Terri Davis, Audit Manager
Kathy Lovejoy, Audit Manager

SIKICH LLP

Gary Neubauer, Partner
Justin Miller, Supervisor

The responses to the recommendations were provided by Paul Romiti on March 25, 2010.

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INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

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 year ended June 30, 2009. 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.

We conducted our examination 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 finding 09-1 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 requirements listed in the first paragraph of this report during the year ended June 30, 2009. However, the results of our procedures disclosed other instances of noncompliance, 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 findings 09-2, 09-3 and 09-6 through 09-19.

Internal Control

The 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 as a basis for designing our examination procedures 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report 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 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 as described in the accompanying schedule of findings as findings 09-1 and 09-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in findings 09-2 and 09-4 though 09-19 in the accompanying schedule of findings, 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 them.

<u>Supplementary Information for State Compliance Purposes</u>

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 25, 2010. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2009 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2009 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Department's basic financial statements for the year ended June 30, 2008. In our report dated May 15, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008, taken as a whole.

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 25, 2010

Certified Public Accountants & Business Advisors

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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 the financial statements of the governmental 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, 2009, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements and have issued our report thereon dated March 25, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Department of Central Management Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control over financial reporting.

Our consideration of 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, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in findings 09-1 and 09-3 in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control 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 findings 09-2, 09-4 and 09-5 in the accompanying schedule of findings to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 09-1 through 09-3.

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. We did not audit the State of Illinois, Department of Central Management Services' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor 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 25, 2010

09-1 <u>FINDING</u>: (Weaknesses in internal control over financial reporting)

The Department's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Office of the State Comptroller contained significant errors in the determination of certain year-end assets and liabilities.

The Office of the State Comptroller requires State agencies to prepare 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. In addition, the Department provides certain financial information to the Office of the State Comptroller regarding liabilities arising from automobile accidents involving State employees that is reported by another agency and in the State's Comprehensive Annual Financial Report. GAAP Reporting Package instructions are specified in the Statewide Accounting Management System (SAMS) Manual, Chapter 27. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that will, among other things, initiate, authorize, record, process, and report financial data reliably and consistent with management's assertions embodied in the financial statements. A material weakness is a deficiency, or combination of deficiencies in the design or operation of internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit of the June 30, 2009 financial statements and testing of workers' compensation liability and automobile liability information, 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 determination of year-end liabilities as follows:

- The Department is responsible for administering the State's workers compensation program and reporting estimated liabilities for amounts to be paid to injured employees or beneficiaries in future years relating to injuries already suffered. This liability was previously calculated based on historical data projected out to payments expected to be made in the succeeding five fiscal years. This calculation did not adequately recognize a liability for payments on two types of awards, pension and death benefit, that provide benefits for indefinite periods of time (Lifetime Awards) to be made beyond the succeeding five fiscal years. During fiscal year 2009, the Department corrected the calculation and utilized life expectancies on a benefit specific basis and determined the liability at June 30, 2008 was understated by $101 million in the General Revenue Fund and $24 million in the Road Fund. The beginning fund balances of these major funds have been restated to correct the $125 million understatement.

- During our testing of the workers compensation liability, we noted an error in the calculation resulting in an overstatement of $3.916 million in the General Revenue Fund and $918 thousand in the Road Fund. The fiscal year 2009 financial statements have been adjusted to correct the $4.834 million overstatement. Department officials have stated this error was the result of an oversight.

- The Department is responsible for reporting liabilities arising from accidents involving State employees. While testing large (>$25,000) Automobile Liability reserves at June 30, 2009, we noted a portion of a claim had been settled during the fiscal year leaving an estimated liability of approximately $50,000. This outstanding claim was improperly excluded from the calculation of large Automobile Liability reserve for the Road Fund. Department officials have stated this error was the result of an oversight.

- During our testing, we noted several other errors in the preparation of the Department's internal service fund financial statements. The errors included improperly calculating the amount reported as "invested in capital assets, net of related debt," overstating installment purchase liabilities due to a data entry error, and other misstatements of receivables, payables and capital assets. The errors noted were not individually significant to the financial statements taken as a whole; however, the Department did not have effective controls over the reconciliation and review functions to ensure amounts were properly reported at June 30, 2009. Department officials have stated these errors are the result of estimation processes utilized to compile information for GAAP reporting purposes within established time frames, that most errors were subsequently noted by the Department and that the errors did not warrant correction of the financial statements.

As a result of these deficiencies, the Department's financial statements required material adjustments at June 30, 2009 and restatement of beginning fund balances. In addition, other financial information pertaining to the internal service funds was inaccurate. (Finding Code No. 09-1, 08-4, 07-4)

RECOMMENDATION:

We recommend the Department implement procedures to ensure GAAP Reporting Packages are prepared in a complete and accurate manner and information provided to other agencies and the Office of the State Comptroller for financial reporting purposes is complete and accurate.

DEPARTMENT RESPONSE:

The Department concurs.

- The Workers Compensation liability calculation was revised in the current year to include full liability for lifetime awards. The new calculation contained a duplicate line creating an overstatement of the liability. The Department provided a revised liability calculation and required adjustments to the Office of the Comptroller. A revised liability calculation template is in place for next fiscal year.

- The Department is implementing an end-of-year review process for auto liability claims which will reduce the chance for error in estimating claim liabilities.

- All financial reports will be more closely reviewed before transmission to the Office of the Comptroller so that adjustments are correct and amounts are recognized in the appropriate fiscal year for financial reporting.

09-2 FINDING: (Excess retained earnings balances representing noncompliance with federal regulations)

The Department generated excess retained earnings balances for the Communications Revolving Fund and failed to make adequate adjustments as required by OMB Circular A-87.

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State. OMB Circular A-87 (circular), *Cost Principles for State, Local and Indian Tribal Governments*, Attachment C, Section G establishes policies governing central service activities such as those provided by the Department's internal service funds. Section G.2 of the circular allows internal service funds to maintain reasonable working capital reserves, up to 60 days cash expenses, for normal operating purposes.

However, the Communications Revolving Fund (CRF) administered by the Department maintained retained earnings balances in excess of the allowable working capital reserve for certain services provided. Consequently, a payback representing the federal share of excess retained earnings balances for fiscal years 2006 and 2007 is required from the CRF and the Department believes that it is probable that a payback will be required from this fund for fiscal years 2008 and 2009. The CRF liability for fiscal years 2006 and 2007 is approximately $2.445 million. It is estimated that the CRF liability for fiscal years 2008 and 2009 is approximately $2.653 million. Total liabilities recognized at June 30, 2009, representing the federal share of excess retained earnings balances, are reported to be $5.098 million for the CRF.

Furthermore, the circular stipulates "A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable cost of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following methods: (a) a cash refund to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustment to allocated central service costs." The Department performs the annual comparisons; however, the adjustments required by the Circular in the CRF have not been made on a timely basis. As a result, this internal service fund continued to accumulate excess retained earnings balances.

During the prior audit, we noted the Statistical Services Revolving Fund (SSRF) had also accumulated excess retained earnings balances for certain billed services. While settlement with the Federal Government is still being negotiated for prior years, we noted the Department made significant progress in reducing the excess retained earnings balances accumulated during fiscal year 2009. The excess liability for fiscal year 2009 was reduced through billing adjustments that went into effect for the fiscal year and, as a result, the fiscal year 2009 excess retained earnings balance for SSRF decreased to $770 thousand. Total liabilities recognized at June 30, 2009, representing the federal share of excess retained earnings balances, are reported to be $9.961 million for the SSRF.

Department officials stated that the existence of excess balances is a result of the Department not perfectly predicting rates, costs and usage of services. Department officials believe that the accumulation of excess balances is primarily due to the delay in federal review and negotiation of settlements. Further, officials stated that the majority of the accumulated balances referenced were for prior years (fiscal year 2006 to fiscal year 2008) which were the subject of prior year findings. Department officials stated that the elimination of these balances is still under negotiation with the U.S. Department of Health and Human Services.

Failure to adequately adjust excess retained earnings balances in the Department's internal service funds has resulted in significant liabilities to the federal government and represents noncompliance with the provisions of OMB Circular A-87 Cost Principles. (Finding Code No. 09-2, 08-1, 07-1, 06-1)

RECOMMENDATION:

We recommend the Department comply with the provisions of OMB Circular A-87 by making adequate adjustments for excess retained earnings balances in internal service funds for each billed service using an acceptable method.

DEPARTMENT RESPONSE:

The Department believes that its excess balance adjustment practices are compliant with OMB Circular A-87 guidelines. Negotiated settlements are an acceptable method of adjustment. The large accumulated outstanding balances for FY06-FY08 will be settled with the federal dept of HHS in April 2010. In addition, the Department has significantly reduced its exposure to new excess balances through aggressive rates realignments.

09-3 <u>FINDING</u>: (Reporting of costs not in accordance with federal regulations)

The Department recognized costs for federal reporting purposes different than reported in the Department's financial statements prepared in accordance with generally accepted accounting principles (GAAP), and unallowable costs were reported for federal purposes.

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State. OMB Circular A-87 (circular), *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Section C provides guidelines for factors affecting the allowability of costs. Section C.1 stipulates that for costs to be allowable under federal awards, such costs must "Be necessary and reasonable for proper and efficient performance and administration of Federal awards" and "…be determined in accordance with generally accepted accounting principles."

The Department maintains accounting records for its internal service funds and annually makes adjustments to report the funds on a GAAP basis for preparation of the Department's financial statements. The Department prepares a reconciliation reflecting the differences between its internal accounting records and its GAAP basis financial statements. The Department also maintains records reflecting the allocation and determination of revenues and expenses being accounted for by individual billed service for federal reporting purposes. A reconciliation of the reporting differences between the Department's internal accounting records and the records maintained for federal purposes is also prepared by the Department. However, the Department does not reconcile the GAAP basis financial statements to the federal reporting and, as such, certain items have been reported differently in the GAAP basis financial statements than for federal reporting purposes. Specifically, we noted the following during our review of the fiscal year 2008 reconciliations that were completed by the Department during the audit period (in March 2009) for the Statistical Services Revolving Fund (SSRF), Communications Revolving Fund (CRF), and the Facilities Management Revolving Fund (FMRF):

- Expenses in the SSRF totaling $2,566,000 were properly accrued and reported in the fiscal year 2008 GAAP basis financial statements but were not accrued for federal purposes in fiscal year 2008.

- Expenses in the FMRF totaling $437,000 were properly accrued and reported in the fiscal year 2008 GAAP basis financial statements but were not accrued for federal purposes in fiscal year 2008.

- Equipment totaling $4,140,000 purchased in the CRF during the fiscal year 2008 lapse period was reported as 2008 expenses for federal purposes but was capitalized in the fiscal year 2009 GAAP basis financial statements.

- Equipment totaling $1,453,000 purchased in the SSRF during the fiscal year 2008 lapse period was reported as 2008 expenses for federal purposes but was capitalized in the fiscal year 2009 GAAP basis financial statements.

- Depreciation expense in the SSRF reported in 2008 for federal purposes was $519,000 less than reported in the 2008 GAAP basis financial statements.

- Depreciation expense in the CRF reported in 2008 for federal purposes was $1,537,000 less than reported in the 2008 GAAP basis financial statements.

- An increase in compensated absence liability in the SSRF totaling $196,000 was reported as 2008 expenses for the GAAP basis financial statements but was not accrued for federal purposes in fiscal year 2008.

- An increase in compensated absence liability in the CRF totaling $76,000 was reported as 2008 expenses for the GAAP basis financial statements but was not accrued for federal purposes in fiscal year 2008.

- An increase in compensated absence liability in the FMRF totaling $217,000 was reported as 2008 expenses for the GAAP basis financial statements but was not accrued for federal purposes in fiscal year 2008.

A number of the differences cited above represent timing differences and, over a period of two fiscal years the over and under statements will offset one another. However, as the determination of excess retained earnings balances is required to be performed annually, reporting such revenues and expenses in the wrong period could significantly alter the results of the calculation of excess balances. The reconciling items noted above have not been associated with specific individual billed services and, as such, we were unable to determine whether the items would impact the determination of the federal share of an excess retained earnings balance.

Department officials stated that timing differences exist between the GAAP basis and federal reporting due to required filing deadlines and as a result of past practices and related acceptance by federal Department of Health and Human Services.

Failure to recognize revenues and expenses for federal purposes in accordance with generally accepted accounting principles represents noncompliance with the provisions of OMB Circular A-87 Cost Principles and could result in increases or decreases in the amount determined to be the federal share of excess retained earnings balances. (Finding Code No. 09-3, 08-2, 07-2)

RECOMMENDATION:

We recommend the Department comply with the provisions of OMB Circular A-87 by reporting revenues and expenses in accordance with generally accepted accounting principles for federal purposes.

DEPARTMENT RESPONSE:

The Department concurs, and continues to adjust its accounting practices to reduce reconciling items.

09-4 <u>FINDING</u>: (Inadequate security and control over the midrange environment)

The Department did not institute or implement comprehensive standards to effectively secure and control the midrange environment.

20 ILCS 405/405-410, effective January 15, 2005, authorized the Department to consolidate Information Technology functions of State government. The following agencies were participating in the consolidation project:

- Department of Agriculture;
- Department of Commerce and Economic Opportunity;
- Department of Employment Security;
- Department of Financial and Professional Regulation;
- Department of Healthcare and Family Services;
- Department of Human Services;
- Department of Natural Resources;
- Department of Public Health;
- Department of Revenue;
- Department of Transportation; and
- Environmental Protection Agency.

Although the consolidation was authorized in January 2005, the Department still did not maintain adequate security over the midrange environment. Specifically, during our review, we noted:

- Comprehensive standards to effectively secure and control the midrange environment had not been implemented across the midrange environment.
- Password length and content requirements were lacking.
- Some administrative and user accounts did not require passwords.
- Servers were not updated with the current vendor recommended patch or service pack levels.
- An effective backup media tracking process had not been established.

Department officials stated in order to provide immediate benefit of physical environment control, the Department relocated the non-standard server platforms into its data center which led to the need to support multiple, non-standard environments. Many of the underlying causes are a result of the decision to immediately relocate servers prior to standardization of the server configuration.

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.

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.

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 identify all assets and strengthen its security to protect its assets and resources against unauthorized access and misuse. (Finding Code No. 09-4, 08-07, 07-11)

RECOMMENDATION:

The Department should institute and implement comprehensive standards to effectively secure and control the midrange environment for itself and consolidated agency systems.

The Department should formally communicate with consolidated agencies to determine their specific security requirements, and develop and implement guidelines that outline both the agencies' and the Department's responsibilities. In addition, the Department should provide a means for consolidated agencies to verify that security and integrity controls in the midrange environment are suitable and meet specific application requirements.

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.
- Develop and implement an effective backup tracking process.

DEPARTMENT RESPONSE:

The Department concurs and will continue to strive toward standardization and maturity in the midrange environment.

In order to provide immediate benefit of physical environment control, DCMS relocated the non-standard server platforms into its data center which led to the need to support multiple, non-standard environments. Many of the underlying causes are a result of the decision to relocate servers prior to consolidation.

The current Architectural Review Board, Service Engineering Unit, and I.T. Governance process will continue efforts to implement standards, establish appropriate documentation and guidelines, and communicate with agencies. The recent purchase and installation of a comprehensive compliance monitoring product will help control users with security administration authority; identify users that should be deactivated for non-use, and help DCMS track server patch and service pack levels. As staff resources and budgets permit, the Department plans to schedule an enterprise assessment of its security controls.

09-5 **<u>FINDING</u>:** (Incomplete and inaccurate records over computer systems and equipment)

The Department did not maintain complete, accurate, or detailed records to substantiate its current midrange computer system and equipment.

20 ILCS 405/405-410, effective January 15, 2005, authorized the Department to consolidate Information Technology functions of State government. The following agencies were participating in the consolidation project:

- Department of Agriculture;
- Department of Commerce and Economic Opportunity;
- Department of Employment Security;
- Department of Financial and Professional Regulation;
- Department of Healthcare and Family Services;
- Department of Human Services;
- Department of Natural Resources;
- Department of Public Health;
- Department of Revenue;
- Department of Transportation; and
- Environmental Protection Agency.

Although the consolidation was authorized in January 2005, the Department still did not maintain adequate records over the midrange environment. Specifically, during our review of approximately 1,300 servers, we noted 160 (12.3%) were not included in the Department listing. Due to the lack of complete and accurate information, we are unable to conduct detailed testing.

Department officials stated the deficiency is a result of incomplete and inaccurate records inherited from the legacy agencies.

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.

The lack of complete, accurate, and detailed records also inhibits the Department's ability to administer, secure, and monitor the midrange environment for consolidated agencies. With over 2,900 midrange servers under its control, it is imperative that detailed records be maintained to provide an accurate record of equipment inventory and a means to verify that security and integrity controls on individual servers are suitable and meet specific application requirements. (Finding Code No. 09-5, 08-8, 07-12)

RECOMMENDATION:

We recommend the Department ensure complete, accurate and detailed records are available to substantiate its midrange computer systems and equipment.

DEPARTMENT RESPONSE:

The Department concurs.

Many of the issues described are related to legacy environments, and these environments did not have adequate controls in place prior to moving the servers to the DCMS data center. Based on reviews of legacy agency prior audit reports, it is evident that these systems were not being effectively managed prior to their move and were at serious risk from an environmental and security perspective.

DCMS is currently pursuing the initiation of a project for a Configuration Management database. This database will replace the Technical Validation database, which represents all DCMS managed IT processing equipment. DCMS is also reconciling its databases against the legacy agency inventory systems to improve data integrity.

09-6 **FINDING:** (Inadequate control over property and equipment)

The Department has not provided adequate control over property and equipment. We tested the physical inventory and location of equipment and equipment transfers and deletions, and noted deficiencies as 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:

- Seven items valued at $10,754 could not be located. These items include the following: partitions with storage cabinets, printer, electric cart, cabinet, folding table, shredder and chair.
- A copier and a laminator valued at $17,213 could not be located. Department personnel indicated the equipment was sent to surplus property; however, the property control records showed the equipment at its original location.
- Modular furniture valued at $190,336 was not tagged sufficiently to ensure all items included in the property records could be physically accounted for. Furniture matching the description was observed; however, the items are not individually tagged and, as such, we could not specifically identify and match the items to that in the property records.
- Four items valued at $14,109 were found at locations other than the location listed in the property records. These items include the following: furniture partitions, a chair, and two copiers.

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, 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.

Department officials have stated that field property control coordinators did not always process proper paperwork documenting equipment moves for submission to the Property Control Officer.

Equipment Transfers

During our testing of transfers of property and equipment, we noted an item valued at $19,676 was transferred to Surplus Property and listed as having a cost of $1,400.

We also noted weaknesses regarding the transfer of equipment to surplus property. Specifically, we noted one item with an original cost of $3,462 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). In addition, two items with an original cost of $16,992 had no Surplus Property Delivery Forms or other supporting documentation when sent to Surplus Property.

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

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.

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. 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 is properly safeguarded and records are complete and accurate and properly complete and maintain supporting documentation for transfers.

DEPARTMENT RESPONSE:

The Department concurs that existing procedures should be more closely followed when transferring property to surplus. We are improving training in this area. We are also implementing a process to better account for group tagged items.

09-7 **<u>FINDING</u>:** (Inadequate disaster contingency planning)

The Department did not have an adequately developed and tested disaster contingency plan for the midrange environment.

20 ILCS 405/405-410, effective January 15, 2005, authorized the Department to consolidate Information Technology functions of State government. The following agencies were participating in the consolidation project:

- Department of Agriculture;
- Department of Commerce and Economic Opportunity;
- Department of Employment Security;
- Department of Financial and Professional Regulation;
- Department of Healthcare and Family Services;
- Department of Human Services;
- Department of Natural Resources;
- Department of Public Health;
- Department of Revenue;
- Department of Transportation; and
- Environmental Protection Agency.

Although consolidation was authorized in January 2005, the Department still does not have adequate controls to ensure the availability of the midrange environment. Specifically, the Department had not developed nor tested a disaster contingency plan for the midrange environment. Additionally, the Department did not have an adequate satellite facility to meet the recovery needs of the midrange environment.

After the consolidation, there were 32 Category One applications (considered critical to the health and welfare of the Illinois citizens) which run on the Department's midrange environment.

Department officials stated, currently no supported agency has identified and communicated a distributed application with the combined criticality of category 1 and stage 0.

Based on our review of Department records, we were unable to determine if the decrease of critical applications from 32 to zero was based on changes in recovery needs or documentation formalities.

Disaster contingency planning requires continuous, proactive efforts of assessing and reassessing the computer environment to ensure plan, equipment, and facilities are adequate. One of the purposes of disaster recovery planning is to minimize the overall impact of a disaster and ensure timely recovery of essential services.

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 as defined in Section 405-20, so as to achieve maximum economy consistent with development of adequate and timely information in a form suitable for management

analysis, in a manner that provides for adequate security protection and back-up facilities for that equipment."

Additionally, information technology guidance (including the National Institute of Standards and Technology and Governmental Accountability Office) endorses adequate development and formal testing of disaster contingency plans. An adequately developed and tested contingency plan would assist the Department in ensuring its plan, procedures and available resources (including personnel, hardware, and facilities) are adequate for recovering the critical systems within the required timeframes.

An adequately developed and thoroughly tested contingency plan would greatly assist in coping with unplanned service disruptions and ensure the availability of critical information resources within acceptable recovery timeframes. Failure to have a tested comprehensive plan could result in not being able to process critical transactions for an extended period of time in the event of a disaster. (Finding Code No. 09-7, 08-9, 07-13)

RECOMMENDATION:

The Department should ensure the necessary components (plans, equipment, and facilities) are available to provide for the continuation of the midrange environment in the event of a disaster.

The Department should formally communicate with consolidated agencies to gain an understanding of their individual recovery requirements, and establish and document guidelines that outline both the agencies and the Department's responsibilities. The Department should coordinate with the agencies and help ensure that recovery tests of critical applications are conducted at least annually.

DEPARTMENT RESPONSE:

The Department concurs, and in the past year has implemented the following:

1. Developed and exercised disaster contingency plans for the major components of the midrange environment.
2. Formally communicated on a quarterly basis – verbally and in writing – with the consolidated agencies to determine their individual recovery requirements.
3. Established and documented guidelines and policy on recovery roles and responsibilities.
4. Coordinated with the consolidated agencies to identify, plan, and test those critical midrange applications requiring disaster contingency plans. To date only one agency has submitted a request to develop recovery plans for a midrange application.

09-8 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.

The Department did not have an effective mechanism in place to track the number of vendor software licenses purchased versus the number of software copies deployed. The Department did have an automated inventory scanning tool, but had not conducted a self-audit of the number of software licenses being utilized.

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 this condition existed in the legacy agencies prior to consolidation. The agencies did not provide adequate records documenting the license usage.

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. 09-8, 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 consistently and progressively addressed this issue by developing a comprehensive inventory of existing contracts and license agreements that the Department inherited from the legacy agencies. The Department is also taking steps to ensure that a more accurate count of the software licensing is occurring through the deployment of Microsoft's SMS solution in all standardized desktop configurations, as well as an improved asset management process. The Department has also implemented procedural steps to ensure license compliance for all new software moves, additions and changes.

09-9 **FINDING:** (Follow up to management audit of the Department's Administration of the Business Enterprise Program)

In June 2006, the Office of the Auditor General released a management audit of the Department of Central Management Services' Administration of the Business Enterprise Program. 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 this compliance examination (for the year ended June 30, 2009), auditors determined that the Department has partially implemented four of the five recommendations not fully implemented during the previous years. One of the recommendations has not been implemented.

The following recommendation has not been implemented by the Department:

- **Ensure all certifications are completed within 60 days (Recommendation #7):** *The Department of Central Management Services should ensure that all applicants for certification or recertification are processed in the required 60 days.* 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 25 certifications selected for testing, eleven certifications were not processed within the 60 day processing criteria. In addition, we noted twelve instances where tracking data contained in the Department's Certification Log did not agree with the documentation supporting the certification.

  Department officials stated that resources and staff deficiencies as well as a change in administrations have contributed to this finding. The Department and the State of Illinois have new leadership that will address this deficiency.

The following four recommendations have been partially implemented by the Department:

- **Adequate Membership and regularly scheduled council meetings (Recommendation #1):** *The Department of Central Management Services should ensure that the Business Enterprise Council has adequate membership and that the meetings are held on a regular basis.* During fiscal year 2009 the Council held meetings on a regular basis; however, vacancies in the Council remain. Out of a 19 member Council, three seats were vacant as of June 30, 2009.

  Department officials stated that the Department does not have the authority to appoint members to the Council.

- **Develop minimum training requirements and track training (Recommendation #3):** *CMS 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.* Management has identified training it would like staff to attend and has set minimum training requirements for staff, including a monthly training requirement. However, staff did not receive the minimum training outlined in the BEP Policy and Procedure Manual. The Department provided evidence of four training classes held as follows: one in October 2008; two in December 2008; and one in March 2009. The Department did not provide evidence of any other regional or national training or certification other than the four classes above.

Department officials stated that the Department implemented an overly aggressive training schedule with respect to Department resources that was not fully met due to time constraints.

- **Reciprocal Agreements with Agencies and Universities (Recommendation #4):** *CMS should develop written agreements with those entities that it accepts certifications from to ensure that those entities' requirements and procedures equal or exceed those in The Business Enterprise for Minorities, Females, and Persons with Disabilities Act and to ensure that vendors are eligible. Agreements should include requirements, procedures, and notifications of certification or denial or changes in requirements. The Business Enterprise Council should also approve all agreements.* Management has developed a standard reciprocity agreement for the Agencies and Universities and has finalized the agreement with seven of the eight entities. Management is currently waiting for final legal review and signatures on the agreement with the City of Chicago.

  Department officials stated that the Department is awaiting a response from the City of Chicago and that personnel continue to work aggressively towards finalizing the agreement.

- **Consider conducting site visits (Recommendation #6):** *The Department of Central Management Services should consider conducting site visits of all applicants.* Management has defined a procedure that describes, in general terms, the circumstances under which a certification may require a site visit. Certification may be flagged for site visits as a result of questionable elements in the application as determined by the analyst, Operations Manager or Deputy Director. In addition, a third party complaint may warrant a site visit. Under this approach, the Department has represented that 97 certifications were flagged for a site visit during fiscal year 2009. Records provided by program management indicate that all 97 flagged files resulted in actual site visits during the fiscal year.

  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, the Department has not documented consideration of alternatives to performing site visits of all applicants, such as a cyclical methodology to cover a reasonable percentage of new applications and renewals each year. Such a methodology could improve controls over the certification process and help to further ensure that only entities that are truly eligible under the requirements of the program receive benefits.

Department officials stated that they believe the Department has addressed this recommendation by developing general guidelines for conducting site visits and by conducting all such visits as identified in the reporting period. Further documentation of this process has not been completed due to time constraints and resource shortages.

It is important that the Department continue to implement the recommendations from the management audit to further improve its operations and performance. (Finding Code No. 09-9, 08-11, 07-22)

RECOMMENDATION:

We recommend the Department of Central Management Services continue to fully implement the remaining five management audit recommendations contained in the June 2006 Business Enterprise Management Audit that were either not implemented or were partially implemented.

DEPARTMENT RESPONSE:

The Department concurs with the recommendations. More specifically:

Ensure all certifications are completed within 60 days (Recommendation #7):
Response: While BEP has made progress in this area, certifications continue to exceed the 60 day requirement. BEP is looking at ways of streamlining the applications and the application process to address this concern.

Adequate Membership and regularly scheduled council meetings (Recommendation #1):
Response: The Department concurs with this recommendation which has been substantially implemented. Pursuant to 30 ILCS 575/8b, the council has held regular scheduled meetings. Pursuant to 30 ILCS 575/5(1) any vacancy occurring on the council shall be filled by the Governor. In an effort to facilitate timely appointments, the Director's office has designated legal counsel to serve as a liaison and catalyst for these appointments.

Develop minimum training requirements and track training (Recommendation #3):
Response: BEP will review and revise the current training requirements for certification staff. In addition, BEP will create a tracking process for certification training.

Reciprocal Agreements with Agencies and Universities (Recommendation #4):
Response: The Department continues to work aggressively towards finalizing the reciprocal agreement with the City of Chicago.

Consider conducting site visits (Recommendation #6):
Response: Although BEP is not statutorily required to conduct site visits on all applications, BEP will continue to use site visits to maintain the integrity of the certification program. BEP will consider alternatives to performing site visits and review strategies to make site visit determinations more uniform.

09-10 **<u>FINDING</u>:** (Surplus property management process weaknesses)

The Department's Division of Property Management State Surplus Warehouse has not implemented an adequate inventory control system.

A paper listing of surplused property submitted by agencies with the delivery of items to the warehouse was the only record of surplused inventory. The lack of an adequate inventory control system impedes compliance with the Illinois Administrative Code (44 Ill. Adm. Code Part 5010), and reduces the ability of Surplus Warehouse personnel and agencies to locate equipment for potential transfer. This results in a risk that agencies would purchase new equipment when comparable equipment could have been obtained from Surplus.

One method of disposal under the Illinois Administrative Code (44 Ill. Adm. Code 5010.610) is to offer the equipment for the use of any State agency. The lack of an adequate inventory control system hindered the ability of Surplus to offer equipment to State agencies. A comprehensive list of available items was not maintained or disseminated to agencies. However, agencies were permitted to send "want lists" and be notified of requested transferable equipment as it became available (44 Ill. Adm. Code 5010.640).

The lack of effective controls regarding the receipt and inventory of equipment increases the potential for theft of the State's surplused property. Property would often arrive at the Surplus Warehouse in large volumes. Instead of accounting for every item listed on the delivery form, Surplus personnel would do a spot check, comparing some items listed on the delivery form with the items physically delivered. If the spot check resulted in no errors, the Surplus personnel would then sign the delivery form indicating that all of the property was received. This process potentially allows surplus property that was never delivered to the warehouse to be recorded in the property records. However, we did not note any such activity during the current examination.

Department personnel have represented the continued weaknesses in the inventory control system are the result of a delay in the implementation of a more effective inventory system. The Department is involved in the design and implementation of a new inventory management system to assist in reallocating surplus property to agencies in need. Per discussion with Department personnel, the new system had been designed and was in the testing phase, with an anticipated fully functioning roll-out target of May 2010. (Finding Code No. 09-10, 08-12, 07-23, 06-9, 05-16, 04-15)

<u>RECOMMENDATION</u>:

We recommend the Department complete the implementation of the centralized inventory system software. An effective inventory control system would improve controls over the receipt and tracking of inventory, reduce the potential for theft, and enable Surplus to better serve the needs of State agencies.

DEPARTMENT RESPONSE:

The Department concurs and is in the implementation phase of a new integrated surplus property control system which is expected to go on-line in the spring of 2010. This system and the associated procedures will address the audit recommendations.

09-11 **FINDING:** (Not timely in filing contracts with the Comptroller)

The Department was not timely in filing contracts in excess of $10,000 with the Comptroller.

During the current period, 12 contracts awarded in fiscal year 2009 totaling a maximum award amount of approximately $216 million were selected for testing.

In 6 of 12 (50%) contracts totaling $155 million, the Department did not file the contract with the Comptroller within 15 days of the execution date of the contract, as required by the Illinois Procurement Code. One of 12 (8%) contracts was filed with the Comptroller greater than 30 days after the execution date, thereby requiring a late filing affidavit. This contract had the required late filing affidavit on file.

The Illinois Procurement Code (30 ILCS 500/20-80 (b)) requires any State agency that incurs a contract liability exceeding $10,000 to file a copy of the contract or lease with the Office of the Comptroller within 15 days of the contract's execution. If the contract is not filed with the Office of 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 that the volumes of contract and amendment activities delay the filings.

Failure to file contracts and leases in excess of $10,000 in a timely fashion with the Office of the Comptroller is a violation of State statute. (Finding Code No. 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 15 days after the execution of the agreement.

DEPARTMENT RESPONSE:

The Department concurs, and conducts periodic training for fiscal and procurement staff in order to reduce these late filing occurrences.

09-12 FINDING: (Failure to meet statutory reporting requirements)

The Department failed to report to the General Assembly and Governor as required by the Illinois Procurement Code.

Reports concerning the activities undertaken to hire qualified veterans and ex-offenders were filed with the General Assembly and the Governor 127 days late. The Illinois Procurement Code (30 ILCS 500/45-67 and 45-70) requires the Department to submit two separate reports to the Governor and to the General Assembly by December 31 of each year on the activities undertaken by chief procurement officers and the Department to encourage prospective vendors to consider hiring qualified veterans and residents who have been discharged from an Illinois adult correctional center.

A third report concerning contracts performed outside the Unities States still has not been completed and filed with the General Assembly. The Illinois Procurement Code (30 ILCS 500/25-65) requires the Department to prepare and deliver to the General Assembly, no later than September 1, 2007, a report on the impact of outsourcing services on the State's cost of procurement that identifies those contracts where it was disclosed that services were provided outside of the United States and a description and value of those services.

Department officials stated that, with respect to the late reports, originally the Department took the position that no reports were due because the legislature had not named a committee for the Department to work with on these issues, as provided in statute. Subsequently, the Department determined to file the reports on its own and did so after the due date. With respect to the report not filed, Department officials stated that, at the time the report was required, the Department determined that available data was limited and its impact would not be significant. Department officials believe that the required report was time sensitive and was required during a period that is now closed.

Failure to submit required reports is a violation of State statute and hinders the State's endeavor to hire veterans and ex-offenders and prevents disclosure of whether contracted services are performed outside of the United States. (Finding Code No. 09-12, 08-14)

RECOMMENDATION:

We recommend the Department comply with the Illinois Procurement Code and submit to the General Assembly and Governor all required reports on a timely basis or seek legislative remedy to have the statutory requirement removed.

DEPARTMENT RESPONSE:

The Department concurs.

09-13 FINDING: (Late approval and payment of vouchers)

The Department did not process invoice vouchers in a timely manner as required by the Illinois Administrative Code.

During our testing of 60 vouchers, we noted 21 (35%) vouchers were not approved in a timely manner. Those not approved within 30 days of physical receipt were approved from 2 to 95 days late. We also noted that 20 (33%) of the 60 vouchers were not paid within 60 days of receipt. Those not approved within 60 days of physical receipt were approved from 7 to 76 days late. During fiscal year 2009 the Department made interest payments for late payment of vouchers totaling $426,957.

The Illinois Administrative Code (74 Ill. Adm. Code 900.70) 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 60 days after the receipt of the bill.

Department officials stated that the exceptions related to late approval were the result of delays in processing due to limitations of fiscal staffing and resources. Complexities of managing cash flows, vendor accounts and vendor communications in the current financial position of the State's funds created significant lag in invoice approvals. Department officials also stated that the State's financial position and lack of cash caused the delay in payments. The revolving funds must hold invoices until there is sufficient cash available to pay them.

This violation could lead to the assessment of late charges or penalties to the State. The Prompt Payment Act states that interest begins accruing on the 61st 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 must be requested by the vendor. The Department appears to have paid interest in accordance with the Act. (Finding Code No. 09-13, 08-15, 07-24, 06-13, 05-20, 04-21)

RECOMMENDATION:

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 60 days of physical receipt, as required by the Illinois Administrative Code.

DEPARTMENT RESPONSE:

The Department concurs with the recommendations regarding voucher approval.

The Department, however, cannot enforce any procedure to actually pay vouchers when there is no cash physically available to make payment.

09-14 <u>FINDING</u>: (Time sheets not maintained in compliance with the State Officials and Employees Ethics Act)

The Department is not maintaining time sheets for its employees in compliance with the State Officials and Employees Ethics Act (Act).

The Act requires the Department to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, “The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour.”

During fiscal year 2009 the Department’s headcount averaged 1,645 employees. We noted that only 125 of the 1,645 (8%) Department employees maintained time sheets in compliance with the Act. Most employees’ time is generally tracked using the Central Management Services payroll system, which is a “negative” timekeeping system whereby the employee is assumed to be working unless noted otherwise. No time sheets documenting the time spent each day on official State business to the nearest quarter hour are maintained for the majority of Department employees. The employees documenting time to the nearest quarter hour were only upper management employees including the Director, General Counsel, and employees in other positions that involve either principal administrative responsibilities for the determination of policy or principal administrative responsibility for the way in which policies are carried out.

Department personnel stated the current system does not accommodate positive-entry timekeeping. Department personnel also stated they are participating in the development of the pilot for the new statewide timekeeping system which will satisfy the requirements of the Act. In the interim, a recap of monthly hours accumulated from the negative timekeeping system is generated and the Department require non-management employees to sign off that all time recapped as worked was spent on State business.

By not maintaining appropriate time sheets for its employees, the Department is not in compliance with the Act. (Finding Code No. 09-14, 08-16, 07-25, 06-14, 05-21, 04-23)

<u>RECOMMENDATION</u>:

We recommend the Department establish an appropriate mechanism that will enable all employees to maintain time sheets in compliance with the Act.

<u>DEPARTMENT RESPONSE</u>:

The Department concurs and has already implemented (in November 2009) an agency-wide timekeeping process in compliance with the Ethics Act.

09-15 FINDING: (Failure to develop rules or policies describing the State employees' group insurance program)

The 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 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 have represented that due to the changing guidelines for the program, particularly those associated with the newly negotiated union contracts, the expansion of coverage under Public Act 095-0958, and the impact of federal health care reform legislation, the Department has delayed finalizing and submitting these rules until these program changes can be incorporated.

The Department is in noncompliance 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. 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. The Department has rules established for 5 of the 6 programs under the Group Insurance Act, and the Bureau of Benefits had been drafting rules for the State Employees Group Health Program. Due to the changing guidelines for the program, particularly those associated with pending federal legislation, union agreements and the expansion of coverage under Public Act 095-0958, the Bureau delayed finalizing and submitting these rules until these important program changes can be incorporated.

09-16 **FINDING:** (Inadequate monitoring of interagency agreements)

The Department's process to monitor interagency agreements was inadequate.

During our examination we tested 25 interagency agreements between the Department and other State agencies and noted 9 of 25 (36%) were not signed by all necessary parties before the effective date. These agreements were between 2 and 117 days late.

The Comptroller's Statewide Accounting Management System (SAMS) 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.

The Department has entered into 97 agreements with other State agencies and other units of government. The purpose of the agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreement is reasonable, appropriate, and sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date and executed before the commencement of services. (Finding Code No. 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 that signing of the agreements by all parties needs to be completed in a more timely fashion, and has developed a tracking/approval system to facilitate this effort.

09-17 FINDING: (Leases in holdover status)

The Department is not actively managing its leased space or occupancy, nor bidding and renewing, or consolidating its existing leases resulting in a substantial number of leases that have not been timely renewed or terminated. The Department has procured 525 property leases.

The Civil Administrative Code of Illinois (20 ILCS 405/405-300(a)) establishes the Department's duty "To lease or purchase office space for all State agencies, …except the Constitutional officers, the State Board of Education and the State colleges and universities and their governing bodies."

Department records indicate that as of June 30, 2009, 116 of the 525 (22%) leases were in holdover status. Leases in holdover status represent leases for which the contractual term of the lease has expired but the State continues to occupy space in the building and pay on a month-to-month basis under the previous terms of the lease. Many of these leases have been in this status for over 5 years as noted in the table below. The Department has not assessed effective utilization of the space and has not negotiated terms that may be more favorable to the State.

Lease Expired During Fiscal Year	Number of Leases in Holdover Status at June 30, 2009
1998	2
1999	1
2000	2
2001	4
2002	9
2003	15
2004	12
2005	12
2006	16
2007	9
2008	15
2009	19
Total	116

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) states, "All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law." Department officials stated that since 2006, when the Department had over 300 holdover leases, it has worked diligently to eliminate existing holdover leases while also dealing with approximately 150 additional leases expiring since 2006. The existing number of holdover leases is due to staffing issues including, but not limited to, the retirement of experienced staff and the subsequent hiring of inexperienced staff.

Failure to address leases in holdover status has impacted the Department's ability to effectively manage occupancy costs and revenues by property and agency. (Finding Code No. 09-17)

RECOMMENDATION:

We recommend the Department continue efforts in reducing the number of leases in holdover status.

DEPARTMENT RESPONSE:

The Department concurs, and is committed to eliminating holdover leases in accordance with the requirements of PA 96-0795. We fully anticipate that we will be in compliance with the holdover lease provisions of the Act by its effective date.

The Department continues to utilize a wide variety of space management strategies and tools to determine the most cost effective alternatives not only for agencies occupying holdover lease facilities, but for all leased properties under the Department's purview.

09-18 FINDING: (Avoidable use of emergency contracts)

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

During our testing of emergency purchase affidavits, we noted four affidavits were filed to renew cellular services for various regions of the State while waiting to procure a State-wide master contract for cellular services. Throughout the State of Illinois, there are seven service regions for cellular/wireless services. These service regions are serviced by three separate vendors. The contracts with these vendors have been procured by emergency purchase annually since September 2005. During fiscal year 2009, all seven service region's contracts were extended for a nine month period of January 1, 2009 to September 30, 2009. Also, push-to-talk services were under contract with a fourth vendor whose services were extended through emergency purchase for the same nine month period as above.

In addition, we noted one affidavit was filed to extend telecommunications network services for the State for a twelve month period from December 15, 2008 to December 14, 2009. The total estimated expenditures for the extension period were approximately $35.6 million. The original contract, including allowable renewal periods, expired on September 30, 2008. The Illinois Administrative Code (44 Ill. Adm. Code 1.2005(l)) allows for the extension of an indefinite quantity contract for a period of 90 days. The network services contract was extended beyond September 30, 2008 date for 90 days with a new contract end date of December 14, 2008. An additional twelve month extension was then procured through the emergency purchase method to allow for continued services while a request for proposal was conducted to establish a replacement contract.

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 public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State property, to prevent or minimize serious disruption in State services, or to ensure the integrity of State records. The Code also states that the emergency procurements shall be made with as much competition as possible. Further, the Code states that the Department shall employ such competition as is practicable under the emergency circumstances to abate the emergency situation.

Department officials stated the original competitive procurement for cellular services had to be cancelled, substantially revised to meet issues raised in a protest, and re-issued, which resulted in the reliance on additional emergency procurements to provide the services. Similarly for telecommunication network services, the review, approval and re-issuing of the competitive procurement for replacement contract(s) also required the Department to procure an additional twelve month extension through the emergency purchase method to avoid a lapse in mission critical communications services.

The Department's inability to procure a master contract for cellular services and telecommunication network services has created the emergency situation. Proper planning and foresight would have allowed for these services to be competitively bid. As a result, the Department circumvented the bidding process mandated by the Illinois Procurement Code and spent $5,740,528 on cellular services from January 1, 2009 to September 30, 2009 and $33,579,095 for telecommunications network services from December 15, 2008 to December 14, 2009. These services should not have been an emergency and should have been competitively procured. (Finding Code No. 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. The two contracts in question will be awarded and implemented in FY10. The Department has taken steps to minimize the use of emergency contract extensions by proactively managing complex procurements earlier in the procurement cycle.

09-19 **<u>FINDING</u>:** (Inadequate documentation of compliance with the Fiscal Control and Internal Auditing Act)

The Department's Illinois Office of Internal Audit (IOIA) did not comply with the Fiscal Control and Internal Auditing Act 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 IOIA to develop risk-based plans to determine the priorities of the internal audit activities while the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) establishes specific mandates regarding internal audit requirements at Illinois State agencies.

The Act requires the internal auditing program to include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years. IOIA made improvements in the number of audits performed during fiscal years 2008 and 2009. However, we noted IOIA did not ensure that audits of major systems were being completed once every two years as required by the Act as follows.

- The fiscal year 2009 IOIA audit plan identified 139 high risk audits that needed to be performed. IOIA postponed or cancelled 72 high risk audits (52%). As a result, IOIA did not complete approximately 13,000 of 28,000 (46%) budgeted hours of planned high risk audits. IOIA representatives indicated this was a result of overages from audits completed or in draft report stage and the redistribution of resources to begin preliminary risk assessments relating to agencies for the American Recovery and Reinvestment Act (ARRA). Furthermore, the Department, through the IOIA, issued a Request for Proposal (RFP) to procure 3,000 hours of internal audit assistance for ARRA risk assessment at various state agencies. The redistribution of resources was not in response to a change in assessed risk for the audits which were considered high risk in the plan. There were no policies identifying what the minimum criteria would have been to meet FCIAA requirements if the audit plan was not met for each of the FCIAA areas. In addition, IOIA did not document their change in risk assessment for a particular audit if they focused on another area of FCIAA.

- IOIA could not demonstrate that they were addressing the additional risks associated with the agencies which had a greater impact on one of the eleven major transaction/event cycles in accordance with Statewide Accounting Management System (Procedure 02.50.20). Internal audits were completed in the eleven major transaction/event cycles set forth in the SAMS (Procedure 02.50.20); however, the extent of testing performed in four of the cycles did not provide coverage commensurate with assessed risk on a state-wide basis. The cycles not adequately tested were 1) Personnel and Payroll, 2) Property, Equipment, and Inventory, 3) Purchasing, Contracting and Leasing, and 4) Revenues, Receivables, and Cash. For each major cycle noted, IOIA excluded key agencies from the audits performed even though the excluded agencies have significant responsibilities within the cycles. IOIA representatives indicated the decision to perform audits at the agencies is influenced, in part, to avoid duplicating efforts when those agencies are subject to external audit by the Office of the Auditor General.

- The following table, summarized from the IOIA 2009 annual report, demonstrates the results of the internal audit effort for fiscal year 2009 compared to the planned internal audit effort. In addition to the planned 2009 audits, IOIA completed 16 audits that were started in fiscal year 2008.

From 2009 Plan	Number	Percent
Audits Completed	113	35%
Audits in Draft Stage at June 30, 2009	37	12%
Audits in Progress at June 30, 2009	21	7%
Audits Postponed to Fiscal Year 2010-2011	97	30%
Audits Cancelled	51	16%
Total	319	100%

Department officials stated that some audits in FCIAA areas were not conducted due to extenuating circumstances at agencies such as office closures or other factors, management's judgment, and the allocation of scarce resources. A major factor in fiscal year 2009 was the passage of the American Recovery and Reinvestment Act. IOIA devoted substantial resources on this project as it was deemed high risk.

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. 09-19, 08-23, 07-26, 06-16)

RECOMMENDATION:

We recommend the Department ensure that audits of all major systems of internal accounting and administrative control are conducted at least once every two years as required by the Fiscal Control and Internal Auditing Act. We further recommend the Department improve documentation of the risk assessment process to more clearly associate the internal audit effort with identified/assessed risks.

DEPARTMENT RESPONSE:

Annually, IOIA identifies major FCIAA categories for the 38 agencies it audits. We perform a risk assessment in accordance with the Institute of Internal Audit standards to determine audit coverage for the year, track FCIAA coverage for all audits performed and monitor status continually throughout the year. Changes to the annual audit plan are documented using an "Audit Change Form" or an "Add Audit or Activity to Plan Form". A major consideration specific to the FY09 plan was the American Recovery and Reinvestment Act (ARRA). A considerable amount of time was necessary to research and determine the impact to the State of Illinois. In FY10, ARRA is a component in the annual audit plan. We will continue to assess our operations and implement improvements as needed.

PRIOR FINDINGS NOT REPEATED

A **FINDING:** (Documentation of payroll costs not in compliance with federal regulations)

In the prior year, the Department did not document the distribution of salaries or wages for employees working on multiple activities as required by federal regulations.

During the current period, we noted that the Department has taken steps to allocate salaries or wages for employees working on multiple activities on a basis that is allowed under federal regulations. (Finding Code No. 08-3, 07-3)

B **FINDING:** (Inappropriate use of appropriation authority)

In the prior year, the Department used an interagency agreement to expend funds from another agency's appropriation for the payment of medical expenses under the Workers' Compensation program.

Effective July 18, 2008, Public Act 95-0744 amended the State Employees Group Insurance Act of 1971 (5 ILCS 375/13.1(d)(3.5)) to add that the payment of medical expenses incurred for the treatment of employees who suffer accidental injury or death within the scope of their employment may be paid from the Health Insurance Reserve Fund. This law change clarified the statute and supports the Department's current process. (Finding Code No. 08-5, 07-6)

C **FINDING:** (Ineffective property management)

In the prior year, the Department had not established a property management function to effectively manage occupancy costs and revenues. Specifically, the Department failed to timely update facilities billing rates and failed to timely bill user agencies for occupancy costs. In addition, the Department continued to carry a large number of leases in holdover status, resulting in a variety of potential problems for the State.

During the current period, we noted that the Department improved its property management function by developing new occupancy rates more quickly and by improving the timeliness of billings to user agencies. However, the Department continued to carry a large number of leases in holdover status. That issue has not been completely resolved and is reported in the new Finding Code No. 09-17 elsewhere in this report. (Finding Code No. 08-19, 07-20, 06-7, 05-11)

D **<u>FINDING</u>:** (Inadequate controls over travel)

In the prior year, the Department's internal controls over travel expenditures were inadequate to ensure compliance with travel regulations or internal policies.

During the current period, the Department improved their internal controls over travel. (Finding Code No. 08-20)

E **<u>FINDING</u>:** (Communication with prospective bidder during procurement process)

In the prior year, we noted improper communication with a prospective bidder during the procurement of a master contract in violation of the Illinois Procurement Code.

During the current period, we did not note the same type of improper communication with prospective bidders during the procurement of master contracts. (Finding Code No. 08-22)

F **<u>FINDING</u>:** (Costs paid from shared services appropriations not related to the shared services initiative)

In the prior year, the Department paid certain costs from the shared services appropriations that were unrelated to and provided no benefit to the shared services initiative.

In the current period, we did not note improper payments from the shares services appropriations. (Finding Code No. 08-24)

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 Service (Department). As part of the Fiscal Year 2009 Financial Audit and Compliance Examination of the Illinois Department of Central Management Service, we followed up on the status of the eight recommendations contained in the audit.

Recommendation #1 - Changing Terms and Conditions After Bid Opening

The Department should not make changes to the terms and conditions of an Invitation for Bid after bids are opened.

Status - Implemented
The Department did not make changes to the terms and conditions of the Invitation for Bid after the bid opening for the joint procurement solicited in 2009.

Recommendation #2 - Public Record of Bid Opening

The Department should ensure that a written public record of all bid openings, as is required by the Illinois Procurement Code, is kept in the procurement files.

Status - Implemented
A written record of the bid opening was kept for the joint procurement solicited in 2009.

Recommendation #3 - Written Award Decisions

The Department should document all decisions in writing regarding awarding of bids, including allocations to pool participants. This written documentation should be contained in the procurement files.

Status - Implemented
For the 2009 joint procurement, there were no winning bids that involved a lump sum bid and all awards were documented.

Recommendation #4 - Monitoring Stockpiling and Sales

The Department should ensure that vendors comply with the terms and conditions included in the Invitation for Bid and should monitor contracts to ensure that vendors are meeting all requirements and submitting required reports in a timely manner.

Status - Implemented
The Department now only requires these reports to be submitted "upon request."

Recommendation #5 - Performance Bonds

The Department should secure a performance bond for all awards as is required by the Invitation for Bids.

Status - Implemented
For the 2009 joint procurement, all successful bidders submitted performance bonds.

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.

Recommendation #7 - Changes To the Procurement Process

The Department should consider making changes to its joint procurement process for bulk rock salt in order to encourage competition and bidding and to protect the interest of participants.

Status – Implemented
The Department made numerous changes to the competitive bid process for the 2009 joint procurement including issuing the bid earlier and modifying contractual terms.

Recommendation #8 - Communication with Local Government Participants

The Department should:

- ***Provide full detailed terms and conditions of the invitation for bid when surveying locals for participation;***
- ***Confirm participant requests and non-participation with local governments;***
- ***Provide accurate information in memos and not change terms after notification; and***
- ***Give local government participants adequate time to make informed decisions.***

Status – Implemented
The Department has taken action to improve communications with local government participants in formal communications sent to locals as part of preparing for and performing the 2009 joint procurement.

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
  Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State 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 Significant Due from Fund Balances

- Analysis of Operations:

  Agency Functions and Planning Program
  Average Number of Employees
  Emergency Purchases
  Memorandums of Understanding (Unaudited)
  Debt Collection Board
  Service Efforts and Accomplishments (Unaudited)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountant's opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 1

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2009
FOURTEEN MONTHS ENDED AUGUST 31, 2009

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2009	Lapse Period Expenditures July 1 to August 31, 2009	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue - 0001	$ 75,966,100	$ 71,780,356	$ 2,647,068	$ 74,427,424	$ 1,538,676
Capital Development - 0141	8,671,994	577,920	-	577,920	8,094,074
CMS State Project - 0302	100,000	-	-	-	100,000
State Garage Revolving - 0303	49,450,500	30,195,224	8,752,106	38,947,330	10,503,170
Statistical Services Revolving - 0304	179,635,900	96,799,160	23,880,874	120,680,034	58,955,866
Communications Revolving - 0312	153,852,700	94,919,403	12,914,412	107,833,815	46,018,885
Facilities Management Revolving - 0314	224,020,000	158,744,215	46,936,798	205,681,013	18,338,987
Efficiency Initiatives Revolving - 0315	100,000	18,507	-	18,507	81,493
Professional Services - 0317	17,874,700	11,377,478	1,412,750	12,790,228	5,084,472
Workers' Compensation Revolving - 0332	127,924,000	91,557,065	20,045,217	111,602,282	16,321,718
Minority and Female Business Enterprise - 0352	50,000	-	-	-	50,000
Group Insurance Premium - 0457	90,740,100	67,487,335	13,633,080	81,120,415	9,619,685
State Employees' Deferred Compensation Plan - 0755	1,019,000	891,362	44,050	935,412	83,588
State Surplus Property Revolving - 0903	3,838,000	2,578,148	169,555	2,747,703	1,090,297
Health Insurance Reserve - 0907	13,323,300	9,041,793	301,623	9,343,416	3,979,884
Total appropriated funds	$ 946,566,294	635,967,966	130,737,533	766,705,499	$ 179,860,795
NON-APPROPRIATED FUNDS					
Local Gov't Health Insurance Reserve - 0193	N/A	529,688	41,770	571,458	N/A
Flexible Spending Account - 0202	N/A	26,024,644	1,186,565	27,211,209	N/A
Teacher Health Insurance Security - 0203	N/A	1,383,906	204,272	1,588,178	N/A
Community College Health Insurance Security - 0577	N/A	442,320	31,987	474,307	N/A
State Employees' Deferred Compensation Plan - 0755	N/A	169,568,516	136,999	169,705,515	N/A
Total non-appropriated funds		197,949,074	1,601,593	199,550,667	
TOTAL		$ 833,917,040	$ 132,339,126	$ 966,256,166	

Note 1 - Appropriated amounts were authorized by Public Act 95-0731 and Public Act 95-0734
Note 2 - The expenditure amounts are taken directly from the records of the State Comptroller and were reconciled with Department records.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year	
	2009	2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
General Revenue - 001		
Appropriations (net after transfers)	$ 75,966,100	$ 83,920,254
Expenditures:		
Personal services	9,242,450	8,302,128
Contribution to SERS	1,943,682	1,375,797
Contribution to social security	679,067	609,761
Group insurance	24,818,800	29,349,200
Contractual services	14,852,769	13,957,467
Travel	34,611	61,781
Commodities	44,923	37,462
Printing	14,400	23,272
Equipment	1,282	16,684
Electronic data processing	831,306	202,725
Telecommunications services	126,144	134,872
Operation of automotive equipment	3,680	3,124
Automobile liability claims	1,497,309	1,439,911
Payment of employee wage claims	808,578	809,291
Civil law suits - claims	1,347,400	1,321,397
Employee suggestion board program	458	239
Upward mobility program	4,420,719	4,226,255
Veterans job program	264,089	223,435
Vito Marzullo intern program	670,029	691,218
Nurses tuition	67,706	42,822
For General and Regulatory Shared Services Center	-	892,046
Education technology - operating and admin costs	12,758,022	18,152,600
Total expenditures	74,427,424	81,873,487
Lapsed balances	$ 1,538,676	$ 2,046,767
Capital Development - 141		
Appropriations (net after transfers)	$ 8,671,994	$ 8,646,455
Expenditures:		
Information technology	577,920	(25,538)
Total expenditures	577,920	(25,538)
Lapsed balances	$ 8,094,074	$ 8,671,993

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2009	Fiscal Year 2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Local Government Health Insurance Reserve - 193		
Appropriations (net after transfers)	$ -	$ 869,000
Expenditures:		
Local Government Health Program	-	465,002
Total expenditures	-	465,002
Lapsed balances	$ -	$ 403,998
CMS State Project - 302		
Appropriations (net after transfers)	$ 100,000	$ 100,000
Expenditures:		
Strategic Marketing Team Services	-	-
Total expenditures	-	-
Lapsed balances	$ 100,000	$ 100,000
State Garage Revolving - 303		
Appropriations (net after transfers)	$ 49,450,500	$ 46,368,900
Expenditures:		
Personal services	8,462,079	8,262,866
Contribution to SERS	1,792,310	1,374,286
Contribution to social security	627,008	612,520
Group insurance	2,226,141	2,200,997
Contractual services	1,653,523	1,286,918
Travel	3,813	7,894
Commodities	73,542	89,526
Printing	1,217	12,093
Equipment	364,135	416,404
Electronic data processing	843,514	768,177
Telecommunications services	91,988	49,157
Operation of automotive equipment	22,334,665	28,909,684
For General and Regulatory Shared Services Center	472,571	428,542
Refunds	824	908
Total expenditures	38,947,330	44,419,972
Lapsed balances	$ 10,503,170	$ 1,948,928

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2009	Fiscal Year 2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Statistical Services Revolving - 304		
Appropriations (net after transfers)	$ 179,635,900	$ 176,714,200
Expenditures:		
Personal services	43,008,691	42,533,957
Contribution to SERS	9,068,612	7,046,390
Contribution to social security	3,171,007	3,138,511
Group insurance	7,943,233	8,189,139
Contractual services	1,662,532	1,747,921
Travel	84,488	142,752
Commodities	33,588	38,287
Printing	17,710	34,499
Equipment	20,247	59,601
Electronic data processing	54,605,829	60,263,289
Telecommunications services	22,385	1,527,962
Operation of automotive equipment	53,547	67,200
For General and Regulatory Shared Services Center	988,165	816,576
Total expenditures	120,680,034	125,606,084
Lapsed balances	$ 58,955,866	$ 51,108,116
Communications Revolving - 312		
Appropriations (net after transfers)	$ 153,852,700	$ 155,393,300
Expenditures:		
Personal services	10,945,532	11,363,813
Contribution to SERS	2,299,013	1,869,819
Contribution to social security	817,234	844,581
Group insurance	2,200,729	2,350,625
Contractual services	3,682,523	3,369,288
Travel	134,988	180,489
Commodities	63,160	67,992
Printing	42,331	23,813
Equipment	181,108	121,193
Electronic data processing	1,504,954	2,036,954
Telecommunications services	72,190,925	76,726,011
Operation of automotive equipment	125,462	131,930
For General and Regulatory Shared Services Center	896,105	1,227,080
Education technology - operating and admin costs	12,747,732	17,724,759
Refunds	2,019	4,352,782
Total expenditures	107,833,815	122,391,129
Lapsed balances	$ 46,018,885	$ 33,002,171

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year	
	2009	2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Facilities Management Revolving - 314		
Appropriations (net after transfers)	$ 224,020,000	$ 240,973,100
Expenditures:		
Personal services	20,513,632	19,478,545
Contribution to SERS	4,331,438	3,233,826
Contribution to social security	1,507,977	1,430,987
Group insurance	4,376,189	4,298,851
Contractual services	154,348,466	167,873,037
Travel	36,354	68,826
Commodities	382,957	419,235
Printing	520	8,925
Equipment	90,905	17,860
Electronic data processing	564,727	646,131
Telecommunications services	239,943	216,935
Operation of automotive equipment	127,120	110,025
Lump sums	18,339,605	1,294,035
For General and Regulatory Shared Services Center	821,180	398,561
Total expenditures	205,681,013	199,495,779
Lapsed balances	$ 18,338,987	$ 41,477,321
Efficiency Initiatives Revolving - 315		
Appropriations (net after transfers)	$ 100,000	$ 700,000
Expenditures:		
Efficiency initiatives	18,507	219,567
Total expenditures	18,507	219,567
Lapsed balances	$ 81,493	$ 480,433

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year 2009	Fiscal Year 2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Professional Services - 317		
Appropriations (net after transfers)	$ 17,874,700	$ 15,076,600
Expenditures:		
Personal services	6,720,448	5,220,679
Contribution to SERS	1,416,986	874,931
Contribution to social security	497,267	385,616
Group insurance	1,311,464	1,062,772
Contractual services	916,034	1,357,508
Travel	127,327	112,121
Commodities	5,205	5,395
Printing	56,267	6,970
Equipment	12,792	16,434
Electronic data processing	145,199	84,885
Telecommunications services	94,062	70,544
Operation of automotive equipment	3,684	3,106
For General and Regulatory Shared Services Center	-	3,798
Internal audit consolidation	1,483,493	1,376,978
Total expenditures	12,790,228	10,581,737
Lapsed balances	$ 5,084,472	$ 4,494,863
Workers' Compensation Revolving - 332		
Appropriations (net after transfers)	$ 127,924,000	$ 127,924,000
Expenditures:		
Personal services	-	1,099,367
Contribution to SERS	-	182,147
Contribution to social security	-	82,038
Group insurance	-	242,692
Contractual services	-	57,759
Travel	-	14,991
Commodities	-	2,805
Equipment	-	401
Electronic data processing	-	10,900
Telecommunications services	-	18,982
Workers' compensation claims	109,650,535	117,460,494
Admin. expenses and payment of temporary disability	1,951,747	257,874
Total expenditures	111,602,282	119,430,450
Lapsed balances	$ 16,321,718	$ 8,493,550

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year	
	2009	2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Minority and Female Business Enterprise - 352		
Appropriations (net after transfers)	$ 50,000	$ 50,000
Expenditures:	-	-
Total expenditures	-	-
Lapsed balances	$ 50,000	$ 50,000
Group Insurance Premium - 457		
Appropriations (net after transfers)	$ 90,740,100	$ 91,644,300
Expenditures:		
Life insurance coverage	81,118,532	78,687,647
Cost containment program	1,883	77,884
Total expenditures	81,120,415	78,765,531
Lapsed balances	$ 9,619,685	$ 12,878,769
State Employees' Deferred Compensation Plan - 755		
Appropriations (net after transfers)	$ 1,019,000	$ 1,698,300
Expenditures:		
Administration	935,412	1,204,715
Total expenditures	935,412	1,204,715
Lapsed balances	$ 83,588	$ 493,585
State Surplus Property Revolving - 903		
Appropriations (net after transfers)	$ 3,838,000	$ 4,132,225
Expenditures:		
Record processing/I-Cycle program	2,747,703	2,055,980
Total expenditures	2,747,703	2,055,980
Lapsed balances	$ 1,090,297	$ 2,076,245

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2009	Fiscal Year 2008
	P.A. 95-0731 and P.A. 95-0734	P.A. 95-0348 and P.A. 95-11
Health Insurance Reserve - 907		
Appropriations (net after transfers)	$ 13,323,300	$ 14,556,100
Expenditures:		
Personal services	-	121,576
Contribution to SERS	-	20,136
Contribution to social security	-	9,044
Telecommunications services	-	1,095
Cost containment	33,804	-
For General and Regulatory Shared Services Center	250,158	145,190
Health care coverage	9,059,454	9,470,247
Total expenditures	9,343,416	9,767,288
Lapsed balances	$ 3,979,884	$ 4,788,812
Grand Total, All Appropriated funds		
Appropriations (net after transfers)	$ 946,566,294	$ 968,766,734
Total expenditures	766,705,499	796,251,183
Total lapsed balances	$ 179,860,795	$ 172,515,551
State Officers' Payroll		
Appropriations (through Comptroller's Office)	$ 384,500	$ 370,400
Expenditures:		
For the Director	121,346	-
For Assistant Directors	141,062	116,917
Total expenditures	262,408	116,917
Lapsed balances	$ 122,092	$ 253,483

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Department-wide Capital Assets				
Land and land improvements	$ 42	-	$ -	$ 42
Building and building improvements	5,035	-	-	5,035
Equipment	2,410	71	(246)	2,235
Total Department-wide Capital Assets	7,487	71	(246)	7,312
State Garage Revolving Fund - 0303				
Equipment	4,188	59	(363)	3,884
Total State Garage Revolving Fund - 0303	4,188	59	(363)	3,884
Statistical Services Revolving Fund - 0304				
Equipment	84,832	11,913	(3,865)	92,880
Total Statistical Services Revolving Fund - 0304	84,832	11,913	(3,865)	92,880
Paper and Printing Revolving Fund - 0308				
Equipment	15	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	15
Communications Revolving Fund - 0312				
Equipment	113,165	7,546	(16,028)	104,683
Leases: Buildings and Building Improvements	696	-	-	696
Total Communications Revolving Fund - 0312	113,861	7,546	(16,028)	105,379
Facilities Management Revolving Fund - 0314				
Land and land improvements	38,364	-	-	38,364
Site Improvements	3,889	-	-	3,889
Buildings and building improvements	387,046	7,108	-	394,154
Leases: Buildings and building improvements	50,202	-	-	50,202
Equipment	827	154	(56)	925
Works of Art	974	-	-	974
Total Facilities Management Revolving Fund - 0314	481,302	7,262	(56)	488,508
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 691,685	$ 26,851	$ (20,558)	$ 697,978

(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

Schedule 4

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
General Revenue - 001		
Miscellaneous	$ 3,345	$ 42,986
Repay State-upward mobility	79,410	104,004
Sale of land and structures	-	3,752,500
Prior year refunds	3,281	4,817
Other	992	-
Total - Fund 001	$ 87,028	$ 3,904,307
Road - 011		
Prior year refunds	$ -	$ 96,927
Local Government Health Insurance Reserve - 193		
Insurance premiums	$ 54,801,563	$ 60,214,257
Third party reimbursement	584,350	644,571
Federal Medicare Part D	161,619	160,153
Total - Fund 193	$ 55,547,532	$ 61,018,981
Flexible Spending Account - 202		
Payroll deductions	$ 27,394,317	$ 24,266,199
State Garage Revolving - 303		
Charges to user agencies	$ 38,475,417	$ 46,142,180
Statistical Services Revolving - 304		
Charges to user agencies	$ 105,790,289	$ 121,524,664
Paper and Printing Revolving - 308		
Charges to user agencies	$ 105	$ 1,629
Communications Revolving - 312		
Charges to user agencies	$ 111,833,912	$ 121,650,832
Facilities Management Revolving - 314		
Rental income	$ 174,167,199	$ 211,946,762
Senior Citizen and Disabled Persons Program - 316		
Senior citizens / Prescription drug discount fees	$ 1,350	$ 8,185
Professional Services - 317		
Miscellaneous	$ 305	$ 391
State Police Vehicle Maintenance - 328		
State property sales	$ 39,220	$ 49,756

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 4

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Workers' Compensation Revolving - 332		
Receipts due to subrogation of workers' compensation claims	$ 1,231,710	$ 14,883,571
Group Insurance Premium - 457		
Direct payments of insurance premiums by employees	$ 799,729	$ 703,961
Optional life deductions	51,008,181	46,689,949
Carrier refunds	5,576,296	9,277,265
Employer reimbursement for basic life coverage	9,012,617	8,863,858
Transfers in from other funds	12,856,738	18,000,000
Prior year refund	1,240	74
Total - Fund 457	$ 79,254,801	$ 83,535,107
Community College Health Insurance Security - 577		
Transfers in from other funds	$ 3,916,338	$ 4,740,200
Federal Medicare Part D	1,891,360	1,783,224
Member contributions	1,143,207	953,040
Total - Fund 577	$ 6,950,905	$ 7,476,464
State Employees' Deferred Compensation Plan - 755		
Benefits receipts	$ 3,295,412	$ 3,462,876
Annual asset charge and investment exchange	947,652	1,088,261
Investment and other income	11,202	-
Payroll deductions	167,173,186	175,314,626
Other	888	358
Total - Fund 755	$ 171,428,340	$ 179,866,121
State Surplus Property Revolving - 903		
Sales of surplus property	$ 2,535,727	$ 2,176,161
Health Insurance Reserve - 907		
Reimbursement of insurance premiums from federal trusts, other funds, and employers	$ 112,603,558	$ 123,426,784
Direct payments of insurance premiums by employees	11,805,312	10,528,847
Refunds from insurance carriers	25,060,494	23,589,454
Optional health deductions	228,329,287	224,527,552
Health facilities	176,036,233	174,748,069
Transfers in from other funds	11,960,000	11,349,200
Federal Medicare Part D	34,679,879	33,182,069
Total - Fund 907	$ 600,474,763	$ 601,351,975
GRAND TOTAL, ALL FUNDS	$ 1,375,212,920	$ 1,479,900,212

Certain reclassifications have been made to prior year amounts to conform with current year presentation.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 5

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2009

	General Revenue 001	Local Government Health Insurance Reserve 193	Flexible Spending Account 202	State Garage Revolving 303	Statistical Services Revolving 304	Paper and Printing Revolving 308	Communications Revolving 312
Cash receipts per Department records	$ 87,028	$ 55,547,532	$ 27,394,317	$ 38,475,417	$ 105,790,289	$ 105	$ 111,833,912
Add:							
Deposits in transit at beginning of period	3,872	564,974	3,745	5,195	14	-	196,239
IOC holds from GRF (current year)	-	-	-	4,450,180	6,289,711	-	9,214,966
Adjustments	-	-	-	33,112	680	-	-
Refunds	2,544	-	-	3,023	32,000	-	137
Deduct:							
Deposits in transit at end of period	-	-	-	-	4,753	-	439
IOC holds from GRF (prior year)	-	-	-	14,976	212,595	-	157,655
Deposits into the State Treasury	$ 93,444	$ 56,112,506	$ 27,398,062	$ 42,951,951	$ 111,895,346	$ 105	$ 121,087,160

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 5

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2009

	Facilities Management Revolving 314	Senior Citizen and Disabled Persons Program 316	Professional Services 317	State Police Vehicle Maintenance 328	Workers' Compensation Revolving 332	Group Insurance Premium 457	Community College Health Insurance Security 577
Cash receipts per Department records	$ 174,167,199	$ 1,350	$ 305	$ 39,220	$ 1,231,710	$ 79,254,801	$ 6,950,905
Add:							
Deposits in transit at beginning of period	59,811	2,065	-	-	2,243	107,133	61,924
IOC holds from GRF (current year)	5,661,502	-	-	-	-	-	-
Adjustments	-	-	-	-	1,376	320	-
Refunds	1,111	-	-	-	-	-	-
Deduct:							
Deposits in transit at end of period	1,825	-	-	-	-	-	-
IOC holds from GRF (prior year)	8,116	-	-	-	-	-	-
Deposits into the State Treasury	$ 179,879,682	$ 3,415	$ 305	$ 39,220	$ 1,235,329	$ 79,362,254	$ 7,012,829

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 5

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2009

	State Employees' Deferred Compensation Plan 755	State Surplus Property Revolving 903	Health Insurance Reserve 907	TOTAL
Cash receipts per Department records	$ 171,428,340	$ 2,535,727	$ 600,474,763	$ 1,375,212,920
Add:				
Deposits in transit at beginning of period	23,635	90,110	2,162,159	3,283,119
IOC holds from GRF (current year)	-	-	-	25,616,359
Adjustments	-	-	-	35,488
Refunds	-	-	-	38,815
Deduct:				
Deposits in transit at end of period	32,050	11,335	-	50,402
IOC holds from GRF (prior year)	-	-	-	393,342
Deposits into the State Treasury	$ 171,419,925	$ 2,614,502	$ 602,636,922	$ 1,403,742,957

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Year Ended June 30, 2009

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures greater than $500,000 and 15% between fiscal years 2008 and 2009 as presented in the "Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances – Appropriated Funds" (Schedule 2) are detailed below:

General Revenue – 001

Contribution to SERS increased $567,885 (41.3%). This increase was due to a difference in rate calculations between fiscal year 2008 and fiscal year 2009 and an overall increase in personal services expenditures. In fiscal year 2008 the rate calculation was 16.6% and it was 21.0% in fiscal year 2009.

Group insurance expenditures decreased by $4,530,400 (15.4%) due to a corresponding reduction in the related appropriation from fiscal year 2008 to fiscal year 2009.

Electronic data processing expenditures increased by $628,581 (310.0%) due to the timing of when the Statistical Services Revolving Fund issued credits to the General Revenue Fund for fiscal year 2008 billings made in error and due to the General Revenue Fund paying $268,614 of fiscal year 2008 invoices during fiscal year 2009.

General and Regulatory Shared Services Center decreased $892,046 (100.0%) due to there being no General Revenue Fund appropriation for Shared Services in fiscal year 2009.

The Education technology for operating and administration costs decreased by $5,394,578 (29.7%). This decrease was due to the fiscal year 2009 Education Technology General Revenue Fund appropriation transfer to Communications Revolving Fund being reduced by $5 million.

Capital Development – 141

The Information technology experienced an increase in expenditures of $603,458 (2,363.0%). The fiscal year 2008 amount represents corrections of rejected vouchers and the fiscal year 2009 amount represents what was released and processed. These costs are project specific and vary year to year.

State Garage Revolving – 303

Operation of automotive equipment expenditures decreased $6,575,019 (22.7%) due to increased fuel prices for both gas and diesel in fiscal year 2008 compared to fiscal year 2009. The average cost of fuel in fiscal year 2008 was $3.26 and $2.76 per gallon compared to $2.52 and $2.20 per gallon in fiscal year 2009 for diesel and gasohol, respectively.

Statistical Service Revolving – 304

Contribution to SERS increased $2,022,222 (28.7%). This increase was due to a difference in rate calculations between fiscal year 2008 and fiscal year 2009 and an overall increase in personal services expenditures. In fiscal year 2008 the rate calculation was 16.6% and it was 21.0% in fiscal year 2009.

A $1,505,577 (98.5%) decrease in telecommunication services is due to a delay in payment of fiscal year 2009 Communications Revolving Fund invoices due to cash flow issues.

Communications Revolving – 312

Electronic data processing expenditures decreased $532,000 (26.1%) between fiscal year 2008 and fiscal year 2009. The CRF electronic data processing line is for payments of billings from the CMS Statistical Services Revolving Fund (SSRF). The reduction from fiscal year 2008 to fiscal year 2009 was primarily a result of changes in the SSRF rate structure and changes to existing rates for fiscal year 2009. These changes resulted in a reduction in billings to the CRF because of its mix of services.

The Education technology for operating and administration costs decreased by $4,977,027 (28.1%). This decrease was due to the fiscal year 2009 Education Technology General Revenue Fund appropriation transfer to Communications Revolving Fund being reduced by $5 million resulting in a fiscal year 2009 expenditure reduction.

There was a $4,350,763 (99.9%) decrease in Refunds. The fiscal year 2008 amount includes a $4,298,000 refund to the Federal Government for fiscal year 2004 and fiscal year 2005 rate overcharges.

Facilities Management Revolving – 314

Contribution to SERS increased $1,097,612 (33.9%). This increase was due to a difference in rate calculations between fiscal year 2008 and fiscal year 2009 and an overall increase in personal services expenditures. In fiscal year 2008 the rate calculation was 16.6% and it was 21.0% in fiscal year 2009.

Lump sums increased $17,045,570 (1,317.2%) due to the fiscal year 2009 contractual services line appropriation being reduced by $15.7 million resulting in a planned shift of expenditures to the lump sum line.

Professional Services – 317

Personal services increased $1,499,769 (28.7%) due to additional headcount being funded from the Professional Services Fund in fiscal year 2009 which resulted in increased expenditures.

Contribution to SERS increased $542,055 (62.0%). This increase was due to a difference in rate calculations between fiscal year 2008 and fiscal year 2009 and an overall increase in personal services expenditures. In fiscal year 2008 the rate calculation was 16.6% and it was 21.0% in fiscal year 2009. Also, additional headcount was funded from the Professional Services Fund in fiscal year 2009.

Workers' Compensation Revolving – 332

Personal services decreased $1,099,367 (100.0%) and administrative expenses and payment of temporary disability increased $1,693,873 (656.9%). In fiscal year 2009, previous dedicated operational appropriation lines were moved to a lump sum line, decreasing the personal services lines and increasing the lump sum line appropriations and expenditures.

State Surplus Property Revolving – 903

The Record processing/ I-Cycle program expenses increased by $691,723 (33.6%) because in fiscal year 2008 the payroll and related lines for State Surplus Property Revolving Fund were offset to other funds for part of the fiscal year due to cash flow issues.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Year Ended June 30, 2009

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than $100,000 and 15% between fiscal years 2009 and 2008 as presented in the "Comparative Schedule of Cash Receipts" (Schedule 4) are detailed below:

General Revenue – 001

Sale of land and structures decreased by $3,752,500 (100%). This decrease is from the sale of the surplus real property formerly used as Corrections Valley View Illinois Youth Center in fiscal year 2008. No sales of land and structures occurred in fiscal year 2009.

State Garage Revolving Fund – 303

A decrease of $7,666,763 (16.6%) in the charges to user agencies was the result of decreased fuel prices upon which the charge is based. Average cost of diesel fuel in fiscal year 2008 was $3.26 compared to $2.52 in fiscal year 2009 and the average cost of gasohol in fiscal year 2008 was $2.76 per gallon compare to $2.20 in fiscal year 2009.

Facilities Management Revolving Fund – 314

The revenue in the Facilities Management Revolving Fund (FMRF) decreased by $37,779,563 (17.8%) during fiscal year 2009. This was due to the release of payments into the FMRF being significantly delayed by the Illinois Office of the Comptroller (IOC) all during fiscal year 2009 due to the State's fiscal condition within the General Revenue Fund and certain other State funds. Large deposits into the FMRF were released by the IOC during the lapse period.

Workers' Compensation Revolving – 332

The decrease in the Worker's Compensation Revolving Fund of $13,651,861 (91.7%) during fiscal year 2009 was due to GRF supplemental appropriation passed in fiscal year 2007 for the Worker's Compensation Revolving Fund and processed in fiscal year 2008. No supplemental appropriation occurred in fiscal year 2009. To a smaller degree this variance was caused by reimbursement timing and related amounts vary year to year. Claims are inconsistent from year to year as well as amounts that may be able to be recovered.

Group Insurance Premium – 457

The decrease in carrier refunds of $3,700,969 (39.9%) during fiscal year 2009 was caused by actual favorable experience refunds from the insurance carrier per contract.

The decrease in transfers in from other funds of $5,143,262 (28.6%) during fiscal year 2009 was due to a reduction in appropriation. The fiscal year 2008 benefits General Revenue Fund appropriation was $29,349,200 and the fiscal year 2009 appropriation was $24,818,800.

Community College Health Insurance Security – 577

The decrease in transfers in from other funds of $823,862 (17.4%) was caused by a reduction in monthly transfers of $68,655 from the General Revenue Fund to Community College Health Insurance Security Fund in fiscal year 2009.

The increase in member contributions of $190,167 (20.0%) resulted from a 5% increase in membership from fiscal year 2008 to fiscal year 2009, with the bulk of that increase enrolling in the managed care plans. In addition, rates increased by 7% with the largest increases coming from the managed care rates, which increased 13.14% on average for members and 10.10% increase for dependants.

State Surplus Property Revolving – 903

The increase in sales of surplus property of $359,566 (16.5%) resulted from the sale of nearly 700 vehicles which generated $360,000 in additional revenue to the State Surplus Property Revolving Fund.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Year Ended June 30, 2009

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" (Schedule 1) by fund for fiscal year 2009 are detailed below.

State Garage Revolving – 303

Approximately 22.5% of total expenditures in the State Garage Revolving Fund were paid during the lapse period during fiscal year 2009. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash was available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills. The Illinois Office of Comptroller's General Revenue Fund holds of $4.4 million at June 30, 2009 contributed to increased lapse spending in fiscal year 2009.

Statistical Services Revolving Fund – 304

Approximately 19.8% of total expenditures in the Statistical Services Revolving Fund were paid during the lapse period during fiscal year 2009. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash was available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills. The Illinois Office of Comptroller's General Revenue Fund holds of $6.3 million at June 30, 2009 contributed to increased lapse spending in fiscal year 2009.

Facilities Management Revolving Fund – 314

Approximately 22.8% of total expenditures in the Facilities Management Revolving Fund were paid during the lapse period during fiscal year 2009. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash was available. During the lapse period, there was a push to collect amounts from agencies and pay remaining fiscal year bills. The Illinois Office of Comptroller's General Revenue Fund holds of $5.7 million at June 30, 2009 contributed to increased lapse spending in fiscal year 2009.

Workers' Compensations Revolving Fund – 332

Approximately 18.0% of total expenditures in the Workers' Compensations Revolving Fund were paid during the lapse period during fiscal year 2009. This is due to the fund being cash managed for the entire fiscal year, paying bills as receipts and cash was available. The Illinois Office of Comptroller's General Revenue Fund holds of $20.3 million at June 30, 2009 contributed to increased lapse spending in fiscal year 2009.

Group Insurance Premium – 457

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 (16.8%) were paid during the lapse period during fiscal year 2009.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF ACCOUNTS RECEIVABLE
For Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

	General Revenue 001	State Garage Revolving 303	Communications Revolving 312	Facilities Management Revolving 314	Professional Services Revolving 317	Workers' Compensation Revolving 332	State Employees' Deferred Compensation Plan 755	State Surplus Property Revolving 903	Group Insurance 1457
Accounts receivable - Intergovernmental and other	$ -	$ 34	$ 1,084	$ -	$ -	$ -	$ -	$ 30	$ -
Accounts receivable - other	632	11	1,927	6	2	3	740	111	4,565
Total accounts receivable	632	45	3,011	6	2	3	740	141	4,565
Allowance for doubtful accounts	45	-	83	-	-	-	-	3	-
Net accounts receivable	$ 587	$ 45	$ 2,928	$ 6	$ 2	$ 3	$ 740	$ 138	$ 4,565

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

Schedule 7

ANALYSIS OF SIGNIFICANT DUE FROM FUND BALANCES
For Fiscal Year Ended June 30, 2009
(Expressed in Thousands)

Agency/Entity	Amount due to significant Department of Central Management Services internal service funds at June 30, 2009 from other State agencies or entities, originating from fiscal years ended June 30: 2009	2008	2007	2006	2005	Total
Corrections	$ 10,507	$ 2,811	$ 7	$ 26	$ -	$ 13,350
State Police	3,119	7	1	-	-	3,126
Transportation	6,732	633	201	3	-	7,569
Natural Resources	462	-	0	3	-	465
Human Services	49,036	323	145	126	8	49,637
Healthcare & Family Services	21,291	16	-	2	-	21,309
Employment Security	7,374	1	-	-	-	7,375
Revenue	8,680	80	5	31	21	8,817
Central Management Services	29,330	2,950	0	43	-	32,324
Children & Family Services	15,228	108	7	-	-	15,343
All other Agencies/Entities	45,715	1,155	1,178	855	75	48,978
Total	$ 197,473	$ 8,083	$ 1,544	$ 1,089	$ 104	$ 208,293

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Total
Due from other Department fiduciary funds	$ -	$ -	$ 2	$ 8	$ 10
Due from other Department funds	148	796	7,440	24,874	33,258
Due from other State funds	10,332	66,531	34,474	58,804	170,141
Due from State of Illinois component units	5	15	1,047	6	1,073
	10,485	67,342	42,963	83,692	204,482
Allowance for doubtful accounts	-	1,285	1,813	-	3,098
Other adjustments	43	(173)	843	-	713
	$ 10,528	$ 68,454	$ 45,619	$ 83,692	$ 208,293

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Year Ended June 30, 2009

Introduction

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. Maureen O'Donnell was acting Director through August 24, 2008. James P. Sledge was appointed Director effective August 25, 2008.

The Department is organized in eight major division/bureaus:

- Benefits
- Communication and Computer Services
- Information Services
- Business Enterprise Program
- Personnel
- Property Management
- Strategic Sourcing and Procurement
- 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 integrates strategic planning with the measurement of plan implementation to better focus and evaluate its programs. For the year ended June 30, 2009, 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 and 12 program plans.

The Department has organized its services into the following programs:

1. Business Enterprise Program for Minorities, Females and Persons with Disabilities
2. Communication and Computer Services
3. Employee Benefits
4. Human Resources
5. Labor Relations
6. Mail and Messenger Services
7. Media Services
8. Procurement Services
9. Property Management
10. Risk Management
11. Vehicle Services
12. Legal Services
13. Audit Services

For the year ended June 30, 2009, 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. The Department's Project Management Office (PMO) oversees progress related to the various Department led initiatives.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AVERAGE NUMBER OF EMPLOYEES

For the Fiscal Years Ended June 30, 2009 and 2008

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:

	2009	2008
Administrative Operations	163	145
Communications and Computer Services	674	710
Personnel	105	104
Benefits	89	90
Strategic Sourcing and Procurement	203	198
Property Management	326	319
Information Services	75	74
Business Enterprise Programs for Minorities, Females and Persons with Disabilities	10	10
Total	1,645	1,650

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

EMERGENCY PURCHASES

For Fiscal Year Ended June 30, 2009

Description	Amount
Purchase and repair of battery power to ensure proper operation of the Data Center due to unexpected power disruption adversely affecting old leaking battery banks.	$ 94,798
Purchase of rock salt for Lake and McHenry counties as no bid offers were received for these locations after two different solicitations.	8,597,382
Procurement of Uninterruptible Power Supply (UPS) equipment, maintenance and engineering support. This emergency procurement will allow time for the award of a new master contract.	37,375
Contract amendment to temporarily revise the contract pricing contained within the financing matrix to allow the State to continue financing procurements at a reasonable cost and effectuate a settlement of the disputed contract claim by the vendor.	154,320
Procurement to extend the existing telecommunication network service contract with AT&T. The emergency procurement is necessary to allow time for the award of a new telecommunication network services contract.	35,592,161
Cellular services contract to cover Region 7 while the solicitation of a new contract is finished. This emergency procurement will allow time for the award of a statewide cellular contract.	115,032
Cellular services contract to cover Regions 1-4 and 6 while the solicitation of a new contract is finished. This emergency procurement will allow time for the award of a statewide cellular contract.	4,688,491
Procurement of cellular services for push to talk feature due to the fact that the new state wide cellular contract had not been executed.	916,256

Description		Amount	
Cellular services contract to cover Region 5 while the solicitation of a new contract is finished. This emergency procurement will allow time for the award of a statewide cellular contract.	$	20,749	
An emergency amendment to add time and materials to the existing contract due to urgent need for repairs of the three Solar Turbine generators installed at the Central Computer Facility which provide back-up power supplies in the event of a power outage. The need for repairs causes the total contract value to exceed the small purchase threshold.		70,000	*
Procurement to extend the existing telecommunication network service contract with Sprint. The emergency procurement is necessary to allow time for the award of a new telecommunication network services contract.		2,635,000	**
Procurement of management consulting services to allow the Illinois Office of Internal Audit (IOIA) to properly perform a statewide risk assessment of the impact of the American Recovery and Reinvestment Act of 2009 (ARRA) on IOIA's agencies' federal programs, processes, controls and information system capabilities. The emergency procurement will allow the IOIA to develop their annual audit plan by the June 30, 2009 as required by the Fiscal Control and Internal Auditing Act.		500,000	
	$	53,421,564	

* Estimated cost

** The affidavit for the emergency purchase was filed in fiscal year 2009; however, the services and related expenditures occurred in both fiscal years 2009 and 2010. This is an estimated cost.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

MEMORANDUMS OF UNDERSTANDING

For the Fiscal Year Ended June 30, 2009
(Unaudited)

During fiscal year 2009, the Department entered into the following memorandums of understanding.

Parties	Description
Illinois Department of Transportation	Pursuant to Public Act 89-001 and 89-0022, and subsequent acts related thereto, payment of auto liability and indemnification claims which involve drivers who are employed by the Department of Transportation, the Illinois State Police, and the Office of the Secretary of State.
Illinois Department of Transportation	To clarify proper reporting of particular damage claims which may not be immediately known to the Illinois Department of Transportation at the time of the occurrence. This is specific only to Section 4.2 of the State of Illinois Self-Insured Motor Vehicle Liability Plan involving the reporting of certain mutually understood claims.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

DEBT COLLECTION BOARD

For the Fiscal Year Ended June 30, 2009

The Debt Collection Board (Board) was established by P.A. 89-511 with the purpose of creating a "centralized collections service to undertake further collection efforts on delinquent accounts or claims of the State which have not been collected through the reasonable efforts of the respective State agencies." Public Act 93-570 created a Debt Collection Bureau within the Department of Revenue, and mandated that this bureau serve as the "primary debt collecting entity for the State." This resulted in the Debt Collection Bureau assuming a majority of the Debt Collection Board's responsibilities relating to establishment of centralized services for debt collection on delinquent accounts for various state agencies.

The Board consists of the Director of the Department of Central Management Services as chairman, the State Comptroller, and the Attorney General, or their respective designees.

The Board has worked with the Department of Revenue to transition debt collection responsibilities. During fiscal year 2007, the Board promulgated rule changes in the Illinois Administrative Code (74 Ill. Adm. Code Part 910) to clarify its redefined jurisdiction. The Board has also drafted legislation to abolish its existence due to the fact that so few accounts have been placed with the Board within the two fiscal years during the transition period. As of June 30, 2009, the Debt Collection Board had only three agencies reporting accounts receivable.

Public Act 96-0493 eliminated the Debt Collection Board by repealing 30 ILCS 210/8. Subsequently the Board rules were repealed in their entirety, effective January 1, 2010.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Fiscal Year Ended June 30, 2009
(Unaudited)

(Dollars in Thousands)

	FY2009		FY2008	
Program	**Expenditures**	**Headcount**	**Expenditures**	**Headcount**
Communications and Computer Services	$ 226,838	675	$ 251,446	715
Employee Benefits and Risk Management	230,415	68	241,447	75
Property Management	221,738	325	214,592	319
Procurement	43,058	203	48,083	199
Other/Non Programs	19,091	147	17,949	133
Personnel	15,923	119	13,634	116
Media Services	8,694	75	8,198	75
Business Enterprise Program	949	11	902	9
Agency Totals	**$ 766,706**	**1,623**	**$ 796,251**	**1,641**

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 energies 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 certifies businesses that are owned and operated by minorities, women, and persons with disabilities, and assists in certifying businesses 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. BEP is charged to maintain compliance in three general areas; vendor certification; earmarking 19% of Agency/University budgets towards BEP vendor spend; and, goal setting in RFP's and IFP's generated through State procurement.

Communications and Computer Services manage 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.

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.

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.

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.

Strategic Sourcing and Procurement 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 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 businesses 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 over $500,000.
  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.

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, Minority and Female Business Enterprise Fund **Statutory Authority: 30 ILCS 575**

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 380.3	$ 902.2	$ 1,305.7	$ 948.8	$ 1,048.9
Total expenditures - state appropriated funds (in thousands)	$ 380.3	$ 902.2	$ 1,305.7	$ 948.8	$ 1,048.9
Average monthly full-time equivalents	4.0	9.0	13.0	11.0	12.0
Output Indicators					
Number of outreach events attended	72.0	64.0	70.0	125.0	100.0
Number of BEP applications received	809.0	1,859	1,900	2,082	2,200
Number of BEP certifications approved (a)	648.0	1,417	N/A	1,140	N/A
Number of BEP certifications denied (a)	161.0	362.0	N/A	411.0	N/A
Number of BEP (Minority, Women, Disabled Business Enterprise) subcontracting firms (a)	62.0	823.0	N/A	N/A	N/A

Footnotes

a Only actual figures are reported. Data is not yet available.

Central Management Services - Communications and Computer Services

Mission Statement: The Communications and Computer Services Program 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.

Program Goals:
Objectives:

1 Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.
- a Maintain data processing and communications infrastructure availability of 99.0% or greater.
- 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 agencies to implement technology standards.
- a Identify functional areas where the adoption of program standards would be beneficial.

3 Promote opportunities for state employees to become aware of how technology may improve their jobs.
- a Develop classes, seminars and presentations to promote technology awareness among employees in non-technical positions.

4 Prepare technology assessments for each CMS program.
- a Aid and support CMS Bureaus in their program assessments.

5 Establish benchmarks, measures and service expectations.
- a Meet with internal and external stakeholders about targets/expectations, and will report on service targets/expectations.
- b Attend conferences to better understand benchmark options; requests benchmarks from professional associations or secures benchmarks from professional association journal articles or web sites.

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 Improve the communication level and quality of information on programs and services provided and accomplishments achieved by CMS.
- a Hold periodic meetings with agency stakeholders regarding available program service offerings.

8 Fortify training options in state government.
- a Provide quality technical training opportunities for state employees.

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

Statutory Authority: 20 ILCS 405/405-20,405/405-270

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 261,465.6	$ 251,446.2	$ 332,143.4	$ 226,837.7	$ 321,587.9
Total expenditures - state appropriated funds (in thousands)	$ 261,465.6	$ 251,446.2	$ 332,143.4	$ 226,837.7	$ 321,587.9
Average monthly full-time equivalents	754.0	715.0	836.0	675.0	774.4
Output Indicators					
Number of network data circuits managed	8,048	8,170	8,250	7,742	7,700
Telecommunications Voice Orders (TSRs) processed/month	1,206	4,708	4,700	1,202	1,200
Megabytes of Direct Access Storage Device (DASD) billed/month	22,160,222	24,271,438	25,000,000	27,780,409	28,000,000
Outcome Indicators					
Percent mainframe transactions completed within 1 second	98%	98.4%	98.4%	98%	98%
Percent mainframe system availability	99.99%	99.9%	99.9%	99.4%	99%
External Benchmarks					
Mainframe transactions completed within 2 seconds (per Gartner Group Research)	98%	98.4%	98.4%	98.4%	98.4%

Efficiency/Cost-Effectiveness Cost per megabyte of mainframe storage (in dollars) (a)	$0.03	N/A	$0.03	N/A	$0.03

Footnotes

a No purchases were made in FY 2008 and FY 2009

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, commissions, offices 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 accomplishments 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

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 226,605.1	$ 241,446.4	$ 260,360.4	$ 230,414.9	$ 275,516.2
Total expenditures - state appropriated funds (in thousands)	$ 226,605.1	$ 241,446.4	$ 260,360.4	$ 230,414.9	$ 275,516.2
Average monthly full-time equivalents	83.0	75.0	87.0	68.0	79.0
Output Indicators					
Number of disputes resolved	1,695	1,612	1,750	2,080	2,000
Number flexible spending account participants (MCAP & DCAP)	10,602	11,937	12,000	13,017	13,250
Number of payroll deduction discrepancies received	8,127	7,530	8,000	7,693	7,750
Number of premium refund requests received	2,470	2,190	2,250	3,282	3,200
Number of SERS Financial Incentive Program Participants	119.0	132.0	145.0	164.0	175.0
Number of new SERS Financial Incentive Program Participants	51.0	44.0	50.0	59.0	60.0
Number of COBRA notifications mailed	15,818	15,436	16,000	15,566	16,000
Number of Medicare Coordination of Benefits cases received	10,255	10,142	11,000	8,970	9,000
Deferred compensation - total dollars deferred (in millions)	$ 163.7	$ 175.3	$ 176.0	$ 166.9	$ 177.0
Number of deferred compensation participants	53,001	53,406	54,000	52,596	53,500
Number of new deferred compensation participants	2,470	2,674	2,750	1,420	2,750
Number of Workers' Compensation injuries	6,782	6,565	6,500	6,204	6,300
Number of independent medical evaluations performed	241.0	283.0	325.0	305.0	325.0
Number of injured employees returned to work at modified duty	2,782	2,771	3,000	2,006	3,000
Number of motor vehicle liability claims	1,687	1,709	1,700	1,607	1,700

Number of non-litigated vehicle liability claims closed	1,734	1,541	1,550	1,786	1,650
Outcome Indicators					
Percent of disputes resolved within 30 days of notification	97%	96.65%	95%	96.4%	95%
Percent of payroll deduction discrepancies resolved within 60 days of Benefits notification	89%	94.93%	95%	88%	92%
Percent of premium refunds processed within 30 days of receipt.	75%	73.6%	85%	77.9%	80%
Percent of COBRA eligible participants notified within 30 days	83%	86.66%	90%	81.1%	85%
Percent of Medicare COB cases completed within 30 days	97.3%	98.89%	97%	99.6%	98%
Annual change in Workers' Compensation spending	19%	14.59%	14%	- 10.1%	12%
Savings resulted form Workers' Compensation Physicians PPO Network (in millions)	$ 2.1	$ 2.5	$ 2.5	$ 3.0	$ 3.0
Percent of medical cost containment savings to total medical program cost.	33.53%	43.92%	45%	60.1%	50%
Percent of workers compensation claimants with a satisfied/very satisfied rating of the early intervention program	94%	95%	95%	94%	95%
Percent of vehicle liability claimants contacted within 5 calendar days	98.48%	99.59%	97%	99.5%	98%
Average number of days to close a vehicle liability case (bodily injury and property damage	48.9	48.0	50.0	97.0	50.0
Percent of indemnity expenses and awards within a 20 business day period	92.42%	100%	97%	92%	95%
External Benchmarks					
Number of deferred compensation investments exceeding benchmark - 1 year rolling return (Prior to fiscal year 2006, there were 12 total investments. Since fiscal year 2006, there are 14 total investments.)	10.0	7.0	15.0	11.0	15.0
Efficiency/Cost-Effectiveness					
Average annual administrative cost per deferred compensation participant (state program) (in dollars)	$ 22.87	$ 22.53	$ 20.00	$ 19.37	$ 20.00
State FICA savings from Commuter Savings Program (in thousands) (a)	N/A	$ 173,400.0	N/A	N/A	N/A
State FICA Savings from Flexible Spending Programs (in thousands) (a)	N/A	$ 1,600.0	N/A	N/A	N/A

Footnotes

a Only actual figures are reported. Data is not yet available.

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**

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 12,473.9	$ 13,633.8	$ 15,850.9	$ 15,923.6	$ 15,908.4
Total expenditures - state appropriated funds (in thousands)	$ 12,473.9	$ 13,633.8	$ 15,850.9	$ 15,923.6	$ 15,908.4
Average monthly full-time equivalents	117.0	116.0	132.0	119.0	130.0
Output Indicators					
Number of job descriptions (104s) processed	6,879	6,670	6,700	6,208	6,700
Number or Rutan reviews processed	1,282	1,340	1,300	1,238	1,300
Number of people trained	2,431	1,660	1,700	2,402	1,700
Number of participants at Diversity Enrichment job fairs	29,053	10,760	22,000	17,360	22,000
Number of Diversity Enrichment Program Events	75.0	47.0	60.0	35.0	60.0
Number of Packets Distributed at Diversity Enrichment Program Job Fairs	10,776	6,651	4,400	8,566	4,400
Number of veterans counseled	580.0	626.0	490.0	668.0	490.0
Number of automated exams given	68,430	87,663	63,000	84,299	63,000
Number of job applications received	70,934	123,106	65,000	143,342	65,000
Number of Upward Mobility Program participants certified and credentialed	865.0	857.0	870.0	855.0	870.0
Number of TRAEX exams graded	45,648	51,198	50,000	53,450	50,000
Number of Upward Mobility Program participants appointed to UMP positions	266.0	325.0	280.0	218.0	280.0
Number of people enrolled in Upward Mobility Program	4,234	3,978	4,100	3,843	4,100
Number of transactions processed	137,732	114,046	120,000	114,917	120,000
Number of grievances resolved	61.0	40.0	40.0	61.0	40.0
Outcome Indicators					
Average Number of Days for Personnel to Review and Approve Job Descriptions	43.4	74.9	60.0	84.7	60.0
Percent of Full-Time Permanent State Employees in Code Agencies that Represent a Minority Group	58.2%	58.13%	58.2%	58.8%	58.2%

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, structure, 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 Implement a fully integrated facility and real estate management enterprise solution.
- b Implement the leasing strategy's holdover lease component aimed at reduction of holdover leases to industry standards.
- c Reduce the State's cost of occupancy in both state owned and leased properties.
- d Improve the Bureau's timeliness, responsiveness, and customer satisfaction by streamlining internal procedures.
- e 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 405/405-300

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 219,031.3	$ 214,592.4	$ 240,061.3	$ 221,737.4	$ 245,976.5
Total expenditures - state appropriated funds (in thousands)	$ 219,031.3	$ 214,592.4	$ 240,061.3	$ 221,737.5	$ 245,976.5
Average monthly full-time equivalents	313.0	319.0	353.0	325.0	353.0
Output Indicators					
Number of facilities participating in I-Cycle Program	252.0	254.0	260.0	254.0	320.0
Number of equipment items transferred out of State Surplus Warehouse	1,826	1,951	2,150	3,316	3,700
Number of items sold via I-Bid	1,509	2,027	2,250	3,038	3,150
Number of Registered bidders for I-Bid Program	1,153	4,688	6,200	7,760	8,200
Outcome Indicators					
Percent of leases in holdover status	31%	26%	18%	13%	5%
Percent of work orders completed within the fiscal year (a)	70.3%	65%	N/A	98%	98%

Footnotes

a FY 2010 data is unavailable because data source is no longer in existence

Central Management Services - Strategic Sourcing and Procurement

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. The Procurement program is also responsible for state fleet operations and maintenance, fuel management, and vehicle leasing for all state agencies, as well as providing timely mail service for state government.

Program Goals:
Objectives:

1 Provide seamless, high quality procurement 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.
- c Drive down costs through strategic sourcing best practices.
- d Build knowledge and skills to assist user agencies with making better sourcing decisions.

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 services 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

	Fiscal Year 2007 Actual	Fiscal Year 2008 Actual	Fiscal Year 2009 Target /Projected	Fiscal Year 2009 Actual	Fiscal Year 2010 Target /Projected
Input Indicators					
Total expenditures - all sources (in thousands)	$ 41,738.6	$ 48,083.2	$ 54,735.3	$ 43,058.1	$ 63,576.4
Total expenditures - state appropriated funds (in thousands)	$ 41,738.6	$ 48,083.2	$ 54,735.3	$ 43,058.1	$ 63,576.4
Average monthly full-time equivalents	204.0	199.0	232.0	203.0	230.0
Output Indicators					
Gallons of gasohol sold	957,389	971,230	1,000,000	770,800	700,000
Fleet Consumption- Biodiesel (gallons)	N/A	2,978,812	3,100,000	1,720,074	2,000,000
Fleet Consumption- E-85 (gallons)	N/A	163,948	175,000	186,589	200,000
Total state garage billings (in millions)	$ 27.7	$ 28.0	$ 25.5	$ 27.9	$ 28.0
Outcome Indicators					
Total contract dollars awarded to small businesses through Small Business Set-Aside Program (in dollars) (a)	$56,968,868.00	N/A	$52,000,000.00	N/A	N/A
Mechanic productivity rate	103.9%	102.9%	104%	102.9%	103%
Percent savings to state agencies- DOV mechanical labor rate per hour vs. industry average for passenger vehicles.	22%	23.5%	25.3%	25.3%	25.3%
Percent of vehicles purchased meeting federal requirements when FFV vehicles are available (EPACT) (b,c)	291%	97%	90%	83%	80%
Total contract dollars generated from diverse business subcontracting goals (in thousands)	$ 67,154.4	$ 27,990.9	$ 55,622.0	$ 59,773.0	$ 60,000.0
Average score of Supplier Relationship Management survey results	7.4	7.3	7.4	7.9	7.8
Efficiency/Cost-Effectiveness					
DOV mechanical labor rate per hour (in dollars)	$ 65.00	$ 65.00	$ 65.00	$ 65.00	$ 65.00
External Benchmarks					

Industry average mechanical labor rate per hour (in dollars)	$ 83.00	$ 85.00	$ 87.00	$ 85.00	$ 87.00

Footnotes

a Data not yet available

b Energy Policy Act (EPACT) only impacts vehicle purchasing guidelines in Cook and collar counties. For every 10 vehicles purchased in these counties 75% have to be alternative fuel. All vehicles purchased statewide are included in totals, leading to high percentages

c Public Act 1079 requires the purchase of Hybrid vehicles which lowers the number of FFV purchases