



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

PROCUREMENT POLICY BOARD

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2008**

WILLIAM G. HOLLAND

AUDITOR GENERAL

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

TABLE OF CONTENTS

	<u>Page</u>
Agency Officials	1
Management Assertion Letter	2
Compliance Report	
Summary	3
Accountants' Report	
Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes	5
Schedule of Findings	
Current Findings (State Compliance)	8
Prior Findings Not Repeated (State Compliance)	10
 Supplementary Information for State Compliance Purposes	
Summary	12
Fiscal Schedules and Analysis	
Schedule of Appropriations, Expenditures and Lapsed Balances	13
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	15
Schedule of Changes in State Property	16
Analysis of Significant Variations in Expenditures	17
Analysis of Significant Lapse Period Spending	18
Analysis of Operations	
Agency Functions and Planning Program	19
Average Number of Employees	20
Service Efforts and Accomplishments (not examined)	21

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

AGENCY OFFICIALS

Executive Director

Matthew Brown

Chief Fiscal Officer

Jennifer Rapp

The members of the Board as of June 30, 2008 were:

- Terrence Healy, Chairman
- Michael Bass
- Ed Bedore
- Ricardo Morales
- Carmen Triche-Colvin

Board administrative office is located at:

511 West Capitol
Suite 102
Springfield, IL 62704



STATE OF ILLINOIS
PROCUREMENT POLICY BOARD

Terrence Healy, Chairman
Members: Michael Bass, Ed Bedore, Ricardo Morales, Carmen Triche-Colvin

November 14, 2008

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Board. 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 Board's compliance with the following assertions during the two-year period ended June 30, 2008. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2008, the Agency has materially complied with the assertions below.

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

Yours very truly,

Procurement Policy Board

Matthew Brown, Executive Director

Jennifer Rapp, Fiscal Officer

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

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

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
<u>Findings</u>	<u>Report</u>	<u>Report</u>
Findings	1	8
Repeated findings	1	*
Prior recommendations implemented or not repeated	7	*

* Fiscal year 2006 was the first examination of the Procurement Policy Board.

Details of the finding is presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
08-1	8	Property control weaknesses	Noncompliance and Significant Deficiency

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
A	10	Voucher processing weaknesses
B	10	Lack of formal policies and procedures
C	10	Statements of Economic Interest not filed
D	10	Failure to comply with the State Records Act
E	11	Inadequate controls over expenditure records
F	11	Inadequate controls over employee timekeeping
G	11	Inadequate controls over contractual agreements

EXIT CONFERENCE

The Procurement Policy Board waived an exit conference in a letter dated November 13, 2008. Responses to the recommendations were provided by Matt Brown, Executive Director, in correspondence dated November 13, 2008.

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

We have examined the State of Illinois, Procurement Policy Board's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2008. The management of the State of Illinois, Procurement Policy Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Procurement Policy Board's compliance based on our examination.

- A. The State of Illinois, Procurement Policy Board 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 State of Illinois, Procurement Policy Board 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 State of Illinois, Procurement Policy Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

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 State of Illinois, Procurement Policy Board'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 State of Illinois, Procurement Policy Board's compliance with specified requirements.

In our opinion, the State of Illinois, Procurement Policy Board complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2008. However, the results of our procedures disclosed an instance of noncompliance, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 08-1.

Internal Control

The management of the State of Illinois, Procurement Policy Board 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 State of Illinois, Procurement Policy Board's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine 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 State of Illinois, Procurement Policy Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Procurement Policy Board's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 08-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be a material weakness.

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

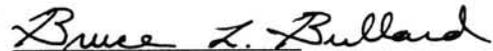
The State of Illinois, Procurement Policy Board's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Procurement Policy Board's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. 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. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007 and 2008 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2006 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

November 14, 2008

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

08-1. **FINDING** (Property control weaknesses)

The Procurement Policy Board (Board) did not adjust property control records or exercise adequate controls over its property.

During detail testing of newly acquired property items, we noted that the Board did not tag or include two property items, a calculator and a digital recorder, totaling \$128 on the property records. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.210) requires all equipment regardless of value to be clearly marked to indicate that it is the property of the State of Illinois. The Code (44 Ill. Admin. Code 5010.220) also requires agencies to record all property items that are subject to theft regardless of acquisition cost.

In addition, the Board's property records as of June 30, 2008 did not reconcile to the Quarterly Fixed Asset Report (C-15 Report) submitted to the Office of the Comptroller. The Board's property records indicated a property value of \$23,107, however the C-15 Report at June 30, 2008 indicated that the property value was \$19,543.

During the examination period, we noted that the Board maintained two separate property listings. One listing (internal report) represented all equipment items that the Board maintains while another listing was maintained on the Central Inventory System (CMS report). The internal report only reported the tag number, the item's description and where the item was located. No dollar amounts were included on the internal report. The internal report was determined to be the report that the Board considered to be a complete listing of all property items. The CMS report maintained all of the information that is required by the Illinois Administrative Code (44 Ill. Admin. Code 5010.230), but the listing did not include all of the Board's property.

As a result of the Board maintaining two different property reports, we compared the two reports and noted the following discrepancies:

- Ten property items totaling \$2,505 were included on the internal report but not included on the CMS report.
- One property item with a zero value recorded on the CMS report was no longer the property of the Board. This same property item was not included on the internal report.
- One property item totaling \$550 was entered on the CMS report twice.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2008

We also reviewed all property transactions during the examination period and noted the following during detail testing of the Board's property records:

- Two property items totaling \$199 were purchased prior to fiscal year 2007, but not included on property records until fiscal year 2007.
- Seven property items purchased prior to fiscal year 2007 were added to the property listing during fiscal year 2007 at the incorrect cost resulting in an understatement of \$154.
- Two property items were entered into the property records at a zero value prior to fiscal year 2007, however, during fiscal year 2007 the Board entered the actual price totaling \$2,870 into the property records.
- Four property items totaling \$2,904 were deleted from the property records prior to June 30, 2008, however the Board still had possession of those property items.

Due to the errors noted above, the Board's property value as of June 30, 2008 should be \$28,094.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Board be accountable for the supervision, control and inventory of all property under its jurisdiction and control. Good business practice states that proper internal controls should be established to help safeguard assets.

Board personnel stated that they were not aware of these requirements. Also, personnel stated that items were not added to inventory listings due to oversight.

Failure to maintain accurate property records increases the potential for fraud and possible loss or theft of State property. In addition, failure to submit accurate information to the Office of the Comptroller causes Statewide consolidated fixed asset information to be inaccurate. (Finding Code No. 08-1, 06-1)

RECOMMENDATION

We recommend the Board comply with the Illinois Administrative Code and the State Property Control Act by ensuring all property under its jurisdiction is recorded accurately on their property records.

AGENCY RESPONSE

The Board has established the end of Q1 FY09 as the transition to an internally established database for inventory that included tag number, item description, voucher number, purchase price and detail object code. The Board has also reconciled the new system with the Comptrollers quarterly C-15 inventory value certification. We will be terminating the use of the CMS central inventory system at this point. The Board feels this is a better fit operationally and will assist us in maintaining compliance with the Illinois Administrative Code and the State Property Control Act.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)
For the Two Years Ended June 30, 2008

A. **FINDING** (Voucher processing weaknesses)

During the prior examination, the Procurement Policy Board did not exercise adequate controls over voucher processing.

During the current examination, the Board has strengthened controls over voucher processing in relation to using the correct SAMS object codes and ensuring that a receiving officer signs and dates each voucher/invoice to indicate goods were received. However, there were still instances of noncompliance with ensuring vouchers are approved within the required timeframe. As a result of the improvements that the Board has made, this finding has been moved to an immaterial finding. (Finding Code No. 06-2)

B. **FINDING** (Lack of formal policies and procedures)

During the prior examination, the Procurement Policy Board did not have formal personnel policies and procedures.

During the current examination, the Board established a formal policy manual for all employees that covers the following areas: employee attendance, vacation, sick and personal time, salary/raises, training policies, overtime, hiring, evaluations, leave of absence, and prohibited political activities. (Finding Code No. 06-3)

C. **FINDING** (Statements of Economic Interest not filed)

During the prior examination, the Procurement Policy Board did not require the Executive Director, Fiscal Officer, or Procurement Analyst to file Statements of Economic Interest.

During the current examination, the Board made a decision to require all Board Members, employees, and the ethics officer to file a Statement of Economic Interest. All individuals filed their fiscal year 2007 and fiscal year 2008 Statements of Economic Interest prior to the due date of May 1st. (Finding Code No. 06-4)

D. **FINDING** (Failure to comply with the State Records Act)

During the prior examination, the Procurement Policy Board did not maintain supporting documentation to support their financial operations.

During the current examination, the Board has implemented procedures to ensure that supporting documentation is maintained. (Finding Code No. 06-5)

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)
For the Two Years Ended June 30, 2008

E. **FINDING** (Inadequate controls over expenditure records)

During the prior examination, the Board did not adequately monitor expenditures. Specifically, the Board did not track and monitor actual expenditures versus amounts appropriated and did not perform monthly reconciliations between Board records and Comptroller records.

During the current examination, the Board implemented procedures to monitor and reconcile expenditures. (Finding Code No. 06-6)

F. **FINDING** (Inadequate controls over employee timekeeping)

During the prior examination, the Procurement Policy Board did not require its employees to periodically submit timesheets documenting the time spent each day on official State business.

During the current examination, the Board established a timesheet for all employees to complete on a weekly basis. The timesheets document the total hours spent each day on official State business. (Finding Code No. 06-7)

G. **FINDING** (Inadequate controls over contractual agreements)

During the prior examination, the Board did not exercise adequate controls over its contractual services agreements. Specifically, the Board did not approve a legal contract before the start of the services and did not correctly complete the Contract Obligation Document.

During the current examination, the Board had strengthened contractual processing controls to ensure that contracts are approved by both parties in a timely manner and properly completed. During our testing, we found no instances of inadequate controls over contractual service agreements. (Finding Code No. 06-8)

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2008

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
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Lapse Period Spending

- Analysis of Operations:

- Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (not examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2008

P.A. 95-0348	Appropriations	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Ordinary and Contingent Expenses	\$ 313,000	\$ 278,035	\$ 3,906	\$ 281,941	\$ 31,059
Total Fiscal Year 2008	<u>\$ 313,000</u>	<u>\$ 278,035</u>	<u>\$ 3,906</u>	<u>\$ 281,941</u>	<u>\$ 31,059</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records and have been reconciled to records of the Board.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2007

P.A. 94-798	Appropriations	Expenditures through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001					
Ordinary and Contingent Expenses	\$ 300,000	\$ 241,030	\$ 10,278	\$ 251,308	\$ 48,692
Total Fiscal Year 2007	<u>\$ 300,000</u>	<u>\$ 241,030</u>	<u>\$ 10,278</u>	<u>\$ 251,308</u>	<u>\$ 48,692</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records and have been reconciled to records of the Board.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
 EXPENDITURES AND LAPSED BALANCES**
 For the Two Fiscal Years Ended June 30, 2008

	Fiscal Year		
	2008	2007	2006
General Revenue Fund - 001	P.A. 95-0348	P.A. 94-798	P.A. 94-0015
Appropriations	\$ 313,000	\$ 300,000	\$ 262,000
<u>Expenditures</u>			
Ordinary and Contingent Expenses	\$ 281,941	\$ 251,308	\$ 217,788
Lapsed Balances	<u>\$ 31,059</u>	<u>\$ 48,692</u>	<u>\$ 44,212</u>

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Two Years Ended June 30, 2008

		<u>Equipment</u>
Balance at July 1, 2006		\$ 22,928
Additions	128	
*Auditor adjustment	399	
Adjusted Additions Total	<u>527</u>	527
Deletions	0	
*Auditor adjustment	154	
Adjusted Deletions Total	<u>154</u>	154
Net Transfers	(3,408)	
*Auditor adjustment	4,625	
Adjusted Net Transfers Total	<u>1,217</u>	1,217
Balance at June 30, 2007		<u><u>\$ 24,518</u></u>
Balance at July 1, 2007		\$ 24,518
Additions		3,576
Deletions		0
Net Transfers		<u>0</u>
Balance at June 30, 2008		<u><u>\$ 28,094</u></u>

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

*Auditor adjustments reflect errors noted in findings in the Schedule of Findings

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
 For the Two Years Ended June 30, 2008

<u>GENERAL REVENUE FUND – 001</u>	<u>FISCAL YEAR</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Personal Services	\$ 177,344	\$ 167,598	\$144,574
State Retirement	29,374 (E)	19,320 (A)	11,267
Social Security	12,551	11,843	10,001
Contractual Services	48,538	43,834	43,654
Travel	2,950	3,162 (B)	1,736
Commodities	3,520	2,905 (C)	1,418
Printing	172	0	328
Equipment	4,557 (F)	0 (D)	2,333
Telecommunications	<u>2,935</u>	<u>2,646</u>	<u>2,477</u>
Total Expenditures	<u>\$ 281,941</u>	<u>\$ 251,308</u>	<u>\$ 217,788</u>

Explanations of significant variations in expenditures (fluctuations of 20% or more and \$1,000) for the years ended June 30, 2008, June 30, 2007 and June 30, 2006 are presented below:

- (A)** The increase in expenditures from fiscal year 2006 to fiscal year 2007 was attributable to the addition of a new employee at the end of fiscal year 2006. In addition, the employer retirement rate increased from 7.792% in fiscal year 2006 to 11.525% in fiscal year 2007.
- (B)** The increase in travel expenditures from fiscal year 2006 to fiscal year 2007 was attributable to increased travel to Board meetings taking place in Chicago and participating in meetings with other State agencies.
- (C)** The increase in commodity expenditures was due to the Board purchasing additional toner cartridges for printers, photocopier and fax machines.
- (D)** The Board did not purchase equipment in fiscal year 2007. In fiscal year 2006, the Board purchased computer equipment.
- (E)** The increase in expenditures from fiscal year 2007 to fiscal year 2008 was due to the employer retirement rate increasing from 11.525% in fiscal year 2007 to 16.561% in fiscal year 2008.
- (F)** The Board purchased computer equipment and a printer in fiscal year 2008.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
 For the Two Years Ended June 30, 2008

<u>GENERAL REVENUE FUND – 001</u>	<u>FISCAL YEAR</u>	
	<u>2008</u>	<u>2007</u>
Personal Services	\$ 0	\$ 0
State Retirement	0	0
Social Security	0	0
Contractual Services	1,167	9,395 (A)
Travel	0	119
Commodities	1,336 (B)	504
Printing	0	0
Equipment	1,141 (C)	0
Telecommunications	<u>262</u>	<u>260</u>
Total Expenditures	<u>\$ 3,906</u>	<u>\$ 10,278</u>

Explanations of significant variations in expenditures (fluctuations of 20% or more and \$1,000) for the two years ended June 30, 2008 and June 30, 2007 are presented below:

- (A) During fiscal year 2007 lapse, the Board paid four months of legal services totaling \$4,800 and certification for National Institute of Governmental Purchasing totaling \$3,545.
- (B) The Board made purchases of office supplies, paper and toner cartridges for the photocopier.
- (C) The Board purchased a printer at the end of fiscal year 2008 totaling \$1,141.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2008

FUNCTIONS

The Procurement Policy Board (Board) is statutorily charged with the responsibility to review, comment upon and recommend rules and practices governing the procurement, management, control and disposal of supplies, services, professional and artistic services, construction, and real property and capital improvement leases procured by the State. In particular, the Board is specifically responsible for the approval of lease renewals for State agencies and by recent legislative action the review of most State contracts prior to execution. Leases and contracts reviewed number more than 6,000 annually.

Public Act 93-839 established a contract review process by which any proposed State contract that is bid or let through the Procurement Bulletin (which is the statutorily prescribed tool for bid letting) be reviewed over a 30 day time period. The Board may waive the 30 days in order to expedite transactions but this does not abdicate the Board's review authority.

Public Act 95-536 requires the Procurement Policy Board to maintain on its official website a searchable database containing all information required to be included in the Illinois Procurement Bulletin under subsections (b) and (c) of Section 15-25. The posting of procurement information on the website is subject to the same posting requirements as the online electronic bulletin.

From a programmatic standpoint, the Board's single mandate is the facilitation of procurement policy for the State of Illinois. In an ongoing capacity, the Board is in communication with the Chief Procurement Officers, State Purchasing Officers, and their designees for the purposes of policy review and development. In this context, the Board offers assistance in the way of standardized educational seminars for staff in need of foundation level procurement education. The seminars are structured in a format that allows procurement staff members to apply the coursework towards professional certification in this field.

The Board is governed by five members appointed one each by the four legislative leaders and the Governor. Within the Board's operations there are currently four employees and the statutory authority to staff accordingly in order to manage the contract review requirements of the Procurement Code. Professional and support staff are subordinate to the Executive Director and all employees function under the direction of the Board.

PLANNING PROGRAM

Policy development is an ongoing function of the Board. When planning for some targeted project the Executive Director and the Board members discuss cause, effect, timing, cost, and implementing issues involved. Board members meet monthly to discuss issues such as approving the Board's operational budget, authorizing the number of employees and advising and recommending policies for the operation of the Board.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
AVERAGE NUMBER OF EMPLOYEES
 For the Two Years Ended June 30, 2008

The following table, prepared from Board records, presents the average number of employees, by function for the fiscal years ended June 30,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Director	1	1	1
Fiscal Officer	1	1	1
Contract Analyst	1	1	1
Administrative Assistant	<u>1</u>	<u>1</u>	<u>1</u>
Total average full-time employees	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>4</u></u>

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2008
 (not examined)

Pursuant to the Illinois Procurement Code (30 ILCS 500/5-30), no contract procured above the small purchases limit may be executed until 30 days after notice of its award or letting appears in the Procurement Bulletin, without the Procurement Policy Board (Board) having the opportunity to review the proposed contract. The contracting agency may request, and the Board may agree to waive the 30-day period as necessary.

Board review occurs on proposed contracts that appear contrary to existing policy, contracts that are proposed under newly established policy and contracts that are particularly unique and do not find a ready course through existing procurement policy.

The following data provides details on the State's contracting activity in the areas of sole source, emergency, professional and artistic, and construction contracts in addition to Board reviews initiated and information requests and results for calendar years 2007, 2006 and 2005.

	Calendar Year 2007	Calendar Year 2006	Calendar Year 2005
Contracts by Procurement Approach			
Alternative RFI (Real Estate)	14	0	0
Amendment / Changes	1,466	758	148
Competitive Bid (IFB, RFP, etc)	3,531	4,183	3,123
Emergency	73	122	144
Orders (On-Going Notices)	0	52	58
Quality Based Selection	74	0	340
Professional and Artistic Exception to RFP	0	3	7
Renewal	1,225	1,005	518
RFI Exempt (Real Estate)	112	127	0
Sole Source	<u>1,323</u>	<u>1,302</u>	<u>1,397</u>
Total by Procurement Approach	<u>7,818</u>	<u>7,552</u>	<u>5,735</u>

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2008
 (not examined)

	Calendar Year 2007	Calendar Year 2006	Calendar Year 2005
Contracts by Relevant Category			
Aeronautics (DOT)	25	0	0
Commodities	1,014	1,115	1,038
Construction	536	593	476
Employee Benefits	15	15	0
Entertainment	81	59	62
Equipment	838	892	737
Facilities	566	377	38
General Services	1,492	1,478	1,451
Health and Medical Services	86	96	42
Highway Construction	2,541	2,307	1,238
Information Technology	530	542	578
Pharmaceuticals	37	21	36
Telecommunications	<u>57</u>	<u>57</u>	<u>39</u>
Total by Relevant Category	<u>7,818</u>	<u>7,552</u>	<u>5,735</u>
Contract Extensions by Method of Procurement			
Emergency	18	8	20
Sole Source	6	8	42
Other	<u>323</u>	<u>24</u>	<u>8</u>
Total Extensions by Method of Procurement	<u>347</u>	<u>40</u>	<u>70</u>
Procurement Reviews Initiated			
Contract Award Notice	3	8	15
Emergency	0	1	1
Sole Source	<u>0</u>	<u>4</u>	<u>6</u>
Total Procurement Reviews Initiated	<u>3</u>	<u>13</u>	<u>22</u>
More Information Requested and Results			
More Information Requested	450	359	408
Procurement Withdrawn Due to Board Inquiry	17	8	13
Professional and Artistic Contracts			
Professional and Artistic All Methods	673	527	373
Professional and Artistic Sole Source	173	124	131

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2008
 (not examined)

	Calendar Year 2007	Calendar Year 2006	Calendar Year 2005
Sole Source Contracts by Relevant Category			
Commodities	199	188	238
Construction	6	7	4
Entertainment	20	19	18
Equipment	257	286	255
Facilities	23	6	4
General Services	374	371	461
Health and Medical Services	4	14	10
Highway Construction	147	99	98
Information Technology	258	287	377
Pharmaceuticals	22	13	25
Telecommunications	<u>13</u>	<u>12</u>	<u>19</u>
Total Sole Source Contracts by Relevant Category	<u>1,323</u>	<u>1,302</u>	<u>1,509</u>
Sole Source by Type of Agency			
State Agencies	460	416	564
Higher Education	<u>863</u>	<u>886</u>	<u>945</u>
Total Sole Source by Type of Agency	<u>1,323</u>	<u>1,302</u>	<u>1,509</u>