STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2005

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, 2005

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS

Director	Mr. Michael M. Rumman (Effective through June 1, 2005)
	Mr. Paul J. Campbell (Acting, effective June 2, 2005)
Assistant Director	Mr. Paul Campbell (Effective through June 1, 2005)
Assistant Director	Mr. N. Keith Chambers
Chief Operating Officer	Mr. Brian Chapman
Chief Fiscal Officer	Mr. Ronald Banks (Effective through December 9, 2005)
	Marcia Armstrong (Acting, effective December 12, 2005)
Chief Administrative Officer / General Counsel	Mr. H. Edward Wynn (Effective through July 31, 2005)
General Counsel	Ms. Letitia Dominici (Acting, effective August 1, 2005)
Chief Internal Auditor (Illinois Office of Internal Audit)	Mr. John Cressman

AGENCY OFFICE LOCATION

Stratton Office Building
401 South Spring Street
Springfield, IL 62706

CMS

ILLINOIS Rod R. Blagojevich, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Paul J. Campbell, Director

MANAGEMENT ASSERTION LETTER

January 18, 2006

Sikich, LLP
Certified Public Accountants & Advisors
1000 Churchill Road
Springfield, IL 62702

Ladies and Gentlemen:

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 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, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, 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. The 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.

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

E. The money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the agency 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

Paul Campbell, (Acting) Director

Marcia Armstrong, Acting Fiscal Officer

Letitia Dominici, Acting General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPLIANCE REPORT

SUMMARY

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

AUDITORS' REPORTS

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.

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The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 22, 2006. Attending were:

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Paul Campbell, Acting Director
Shelly Martin, Chief Knowledge Officer
Marcia Armstrong, Acting Chief Fiscal Officer
Jim Kulavic, Manager, Accounting Division

OFFICE OF THE AUDITOR GENERAL

Kimberly Labonte, Audit Manager
Mike Maziarz, Audit Manager
Kathy Lovejoy, Audit Manager

SIKICH, LLP

Gary Neubauer, Partner
Todd Leistner, Manager
Richard Taylor, Supervisor

Reponses to the recommendations were provided by Paul Campbell, in letters dated March 31 and April 6, 2006.

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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' 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, 2005. The management of the State of Illinois, Department of Central Management Services is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Central Management Services' compliance based on our examination.

A. The State of Illinois, Department of Central Management Services 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, Department of Central Management Services 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, Department of Central Management Services has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the State of Illinois, Department of Central Management Services 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 State of Illinois, Department of Central Management Services on behalf of the State or held in trust by the State of Illinois, Department of Central Management Services have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Central Management Services' compliance with those requirements 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, Department of Central Management Services' compliance with specified requirements.

In our opinion, the State of Illinois, Department of Central Management Services complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings.

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

Internal Control

The management of the State of Illinois, Department of Central Management Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Department of Central Management Services' internal control over compliance with the aforementioned requirements 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.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control 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 State findings.

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services as of and for the year ended June 30, 2005, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements, and have issued our report thereon dated January 18, 2006. 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 State of Illinois, Department of Central Management Services. The 2005 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 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, 2005 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the State of Illinois, Department of Central Management Services' financial statements for the years ended June 30, 2004 and 2003. In our reports dated February 16, 2005 and December 10, 2003, we expressed unqualified opinions on the respective financial statements. In our opinion, the 2004 and 2003 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 years ended June 30, 2004 and 2003 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
January 18, 2006

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services as of and for the year ended June 30, 2005, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements, and have issued our report thereon dated January 18, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Illinois, Department of Central Management Services' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 05-15.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

In addition, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the State of Illinois, Department of Central Management Services in a separate letter dated January 18, 2006.

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, and contracts, 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 item 05-15.

In addition, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the State of Illinois, Department of Central Management Services in a separate letter dated January 18, 2006.

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
January 18, 2006

CURRENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

05-1 <u>FINDING</u>: (Lack of documentation in contract files)

The Department of Central Management Services (Department) contract files lacked basic information, such as individual scoring sheets and written determinations for contract award, to adequately document the evaluation and selection process. Documentation of the process used and decisions made in the evaluation and scoring of proposals is a critical control component to ensure a fair and open procurement process.

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing.

Six of the 10 tested files (60 percent) awarded in fiscal year 2005 lacked documentation in the contract files in one or more areas. Concerns were raised about the availability and completeness of information provided to the auditors. Numerous documents expected to be retained centrally in contract files were missing upon initial review. Many of the requested documents were subsequently provided, however, the omission of these documents from the contract files demonstrates the Department's inability to provide sufficient support for procurement decisions in a timely and complete manner.

Specific documentation not contained in contract files included the following:

- No written recommendation or decision memorandum for a procurement outlining reasons for selecting the winning vendor.
- A written recommendation did not provide sufficient justification for selecting the winning vendor.
- A technical point evaluation was done collectively for all persons performing the proposal evaluation rather than individually by each person, as required by a document titled "Evaluation Procedures for Bids (IFB) and/or Proposals (RFP)" maintained on the State Purchasing Officer's (SPO) web page.
- A contract was executed that included an hourly rate for the vendor different than the rate proposed, and the contract file lacked documentation regarding the change. In this instance the rate was lower than proposed; however, there was no documentation of a best and final offer process.
- For one solicitation, only the successful vendor was deemed responsive. The contract file lacked documentation of the reasons all other vendors were deemed unresponsive.

- Two awards that were subsequently cancelled lacked documentation in the files regarding the reason for the cancellation of the award.

In addition, the Department was unable to provide a procurement file for a sole source procurement awarded during fiscal year 2005. Significant documents relating to the procurement process were not retained and the Department did not execute a contract. Also, the documentation for the cost of the project was not fully developed as to adequately ensure the cost was appropriate. The proposal was also too vague in regards to total cost and did not contain a firm not to exceed amount. No services were provided to the Department under this procurement and no payments were made to the vendor.

Other documentation deficiencies: In other testing of 25 contractual agreements we noted one contract in which a possible conflict of interest was disclosed but there was no documentation as to the Department's review and resolution of this potential conflict. In addition, the procurement file for this contract did not contain the losing bids.

The Illinois Administrative Code requires for contracts that "Each written determination shall be filed in the solicitation or contract file to which it applies, shall be retained as part of such file for so long as the file is required to be maintained, and, except as otherwise provided by statute or rule, shall be open to public inspection." (44 Ill. Adm. Code 1.7025(e))

Department officials have represented these deficiencies were the result of unclear or inadequate guidelines established for the procurement process and lack of training for procurement officers.

Good business practice would require the Department to document how taxpayer funds were to be utilized. Additionally, the State Records Act (5 ILCS 160/8) dictates that "The head of each agency shall cause to be made and preserved records containing adequate and proper documentation of the …decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities." Finally, the Department should be held to the same documentation retention standards and process that the Department holds other State agencies to. (Finding Code No. 05-1, 04-2)

RECOMMENDATION:

We recommend the Department maintain procurement files that contain all relevant information to the decision making process in a procurement.

DEPARTMENT RESPONSE:

The Department agrees and is continuing to make improvements. In May 2005, the Department issued Chief Procurement Officer (CPO) Notice #37 requiring all appropriate documentation to be maintained in the file. The Department conducted training for CMS and the State Purchasing Officers (SPOs) in May and July 2005. The Department improved the Procurement Business Case (PBC) and as of June 2005 requires the award justification to be added to ensure a complete record of the procurement activity. The PBC serves as a decision memo to capture procurement data, justification, vendor information and necessary approvals from inception to completion for procurements that meet the requirements for a PBC.

On September 1, 2005 the Department issued an internal procurement memo to CMS staff establishing additional written procedures and additional controls.

The Department continues training and enforcement of policies and procedures with CMS staff and the SPOs. Additional training was held in October, November and December of 2005 and in February and March of 2006.

05-2 <u>FINDING</u>: (Lack of adequate controls over the opening of sealed vendor pricing during the Request for Proposal Process)

The Department's contract files lacked documentation and a system for the witnessing and recording of vendor pricing, and best and final offer pricing, when using the Request for Proposal process. Documentation of the process used, vendor pricing, and decisions made in the evaluation and scoring of proposals is a critical control component to ensure a fair and open procurement process.

When a procurement is being conducted using the request for proposal (RFP) process, the law requires proposals to be "submitted in 2 parts: the first, covering items except price; and the second, covering price. The first part of all proposals shall be evaluated and ranked independently of the second part of all proposals." (30 ILCS 500/20-15 (e)) Therefore, while the law (30 ILCS 500/20-15(d)) requires proposal openings to be public and for a record of proposals to be prepared and made available for public inspection following award of the contract, this initial record often does not reflect price information submitted by any of the vendors, both losing and winning.

Good business practice would require a system to document the opening of pricing proposals during the Request for Proposal process. A record should be kept documenting when price proposals were opened, by whom, and documenting specific price information submitted by each vendor. Additionally, price proposals should be opened only in the presence of a witness. Any deviations from the initial pricing should be documented in writing and maintained in the procurement file.

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing. In 2 of the 10 procurements tested, we did not find documentation reflecting when the price proposals were opened, by whom, and documenting what prices were submitted by proposers. In those same procurements, we did not find any information indicating the price opening was witnessed by anyone. In response to the auditors' concerns, the Department adopted some procedures to improve controls in this area on September 1, 2005.

Department officials have represented these deficiencies occurred prior to the establishment of formalized written procedures and training.

Failure to open price proposals in the presence of a witness and to maintain a record of pricing information that would be available for public inspection following award undermines government transparency and accountability and could lead to improper or questionable awards. (Finding Code No. 05-2)

RECOMMENDATION:

We recommend the Department only open price proposals in the presence of a witness. We further recommend a record of all price proposals be maintained and made available for public inspection following award. The record should reflect who opened the price proposals, the date price proposals were opened, and the name of each vendor and details concerning each vendor's submitted price. Any changes in pricing following the opening of the price proposals should be similarly documented and made available for public inspection following award.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. On September 1, 2005 the Department issued an internal procurement memo to CMS staff establishing written procedures and additional controls for the opening of vendor pricing.

05-3 **<u>FINDING</u>:** (Use of contractor work in developing RFP specifications)

The Department used a vendor to develop specifications in a Request for Proposal (RFP) – including a vendor that eventually received the award for this procurement opportunity. While allowable under Procurement Rules, the extensive nature of the vendor's participation in the collection of data and/or the preparation of RFP materials creates, at a minimum, the appearance that such vendor had an advantage over other proposers not involved in the preparation of RFP information or materials.

The National Association of State Procurement Officials (NASPO) recommends that State purchasing officials develop guidelines "for vendor input into the process of determining agencies' needs or preparing initial specifications, so that the agencies and the central procurement office may obtain the benefits of vendor expertise without creating unfair bias or a conflict of interest." (NASPO State and Local Government Purchasing Principles and Practices, 1997) The Department has adopted *general* guidelines that prohibit a person who prepared the specifications from submitting a bid or proposal for the procurement unless the agency head determines in writing that accepting such a bid or proposal would be in the State's best interest (44 Ill. Adm. Code 1.2050 (i)). However, the Department does not have any *specific* guidelines to determine under what circumstances the State should use vendors to assist in preparing specifications and the Department lacks specific standards designed to ensure that State personnel evaluating bids and proposals are not biased toward awarding the engagement to a vendor who assisted in preparing the specifications.

In 1 of the 10 fiscal year 2005 files tested (10 percent), the Department used vendors, including the vendor that eventually received the award, to develop specifications in the RFP. The winning vendor was granted a waiver by the Department to propose on the procurement. Prior to the issuance of the solicitation, this vendor provided extensive "pro bono" work to the Department. Certain information developed as a result of the pro bono work was provided to prospective proposers.

In another instance, the Department had contact with the winning vendor, outside the normal solicitation process. Two Department officials met with this vendor prior to the issuance of the RFP. No other vendors were contacted regarding the issuance of the RFP. This vendor was subsequently determined to be the only responsive bidder on this contract.

From our review of the procurement files for these contracts, we could not find evidence, in writing, that there would be no substantial conflict of interest by allowing vendors to assist in specification development and bid on the procurement opportunities, and why it was in the best interest of the State to accept bids from these vendors.

Department officials have represented the use of this vendor for pro bono work occurred prior to the Department's issuance of written guidelines and training. Testing of the adequacy of the specific corrective action measures adopted could not be performed for fiscal year 2005 procurements due to the timing of adoption and implementation of the corrective action.

The purpose of the Standard Procurement Rules is to “make policies, procedures and guidelines for procurement of necessary supplies and services by State agencies uniform and consistent among and within State agencies in order to facilitate participation in State procurements, encourage competition, and ensure that procurements are conducted in a fair and open manner” (44 Ill. Adm. Code 1.08 (c)). Department officials indicated that outside assistance was needed to either develop RFP specifications or to provide consultation and data gathering due to a lack of internal resources. However, the use of vendors to provide assistance in preparing RFPs, and the subsequent award of these contracts to these vendors, can create the appearance that the procurement was not conducted in a fair and open manner. (Finding Code No. 05-3, 04-3)

RECOMMENDATION:

We recommend that the Department develop specific guidelines for utilizing vendors to provide assistance in developing specifications and information to be included in Requests for Proposals to ensure the rights of other prospective bidders or offerors and the public are not prejudiced.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. In May 2005, the Department issued Chief Procurement Officer (CPO) Notice #38 establishing guidelines if a vendor was asked to provide assistance in developing specifications or in conducting a study or data collection effort. The Department conducted training for CMS and the State Purchasing Officers (SPOs) in May and July 2005.

The Department issued a memo on June 30, 2005 to all SPOs providing further guidance on communicating with suppliers. A meeting was held on July 14, 2005 with CMS staff and the 12 largest agency SPOs to facilitate understanding and discuss any questions or issues.

The procedures, guidelines and training were implemented to ensure that when agencies utilize vendors’ services that full transparency is provided. There is significant value in State procurement staff meeting with potential suppliers as they do the necessary research to develop a complete understanding including industry trends, best practices, new innovations and market prices. We understand that this value should be balanced with the need to ensure a fair procurement process to all vendors.

The Department continues training and enforcement of policies and procedures with CMS staff and the SPOs. Training was held in October, November and December of 2005 and in February and March of 2006.

05-4 <u>FINDING</u>: (Changes in award evaluation criteria not communicated to proposers)

The Department used evaluation criteria to evaluate vendor proposals that were not stated in the Request for Proposals (RFP). Changes in scoring methodology were not communicated to proposing vendors or reflected in an addendum to the RFPs.

The Illinois Administrative Code states that proposals shall be evaluated only on the basis of evaluation factors set forth in the RFP (44 Ill. Adm. Code 1.2035 (h)(2) and 44 Ill. Adm. Code 1.2015 (f)2)). For professional and artistic contracts, price will not be evaluated until ranking of all proposals and identification of the most qualified vendors.

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing.

In one of the tested awards, a $162 million contract for pharmaceuticals, the Department used an evaluation process that conflicted with the process specified in the RFP. After technically scoring the proposals and determining that three of the four vendors met the minimum responsiveness point scale, the Department failed to proceed to price evaluation as stated in the RFP. The evaluation committee instead determined that no vendor met all of the Mandatory Requirements from the RFP and sent all four vendors a revised document on the Mandatory Requirements from the RFP as a stated Best and Final Offer. Within this correspondence is no mention that the evaluation criteria had been changed from what was outlined in the RFP. After reviewing the second responses, the evaluation committee determined that only the winning vendor was evaluated as being able to meet the State’s requirements. The evaluation committee, through a consultant, reviewed pricing submitted by all vendors, even though only the winning vendor was deemed able to meet all the requirements, and the pricing structure of the winning vendor was identified as being at the “upper end of the market”.

Department officials have represented the procurement process was not adequately documented to support the decisions. Testing of the adequacy of the specific corrective action measures adopted could not be performed for fiscal year 2005 procurements due to the timing of adoption and implementation of the corrective action.

Failure to notify vendors of changes in evaluation criteria not only violates administrative rule, it increases the likelihood that vendors and the public will not view the contract award process as being conducted in a fair and open manner. (Finding Code No. 05-4, 04-4)

RECOMMENDATION:

We recommend that the Department follow evaluation criteria stated in Requests for Proposals when evaluating and awarding State contracts. Additionally, the Department should develop addendum to Request for Proposals when it determines there needs to be a change to the evaluation criteria so that all vendors are assured of a fair and open contracting process.

DEPARTMENT RESPONSE:

The Department agrees and is continuing to make improvements. The Department understands the importance of maintaining the proper documentation in the files to support procurement decisions. The evaluation team did not properly document the results of their review after the clarifications were received from the vendors. In May 2005, the Department issued additional procedures and training to CMS and State Purchasing Officers (SPOs) to ensure that proper documentation exists in the files.

Also in May 2005, the Department issued Chief Procurement Officer (CPO) Notice #40 enforcing that the evaluation criteria and sourcing methodology need to be accurately reflected in the Request for Proposal (RFP) and any change to the evaluation criteria is published as an addendum on the Illinois Procurement Bulletin.

On September 1, 2005 the Department issued an internal procurement memo to CMS staff establishing additional written procedures and additional controls.

The Department continues training and enforcement of policies and procedures with CMS and the SPOs. Training was held in October, November and December of 2005 and in February and March of 2006.

05-5 **<u>FINDING</u>:** (Extensive vendor revisions to proposal during "best and final" process)

The Department allowed a vendor to extensively revise its pricing during a "best and final" process resulting in pricing higher than originally proposed by the vendor.

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing.

In one of the ten fiscal year 2005 files tested, we noted the Department allowed a vendor to extensively revise its pricing during a "best and final" process. Of four vendors submitting proposals for performing various types of pressure washing services, the vendor awarded the contract was the only vendor determined to be responsive to the Request for Proposals (RFP). The RFP allowed vendors to submit proposals by region or on a statewide basis. The original proposal submitted by the vendor only quoted statewide rates. The Department allowed the vendor to submit a best and final offer that revised the rate structure based on regions. For many of the pressure washing services to be provided, the final pricing by region was double or triple the original statewide rate quoted in the winning vendors' initial proposal.

Competitive sealed proposal requirements set forth in the Illinois Administrative Code (44 Ill. Adm. Code 1.2015 (g)) allow for discussions with any offeror that submitted a proposal that was initially deemed acceptable or potentially acceptable. Such discussions are held to "facilitate arriving at a contract that will be most advantageous to the State, taking into consideration price and the other evaluation factors set forth in the Request for Proposals." Best and final offers may be requested from offerors deemed acceptable after completion of any discussions and "an award shall be made by the Procurement Officer pursuant to a written determination showing the basis on which the award was found to be most advantageous to the State, based on the factors set forth in the Request for Proposals." (44 Ill. Adm. Code 1.2015 (h)) The Department failed to demonstrate and document that the best and final offer was more advantageous than the offeror's original proposal.

Department officials have represented that the revised proposal did not result in higher pricing, as the original proposal did not include all costs to be charged. However, the RFP clearly stated proposals were to include all costs and the proposal submitted did not indicate pricing would be adjusted for any additional costs.

The significant changes made to pressure washing pricing during the best and final offer process could result in additional cost to the State as the final pricing exceeded the vendor's original proposal. (Finding Code No. 05-5, 04-5)

RECOMMENDATION:

We recommend the Department only accept revisions to an offeror's proposal during a best and final process if the revisions result in an award that is more advantageous to the State.

DEPARTMENT RESPONSE:

The Department agrees and is continuing to make improvements. The Department understands the importance of maintaining the proper documentation in the files to support procurement decisions.

The Department issued Chief Procurement Officer Notice #36 enforcing that Best And Final Offer (BAFOs) requests clearly state which areas of the proposal the vendor is being asked to address and provide greater guidance on when and how BAFOs should be requested. The Department conducted initial training for CMS staff and the State Purchasing Officers (SPOs) in May and July 2005.

On September 1st 2005 the Department issued an internal procurement memo to CMS staff establishing additional written procedures and additional controls.

The Department continues training and enforcement of policies and procedures with CMS and the SPOs. Training has been held in October, November and December of 2005 and in February and March of 2006.

05-6 FINDING: (Not timely in executing contracts)

The Department was not timely in executing contracts with vendors for contracts awarded. Additionally, the Department allowed vendors to initiate work on these projects without a written contract in place. This compromises the Department's accountability to the public, and increases the likelihood that the State's interests are not protected and that State resources are wasted or misused.

The Procurement Code dictates "Whenever…a contract liability…exceeding $10,000 is incurred by any State agency, a copy of the contract…shall be filed with the Comptroller within 15 days thereafter." (30 ILCS 500/20-80 (b)) Further, for professional and artistic contracts, if the contract was not reduced to writing and filed with the Comptroller before the services were performed, the agency must file a written contract with the Comptroller along with an affidavit stating that "the services for which payment is being made were agreed to before commencement of the services and setting forth an explanation of why the contract was not reduced to writing before the services commenced." (30 ILCS 500/20-80 (d))

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing.

Of the ten fiscal year 2005 awards tested, only eight resulted in contracts. Six of the eight fiscal year 2005 contracts tested (75 percent) were not executed timely. On average, the length of time between announcement of the award and the filing of a contract with the Comptroller, for these 6 contracts, was 125 days (with a range of 64 days to 190 days). Additionally, two of the contracts were not filed within 30 days of contract execution as required. Finally, in one of the contracts reviewed, the Department allowed the vendor to work on the project for approximately six months without a formal written agreement in place.

The Department, in a document titled "Changes to the CMS Procurement Organization & Processes FAQs", provides guidance to agencies on when negotiations are most effective. Additionally, a correspondence from the Department and the Governor's Office to agencies dated August 27, 2004 presents a flow chart of the procurement processes implemented at the Department indicating the time frame between "approve award" and "prepare final contract" to be **seven days**.

While the Department proposes to hold agencies to set time frames for negotiating and executing contracts, the Department did not follow these same guidelines.

The Department did file Late Filing Affidavits for Professional and Artistic contracts for the two contracts that were not filed within 30 days of contract execution.

The affidavits asserted that services were "agreed to prior to commencement of services" but the long delays in reducing the agreements to writing indicates that services may not, in fact, be agreed to prior to commencement. While the Department states that vendors who initiate work prior to a written agreement do so at their own risk, allowing vendors to perform work without a written agreement has several adverse implications/effects for the State. For instance:

- **Compromises Oversight and Public Accountability –** A contract containing information, such as scope and nature of services to be provided, method and rate of compensation, and identifying the individuals that will be performing the work, is important to the General Assembly, unsuccessful proposers, and the general public. By not executing and filing these contracts in a timely manner, large amounts of work can be performed and costs incurred before the public is made aware of the specifics of the contract.

- **Delays May Increase the Likelihood that Proposed Elements do Not Make it Into the Final Agreement**

- **May Limit the Department's Ability to Negotiate –** As stated in the Department's "Changes to the CMS Procurement Organization & Processes FAQs", awarding a contract before the terms of the contract are established reduces the Department's negotiating leverage. If the Department cannot come to agreement with the vendor on contract terms, the Department must either restart the procurement process, which could be a costly and impractical option from a time perspective in many cases, or enter into a contract with the winning vendor with less than desirable terms and conditions for the State.

Department officials have represented the contracts were not executed and filed timely largely due to the complex nature of the procurements and other factors such as outside reviews by the Procurement Policy Board and the Government Forecasting & Accountability Commission. (Finding Code No. 05-6, 04-8)

RECOMMENDATION:

We recommend that the Department take the necessary steps to increase timeliness in reducing a contract to writing and filing it with the State Comptroller. Additionally, the Department should review its practice of allowing vendors to initiate work on projects without a written agreement in place so as to protect State resources.

<u>DEPARTMENT RESPONSE</u>:

The Department agrees and is continuing to make improvements. The seven-day timeframe was established as a guideline for routine procurements. The length of time from award to filing contracts is affected by the nature and complexity of the individual procurement and other factors beyond the Department's control such as outside reviews through the Procurement Policy Board and the Commission on Government Forecasting & Accountability. The Department will continue to implement improvements to this process.

The Department continues to work on improving timely submission of contracts to decrease the need for late filing affidavits. On July 1, 2005 the Department implemented additional internal procedures requiring the review of fiscal coordinators before a Procurement Business Case is approved.

05-7 **<u>FINDING</u>:** (Contract monitoring deficiencies)

The Department's process to monitor vendor expenses was inadequate. For some contracts reviewed, expenses were paid with little or no review by the Department. In four contracts tested, the Department received no detailed documentation to support reimbursement of expenses.

During the current period, the procurement and award files for ten solicitations or contracts awarded in fiscal year 2005, totaling a maximum award amount of approximately $270 million, were selected for testing.

During our current review, we noted the following items on two fiscal year 2005 contracts tested:

- The vendor awarded the truck fleet management contract billed the Department a per-invoice fee in excess of the fee stipulated in the contract. In addition, the Department is not pre-authorizing all repair work as stipulated in the contract. Further, invoices for fleet repairs were processed and charged to the current contract, prior to the execution of the current contract. This vendor was paid a total of $252,252 under the contract during fiscal year 2005.

- For a legal services contract, the Department did not obtain documentation supporting claimed expenses on a timely basis; certain documentation received was not sufficient to support the expenses claimed; and certain parking costs did not relate directly to the project. This vendor was paid a total of $176,389 under the contract during fiscal year 2005.

The State Finance Act requires the Department to ensure that services specified on a voucher presented for payment are correct, authorized, and lawfully incurred. (30 ILCS 105/9.04) Additionally, sound business practice requires the effective monitoring of contractor activities and payments.

On June 10, 2005, the Department created interim procedures for review and approval of reimbursable vendor expenses. These interim procedures were codified in Fiscal Operations Policy Number 02.04.00 effective September 19, 2005. Both of the contracts noted above were entered into prior to implementation of this new policy.

The Department's weak control over the payment of vendor expenses increases the likelihood that State resources are wasted or misused.

Additionally, in April and May 2005, the Department requested that the Illinois Office of Internal Audits (IOIA) review the expenses paid to four of the contractors whose expenses were the subject of a prior audit finding. The IOIA review was to cover fiscal year 2004 and fiscal year 2005 billings. The IOIA worked in conjunction with another entity on this review. The review by IOIA has been completed and a report issued. The review indicated a widespread lack of documentation and review procedures regarding contractor billings and expenses and recommended improvements to the Department's processes. Additionally, the Department's process to conduct subsequent follow up to recover any applicable funds has not yet been completed.

Furthermore, according to Department officials and documentation provided by Department fiscal personnel, the Department questioned $5.2 million in payments to the asset management vendor. However, due to the intervening cancellation of this contract in May 2005, the Department has been unable to obtain necessary documentation from the vendor concerning these charges. Additionally, Department documentation delineates $7.4 million in "additional service plans" that were submitted by the vendor for work outside the contract with the vendor. Some of these additional service plans were developed prior to the execution of the formal agreement for the asset management services to be provided by this vendor. (Finding Code No. 05-7, 04-9)

RECOMMENDATION:

We recommend that the Department require contractors to submit supporting documentation for expenses that will be reimbursed with State taxpayer dollars. Additionally, we recommend the Department take the necessary steps to increase monitoring of the expenses submitted by the contractors and request refunds in instances where the contractor is reimbursed over the allowable amounts stated in contracts or where adequate support is not available.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. A revised procedure for review and approval of vendor expenses was implemented immediately following the issuance of the fiscal year 2004 audit report. This interim procedure, which has been formalized through the issuance of Fiscal Operations Policy 02.04.00 effective September 19, 2005, requires the approval of the appropriate Deputy Director as well as the Chief Financial Officer in order to verify and attest that the expenses are warranted under the contract. This new Fiscal Operation Policy was discussed with the Fiscal Coordinators at the quarterly meeting on September 30, 2005.

In addition, the Department has implemented new standard contract Terms and Conditions that do not allow for reimbursement of any expense incurred by the vendor. This revised contract language was posted and distributed to all SPOs in July 2005 and also posted to the SPO Roundtable website.

The Department has completed its follow up review of the reimbursable expenses as recommended in the IOIA reports. We are working with the vendors to reimburse the State for any expenses determined to have been paid in error. The Department is currently in litigation with one of the vendors and will seek reimbursement for any inappropriate expenses through the legal process.

05-8 **<u>FINDING</u>:** (Inadequate controls regarding master contract development and usage)

The Department does not have an adequate process in place to develop and monitor the usage of master contracts.

One of the ten procurements tested was a master contract for pressure washing services. The request for proposal estimated the contract amount at $100,000 over three years. Actual usage by one agency was over $500,000 during the first year.

The Department's process for developing specifications for master contracts to be used by State agencies in awarding separate contracts to eligible vendors was not adequate to assess the State's needs. Further, we noted the Department does not currently have a system to monitor the usage of State master contracts once they are awarded. The unique number of each master contract awarded by the Department is not retained as a tracking mechanism as the master contract is adopted and used by each agency.

Good internal controls and contract management practices require procurements to be initiated based upon adequate research and documentation of established need and such procurements be adequately monitored.

Failure to adequately assess the State's needs in developing specifications for master contracts may impair the procurement process. Misrepresentation of the scope of the procurement may alter the pool of prospective bidders, thus denying the State and the individual agencies access to qualified vendors. Further, the Department lacks a system to effectively monitor usage of master contracts. The current system does not facilitate reporting of an estimated usage amount vs. actual. Consequently, if a contract is being over or under utilized, there is not a system to monitor these results. Since one purpose of a master contract is to provide advantageous pricing to all State agencies, underutilization of a master contract may mean the agencies are not accessing planned savings. Alternatively, the additional usage of the pressure washing master contract over the original estimate may mean that the State did not receive the full representation of vendors to bid on the project or the lowest available price during the RFP process. If the estimated usage presented at the time of the procurement had more closely matched the usage that actually resulted from the contract, the State may have had better competition for this procurement and lower pricing.

Department officials have represented they rely on information provided by other agencies to establish specifications for the scope of goods or services procured under master contracts and they are not responsible for monitoring utilization of such master contracts. (Finding Code No. 05-8)

RECOMMENDATION:

We recommend that the Department develop a process to more effectively assess the needs of State agencies when developing master contract procurement specifications. Further, we recommend that the Department establish guidelines or a system to ensure multiple agency utilization of master contracts provides adequate vendor performance in relation to anticipated needs, especially for awards made through proposal process.

DEPARTMENT RESPONSE:

The Department agrees and continues to work with the using agencies on better estimating need and usage on master contracts prior to bidding. The Department will also develop guidelines for agencies to follow when utilizing master contracts to ensure vendor performance meets agency needs.

05-9 **<u>FINDING</u>:** (Significant changes in contract requirements)

The Department did not consistently develop and formally approve changes to contracts.

The Department entered into three sizeable contracts associated with the IT and Telecommunication Rationalization Project. These contracts were filed with the Comptroller as open-ended time and materials contracts with estimated contract obligation amounts. Although significant changes were made to the contracts, the Department did not consistently execute and file contract amendments to revise the project scope or to increase the estimated contract obligation amounts.

The original contracts filed with the Comptroller for each of the three vendors included an estimated contract amount covering services for FY04 - FY06. (Ultimately, the contracts ended June 30, 2005) These contracts also contained, as attachments, a "Program Charter" describing the overall project and objectives, a "Rate Card" setting forth the hourly rates to be paid for the services, and "Project Charters" containing specific project descriptions, objectives and timelines. The original contracts provided for total spending of $28 million for the IT and Telecommunication Rationalization Project.

On January 28, 2005, the Department entered into "Rationalization Consulting Contract Amendment Agreements" (Amendments) with each vendor. Each of the Amendments consisted of a Rate Card and a revised Program Charter. We noted the following with regard to the Amendments:

- Two of the three Amendments were filed with the Comptroller; the third Amendment was not. The Procurement Code (30 ILCS 500/1-15.30) defines "contract" to include "all types of State agreements. . .including. . .renegotiated contracts, and change orders." The Code requires contract liabilities exceeding $10,000 to be filed with the Comptroller within 15 days of execution. The Code further requires "[a]ny cancellation or modification to any such contract liability shall be filed with the Comptroller within 15 days of its execution." (30 ILCS 500/20 through 80(b))

- The Department's Director signed the Amendments in May, 2005; however, by the terms of the Amendments, the changes to the Program Charters were effective January 28, 2005, and the Rate Cards were retroactive to July 1, 2004. The changes to one Program Charter included additional services for the deployment and implementation of a newly designed network at a cost of over $6.5 million. A significant portion of the additional services had already been completed by the time the Department Director signed the Amendment on May 24, 2005.

- Although each of the Amendments contained a revised Program Charter, the Department provided us with five additional Program Charters that were not part of a contract amendment and were not filed with the Comptroller.

- The Rate Card included in one Amendment signed by the Department Director on May 24, 2005, was outdated. In March 2005, the Department's Deputy Director of the Bureau of Communication and Computer Services entered into an agreement with a vendor to change the method of payment for a portion of the services provided under the contract from $145 per hour to $2,926 per installed circuit. This change in the payment rate was effective February 1, 2005. We noted that the agreement changing the payment rate was not executed as a formal amendment to the contract, was not signed by the Department Director, and was not filed with the Comptroller. Further, when the Department did formally amend the contract in May 2005, the Amendment contained the original Rate Card and did not disclose the revised payment rate that had been implemented nearly four months earlier. While the Department stated it undertook an analysis to determine the payment rate change was in the State's best interest, it was unable to provide documentation of that analysis to the auditors.

- For another vendor, we noted that the Rate Card included in the original contract provided for a payment rate of $233 per hour. In reviewing billings from this vendor, we noted the vendor was paid at various rates that exceeded the contract rate, up to $390 per hour, totaling an additional $636,870 over the contracted rate. We noted the Department did not document the reason for the change in payment rate and did not enter into any agreement or formal amendment for the change in payment method.

- Finally, State law requires a written determination be made justifying certain contract changes before they are approved (e.g., an increase or decrease of $10,000 or more, or a change in time of completion by 30 days or more). Although total contract spending for the IT and Telecommunication Rationalization Project exceeded original contract estimates by $13.5 million (from $28 million to $41.5 million), the Department did not believe change order justifications were required since the original contract terms allowed the changes.

Compliance with the Procurement Code requires contracts and contract modifications to be reduced to writing and filed with the Comptroller in a timely manner. Further, prudent business practice requires contract terms and conditions to be kept current so as to be legally enforceable and to protect the State's interests.

According to Department officials, since the original contracts were filed as open-ended time and materials agreements, it believed formal amendments to reflect the significant changes in terms and amounts were not required.

Failure to develop, formally approve, and file significant contract changes not only violates statutory provisions, it increases the likelihood that vendors and the public will not view the contract award process as being conducted in a fair and open manner. In addition, it puts the State at risk for payment for work that was not contracted for or which was contracted for at a different rate. (Finding Code No. 05-9)

RECOMMENDATION:

The Department should develop, formally approve, and timely file contract amendments whenever significant increases or changes to the terms and conditions of a contract occur.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and has procedures in place to develop and file contract amendments when the terms and conditions of a contract, including contract amounts, are changed.

The IT and Telecommunication Rationalization contracts were established as open-ended time and materials contracts with estimated contract obligation amounts, because the Department recognized that a significant amount of analysis was needed prior to determining the amount of work that would be required to complete the initiatives. As required, the Department secured approval from the Illinois Office of the Comptroller (IOC) for the increases in the contract obligations. On January 31, 2005, the Department filed Contract Obligation Documents (CODs) and a justification letter with the IOC and received approval to increase the obligation amounts for these contracts.

The Statewide Accounting Management System (SAMS) manual section 15.20.10 provides that open-ended contracts and obligations against them may be increased and decreased without contract amendments. In addition, the SAMS manual section 15.10.50 states that the IOC will pre-audit to ensure that all statutory contract filing requirements are met. The Department thought that if additional documentation was required by the IOC it would have been requested. The Department agrees however that the exceptions could have been more thoroughly documented.

In regards to the rates charged, the contract language allowed a different rate to be charged if it was determined to be in the best interest of the State. The Department agrees that these exceptions should have been more thoroughly documented. Written justification was provided to explain why the State chose the different rate used on the installation of the circuits. The rate card in one contract was negotiated from the original proposal, which provided rates from $390 to $170. The Department negotiated a blended rate of $233 with the ability for the vendor to charge the higher rate of $390 for two individual resources that had exceptional credentials and experience.

AUDITOR'S COMMENT

While the Department is correct in stating "open-ended" contracts and obligations may be increased or decreased without amendments, the Department made significant changes to the services that were to be provided. While the Department may have the knowledge of the services being performed, the public does not if amendments are not filed. Further, the Department was inconsistent in determining when contract amendments were needed and in filing amendments that were executed.

05-10 <u>FINDING</u>: (Failure to adequately monitor contract progress and receipt of deliverables)

The Department's process to monitor the completion of tasks and receipt of deliverables was not adequate. The Department entered into three sizeable contracts associated with the IT and Telecommunication Rationalization Project. Although significant expenditures were made, the Department did not have a method to track the completion of tasks, receipt of deliverables, or document approved changes to contract terms.

The Department's weak controls over the completion of contractual requirements increase the likelihood that State resources are wasted or misused. Additionally, sound business practice requires the effective monitoring of contractor activities and payments.

The contracts reviewed were with three vendors for a total estimated contract amount of $28 million. A total of $41.5 million was paid to these vendors.

Each contract outlined specific procedures for changes, tasks and deliverables. On October 28, 2005, we requested from the Department documentation to support the required deliverables from each vendor; however, final documentation was not provided until February 7, 2006. In addition, there was no indication the deliverables had been reviewed and approved by management.

During our review of the documentation, we specifically noted:

- During our testing, we noted several deficiencies with the project charters. Project charters describe the "work to be performed with respect to a specific project, set forth agreed objectives with respect to specific projects and state the expected duration of the project." Specifically we noted the project charters were not approved or amended in accordance with the provisions outlined in the contracts. In addition, several of the projects charters provided as final were labeled "draft".

- Required work orders to detail the vendor's proposed work for upcoming months to clearly itemize hours to be worked in each rate category by project were not properly completed. We reviewed the contracts and found each contract required 13 work orders to be submitted and approved, for a total of 39 required work orders. We found the following:

    - A vendor did not submit 2 work orders.
    - Of the 37 work orders submitted only 15 were approved.
    - The work orders were required to be submitted by the 15th of the prior month; however, only 18 were submitted timely.

- Change orders were required to be used to document any changes to approved work orders. We found the Department lacked information to determine the actual number of and proper completion of change orders. In addition, we found the following:

    - 23 out of approximately 151 (15.23%) accepted change orders submitted by the vendors were not approved by the Department personnel.
    - 2 out of approximately 151 (1.32 %) accepted change orders submitted by the vendors could not be located by the Department.

- Each contract contained specific deliverables, from IT Master Plans to the development of Standards. However, during our review of the specific deliverables we noted the mechanism for delivery of the deliverables varied from Excel spreadsheets to PowerPoint presentations. During our review of the deliverables, we noted 57 of the 123 (46.34%) deliverables reviewed were PowerPoint presentations.

Additionally, during our review of a sample of required deliverables we noted:

- 4 out of 123 (3.25%) of the deliverables requested could not be provided by the Department.
- 6 out of 123 (4.88%) of the deliverables requested as final deliverables were indicated as “draft.”

An example of what we found was the “Mechanical, Electrical, Security and Fire Suppression Infrastructure Assessment for the CMS Data Centers” conducted by a vendor for approximately $200,000. The deliverable was not included in the original contract, was not formally approved prior to the project initiation, and the final deliverable was labeled “Draft”.”

- Each of the IT and Telecommunications Rationalization Project vendors subcontracted part of the work for which they were contracted, as noted below:

Vendor	Amount Paid To Vendor	Number of Subcontractors	Amount Paid To Subcontractors	% Paid To Subcontractors
Vendor A	$15,747,740	6	$ 3,761,392	23.89%
Vendor B	$10,408,295	8	$ 3,382,305	32.50%
Vendor C	$15,440,087	4	$ 12,773,510	82.73%

In the fiscal year 2004 compliance examination, we noted the Department did not include subcontractor information in the above IT and Telecommunication Rationalization contracts. During our current testing, we further noted that the Department did not maintain subcontractor information regarding work performed or the hours worked by each subcontractor. In order to obtain the information, upon our request, the Department contacted each vendor. It is an integral part of contract management to know who is working on a State contract. While the named vendors awarded the contracts were ultimately responsible for the successful completion of the projects, failure to maintain information on subcontractors leaves it unclear as to which entity is performing the majority of the work.

Department management stated the weaknesses were due to lack of personnel resources and the volume of documentation.

Failure to properly monitor contracts could put the State at risk for payment for work not completed or unauthorized. (Finding Code No. 05-10)

RECOMMENDATION:

The Department should develop a procedure to monitor contract requirements to ensure contractual requirements are fulfilled and satisfactorily meet expectations.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and continues to implement procedures to improve the monitoring of vendor compliance to ensure that contractual requirements are fulfilled. In addition, the Department will continue its efforts to ensure that project charters, work orders and change orders are approved and amended in accordance with contractual provisions.

In the identified instances, it's important to note that the vendors fulfilled their contractual requirements. Further, all work submitted by the vendors was reviewed and verbally approved by the responsible Department managers as well as the Executive Project Management Office. Department personnel worked closely with the vendor's onsite and were continually kept aware of contract progress and deliverable submission. Because of the close involvement between Department staff and vendor staff formal written approvals were not always obtained. In the future, the Department will secure written approvals for project charters, work orders and change orders.

With respect to documents marked "draft", the Department considered these deliverables to be final work product. In the future, the Department will ensure that it receives clean copies of final work product with the "draft" stamp removed.

In response to the fiscal year 2004 audit, CMS began requesting subcontractor information from all vendors for Professional & Artistic (P&A) and competitive sealed proposals and maintains this information as part of the procurement file. The Department also revised the standard contract terms and conditions to require vendors to provide this information.

05-11 FINDING: (Ineffective property management)

The Department has not established a property management function to effectively manage occupancy costs and revenues. Responsibility for managing the majority of State owned and leased buildings was transferred to the Department through Executive Order 2003-10, which consolidated the Facilities Management function. This Executive Order, which was effective May 31, 2003, stipulated the consolidation of the facilities management function to be implemented as of July 1, 2004. Prior to the issuance of this Executive Order, the Department was responsible for managing 42 State owned or leased buildings and 15 garages generally used by the Department and for negotiating certain building and property leases and acquisitions. Subsequent to the consolidation the Department is currently responsible for managing 706 State owned or leased properties.

The Department's Bureau of Property Management has primary responsibility for coordinating Department activities involving State property. Beginning in fiscal year 2005, most transactions, including charges to or transfers from user agencies for space occupancy and payment of property costs such as lease payments, building maintenance, utilities and security were accounted for in the Facilities Management Revolving Fund (FMRF).

Lack of Timely Funding or Billing

In order to obtain funding necessary to pay operating costs of the managed State properties, the Department used statutory transfers from user agencies to fund FMRF. The statutory transfers were not directly related to costs incurred for user agency facilities. To address this, the Department initiated the development of a process to account for the costs of properties by agency. The process included development of a cost allocation methodology and Billing Allocation System (BAS) that was intended to establish a mechanism to capture costs by property, including allocable overhead costs, and generate billings to user agencies. While the Department was incurring costs to manage the properties, no statutory transfers took place until September 2004 and interim billings were not sent to user agencies until December 2004, for the period July through September 2004. These interim billings were created even though development of BAS was not complete and the system was not yet fully functional. The December interim billings were generated, in part, to support occupancy costs eligible for reimbursement under federal programs and user agencies were presented these interim billings based on actual costs incurred through this time period.

Department officials have represented the delays in funding were due to the fact that the State budget was not approved until July 31, 2004. Department officials further represented most of the legacy agencies did not transfer fiscal staff who would have performed many of the fiscal functions related to the billing process causing the Department to hire untrained temporary staff to perform these functions.

During fiscal year 2005, the Department contracted with a consultant to design a cost allocation methodology that would determine costs by agency and property for purposes of establishing billings to the agencies for the management of their buildings and properties. The cost allocation methodology used fiscal year 2004 spending data to estimate fiscal year 2005 costs resulting in a rate model that established a cost per square foot plus a depreciation factor for each property. These rate models were used as a basis for estimating occupancy costs chargeable to user agencies in 2005. The BAS was developed and functional on December 8, 2004, however, it was not until April 8, 2005 that the Department completed its new rate model and did its first billing using these rates. This billing included a reconciliation of estimated allocable costs to amounts previously charged to user agencies. As of December 7, 2005, the Department had not completed the calculation of the new rates for fiscal year 2006. Furthermore, as of January 30, 2006, agencies had not been billed using new 2006 rates. Delays in updating the cost allocation model and billing agencies have created difficulties in monitoring user agency occupancy costs which has had a negative impact in the development of fiscal year 2006 budgets and forecasting for fiscal year 2007.

Untimely transfer of funds to FMRF and delays in billing for federally reimbursable occupancy costs created a cash flow problem within the FMRF that carried over into fiscal year 2006. Bills for the month of July 2005 were not sent until September 2005 causing the Department to transfer 100% of its own rent charges for the entire fiscal year during July and August 2005 to help alleviate cash flow problems. Also, properties and buildings owned by the Department of Natural Resources, the Department of Transportation, and the Illinois State Police were transferred to FMRF for fiscal year 2006. As of January 30, 2006 no bills have been sent to these agencies for their approximately 150 leases; this delay further increases the cash flow problems of FMRF. Department officials have represented that the BAS had to be modified for fiscal year 2006 and a contract with the facilities management consultant was terminated in May 2005 causing staff shortages that delayed the rate development for 2006.

Inaccuracy of Billings

We tested 15 billings to agencies and noted 5 of the 15 billings (33%) were inaccurate. Department records indicate the actual occupancy costs paid for these properties were $6,504,478. However, the Department only billed the user agencies $6,138,449 resulting in a cash flow deficiency for these properties of $366,029. Department officials have represented the difficulties matching costs by property to amounts being billed or charged is the result of lack of detailed property information. The Department terminated its contract with a consulting firm that was contracted to assist with the facilities management function and, upon contract termination, the consulting firm retained much of the leasing and space occupancy records. However, pursuant to Section 10.3 of the contract with this consultant, the Department "…and/or its licensors retain all rights, title and interest in and to any Deliverable…". Section 10.3(a) further stipulates "All other title, interest and intellectual property rights in and to the Deliverable remain in and/or are assigned to Client [the Department]." The Department has indicated it intends to conduct a reconciliation of billings to amounts transferred. However, this has not yet been completed.

Delayed Vendor Payments and Consolidation Issues

Payments to vendors for monthly lease obligations, utilities and other occupancy related costs were not made timely. Issues noted included:

- The Department received numerous calls of complaints from vendors regarding late payment of invoices. Department officials have represented these complaints were primarily the result of the untimely billing and transfer of funds and staff shortages as noted above.
- The Department received eviction notices due to late payment. Department officials have represented they believe some eviction notices were unwarranted based on the terms of the lease agreements and prompt action was taken to address situations as they occurred.
- The Department received disconnection notifications from utility companies. Department officials have represented some disconnection notices resulted from the utility companies not treating the service as governmental, legacy agencies failed to notify the utility companies of a change in address for billing purposes and legacy agencies carried forward unpaid balances usually made up of cumulative late fees.

Renewal of Leases not Actively Managed

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. Department records indicate that 305 of the 642 (48%) 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 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. The Department has not assessed effective utilization of the space and has not negotiated terms that may be more favorable to the State. Furthermore, lack of a formal, written agreement has exposed the State to litigation in one situation involving a holdover lease and the State is involved in another suit involving termination of a lease as follows:

- The Department terminated holdover tenancy on behalf of the Department of Employment Security and the State is being sued for breach of contract. The claimant is seeking $616,599 restitution.
- The Department terminated the lease of a warehouse on behalf of the Department of Public Aid (now the Department of Healthcare and Family Services) and the State is being sued for breach of contract. The claimant is seeking $2,698,114 restitution.

Failure to address the issues created by the consolidation of the facilities management function has resulted in the Department's inability to effectively manage occupancy costs and revenues by property and agency. Lack of an effective accounting and financial reporting system diminishes the Department's ability to control costs, assess the needs of State agencies, negotiate favorable lease terms and effectively budget. (Finding Code No. 05-11)

RECOMMENDATION:

We recommend that the Department implement a system to effectively carry out its facilities management responsibilities as follows:

- We recommend the Department fully implement a cost allocation methodology and billing system to facilitate timely billing to user agencies and timely transfer or collection of charges.
- We recommend the Department obtain necessary information to enable preparation of complete and accurate billings to user agencies.
- We recommend the Department establish an effective fiscal function to ensure vendor payments are made timely.
- We recommend the Department complete a property utilization assessment to address space needs and enable the Department to eliminate the significant number of leases in holdover status.
- We recommend the Department implement a financial reporting system to effectively account for and analyze occupancy costs by property and agency.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation.

The Department has implemented a cost allocation methodology that has been reviewed and approved by the U.S. Department of Health and Human Services. This methodology has been used to develop all Facilities Management Revolving Fund rates beginning with rates for fiscal year 2005.

In fiscal year 2005, appropriations and funds were transferred to CMS for direct funding of property management expenses. The Billing Allocation System (BAS) was developed for agencies to allocate expenses to appropriate funds and coordinate claiming for federal funding participation. Beginning in fiscal year 2006, CMS billed agencies through the Facilities Management Revolving Fund, based on rates developed primarily from self-reported budget data that for decades had been housed at each agency. Establishing new rates proved quite challenging, as it included a mix of historical agency budgets, actual expenditure data, and forecasted increases for operations and utilities. These newly established rates will be reconciled to actual expenditures annually and will continue to be refined each year as baseline data for property management expenditures improve.

The Department has developed an Internet Billing System (IBiS) to facilitate Facilities Management Revolving Fund billings, and implemented procedures to present monthly IBiS billings to agencies on a timely basis. In addition, agencies are instructed to make payments to the Facilities Management Revolving Fund on a timely basis. Facility Management IBiS billings are now current.

The Department has implemented the Tenancy Rate Management System (TeRMS) to maintain rate and occupancy information by building for monthly billing purposes. In addition, procedures have been implemented to update the information in TeRMS as additions, moves, changes, and/or terminations occur.

Cash flow resulting from timely monthly billing of agencies and timely payments by agencies is the primary factor in the FMRF's ability to pay vendors timely. The Department has employed procedures to maintain rate and occupancy information in the Tenancy Rate Management System (TeRMS) necessary for the timely monthly billing of agencies. When sufficient cash flow into the FMRF is available, the FMRF Fiscal Office has procedures necessary to process vendor payments in a timely manner.

With respect to the recommendation to complete a property utilization assessment, an RFP is being prepared to secure a vendor to conduct such an analysis. In addition, the Department is working diligently to address the holdover leases and is reporting its progress to the Procurement Policy Board.

05-12 **<u>FINDING</u>:** (Methodology for calculating savings amounts to bill agencies for savings initiatives)

The Department should further refine its billing process for savings initiatives.

In the prior year, the Department failed to adequately determine the amount of savings it expected State agencies to realize when billing for savings initiatives. This resulted in a majority of State agencies being over billed – i.e., they were billed more for savings initiatives than Department documentation showed the agencies had realized in savings.

A change to the Department's Civil Administrative Code, effective June 20, 2003, gave the Department the responsibility for recommending to the Governor efficiency initiatives to reorganize, restructure, and reengineer the business processes of the State. The Department was granted the power and duty to, in part, establish the amount of cost savings to be realized by State agencies from implementing the efficiency initiatives, which shall be paid to the Department for deposit into the Efficiency Initiatives Revolving Fund. (20 ILCS 405/405-292)

During fiscal year 2004, the Department billed State agencies $137 million for efficiency initiatives relating to procurement, information technology, vehicle fleet management, facilities management consolidation, internal audit consolidation and legal research consolidations. Department documentation showed a majority of State agencies being over billed – i.e., they were billed more for savings initiatives than the agencies had realized in savings.

During fiscal year 2005, the Department billed State agencies $41 million for efficiency initiatives relating to procurement, information technology, communication management consolidation and legal research consolidation. The Department has collected only $21 million of the amount billed (51%). The remaining balance was written off by the Department through the issuance of credits to 20 agencies totaling $20 million. Department representatives stated the credits were issued for a variety of reasons, which included agencies claiming there was a lack of supporting documentation for the savings and billings amounts, agencies disagreed with the savings or believed the savings would not be realized, or agencies were federally funded and the billings were unallowable expenses.

Not all agencies were billed for the procurement and information technology initiatives for some or all of the various categories of estimated savings. For example, Department of Corrections, Department of Human Services, Department of Children and Family Services and Department of Healthcare and Family Services were billed for some information technology categories but not all the categories determined by the Department to expect savings. The Department of Central Management Services, Historic Preservation Agency and the Illinois Student Assistance Commission were billed for procurement efficiency, but not for any of the information technology initiative. The

Governor's Office was billed for both initiatives in fiscal year 2004 but was not billed for either initiative in fiscal year 2005. Department officials have represented that decisions regarding which agencies and which initiatives were to be billed were made by the Governor's Office of Management and Budget.

Furthermore, the procurement efficiency initiative billings included a component for savings in various commodities categories. However, the Department failed to consider commodity quantities on hand in estimating fiscal year 2005 purchases.

Failure to adequately establish and support billings to agencies for the savings efficiency initiatives is non-compliance with State statute and leads to the use of inappropriate line items by billed agencies and/or excessive or inadequate payments. (Finding Code No. 05-12, 04-10)

RECOMMENDATION:

We recommend that the Department take the necessary steps to ensure that amounts billed to State agencies for savings initiatives are supported by sound methodologies so that agencies are not paying for savings that are not realized.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. The Department commenced an extensive savings validation project and established firm methodologies and documentation procedures to back-up savings initiatives.

Validation of actual savings is based on final data at the end of each fiscal year lapse period; therefore, billings for savings initiatives to the agencies are based on projections in advance of the validation of actual savings. Due to the volatility of agency budgets, usage and historical statewide spending data, projected savings will always vary from realized savings.

CMS has not billed savings to agencies since fiscal year 2005, preferring that savings realized in CMS Internal Service Fund operations be reflected through revolving fund rate setting and to impact agency spending through that process.

05-13 **<u>FINDING</u>:** (Inadequate documentation to support validation of savings)

The Department awarded over $69 million during fiscal year 2004 to outside vendors for contracts intended to achieve savings as part of the efficiency initiatives. In some cases, contracts were awarded based on the vendors' ability to show they could meet savings goals stated in the RFP, vendor proposal and/or contract. Where savings are a specific goal, the Department should ensure it has in place a valid and reliable system to track savings achieved by the vendors.

During the prior audit period, the Department did not maintain adequate documentation to support the validation of many of the savings which the Department attributes to its various efficiency initiatives. Furthermore, savings goals stated in the Request for Proposals (RFP), vendor proposals, and/or contracts were not always realized or documented.

After the April 2005 release of our fiscal year 2004 Compliance Examination of CMS, the Department established the Initiative Savings Validation Project. According to the Project Charter for the Initiative Savings Validation Project, the purpose of the Project was "to identify and validate State of Illinois savings resulting from actions and/or activities attributable to CMS' consolidation and savings initiatives beginning in fiscal year 2003." While the Project was comprised primarily of Department staff, in June 2005, the Department entered into a contract with a CPA firm to provide assistance in the validation efforts. This contract was valued at an estimated $995,000. An Executive Advisory Council comprised of CMS management, the CPA firm, and Governor's Office representatives, was also created to monitor the validation effort.

As of September 2005, the Department had not yet completed its validation of fiscal year 2004 projected savings. Also, while the Department was unable to provide the amount of estimated savings that were attributable to the work conducted by the specific efficiency initiative contractors, the Department was in the process of identifying, on the savings template for each of the savings projects going through its validation process, the contractor's role and duration of project work as well as the contractor's key deliverables towards the savings.

As of September 14, 2005, the Department had reduced its fiscal year 2004 – 2005 estimated savings to $545 million; down from the $621 million it reported when the Auditor General's fiscal year 2004 compliance examination report was released in April 2005. The following adjustments were made:

CMS Savings Validation Status[1] (unaudited) Fiscal Years 2004 – 2005 (in millions)	
April 2005 estimate by CMS of FY04-05 savings	$ 621
+ Additional estimated savings identified since April 2005	$ 85
- Reductions in or erroneous savings identified since April 2005	($161)
September 2005 estimate of FY04-05 savings	$545
Note: [1] As of September 14, 2005, the validation process was not completed. Department documents note that these numbers are estimates based on current status. Source: OAG analysis from CMS documents	

Our testing on this finding concluded in September 2005. In October 2005, the Department issued *"State of Illinois Savings Validation Results"*. This October 2005 report further reduced the estimated savings to $529 million. The Department's October 2005 report was not reviewed or verified as part of this current audit. However, it should be noted that the $529 million savings figure reported by the Department in the October 2005 report does not include any costs the Department incurred related to its initiatives, which are estimated to exceed $72 million. (Finding Code 05-13, 04-11)

RECOMMENDATION:

We recommend that the Department continue to develop and maintain adequate supporting documentation to support the validation of savings billed to agencies and captured by vendors.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. The Department commenced an extensive savings validation project and established firm methodologies and documentation procedures to back-up savings initiatives.

The savings validation study for fiscal year 2004 and fiscal year 2005 was released in November 2005, and the report clearly documents the validation of $529 million in gross savings and $73 million in incremental costs. Savings goals for fiscal year 2004 and fiscal year 2005 have been estimated, communicated and publicized in gross savings numbers, necessitating CMS' communication of $529 million to provide a rational basis for comparison.

CMS has not billed savings to agencies since fiscal year 2005, preferring that savings realized in CMS Internal Service Fund operations be reflected through revolving fund rate setting and to impact agency spending through that process.

05-14 <u>FINDING</u>: (Follow Up to Management Audit of the Department's Administration of the State's Space Utilization Program)

In February 2004, the Office of the Auditor General released a management audit of the Department of Central Management Services' Administration of the State's Space Utilization Program. The audit contained nine recommendations to improve the performance and operation of the Department to effectively manage the State's real property. At the conclusion of the Department's compliance examination for the year ended June 30, 2004, auditors had found that none of the nine recommendations had been fully implemented. As part of this compliance examination (for the year ended June 30, 2005), auditors determined that the Department has fully implemented four of the nine recommendations.

The Department awarded a $24.9 million three-year contract for professional asset management services to Illinois Property Asset Management (IPAM) on December 29, 2003. In the Department response to the management audit it indicated that many of the activities to address the recommendations would be performed by IPAM. An IPAM representative stated, at a Legislative Audit Commission meeting in March 2004 that IPAM would make substantial progress by the end of fiscal year 2004 on all nine recommendations in the management audit. In May 2005, the Department cancelled the IPAM contract. Below is a summary of the nine recommendations.

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

- **Agency Reporting of Real Property to CMS (Recommendation #1):** *The Department should take the steps to require agencies to submit the required information on State-owned real property on the Annual Real Property Utilization Reports. Additionally, the Department should consider revising the Form A to include additional information requirements to assist the Department in identifying excess and surplus real property. These revisions may include requiring: agencies to submit a Form A for each building or property owned for individual determinations of excess, surplus or utilized for agency function; agencies to list the occupancy level percentage (if applicable) for each building owned; agencies to list any leases of their real property to other entities; agency head to certify future use for any portion of property that is unused and how that use would be cost effective for the State; and, agencies to make a distinction as to whether the property contains any buildings or not. The Department should also determine the appropriate reporting date for submitting the Annual Real Property Utilization Report and request the necessary change to either State law or the Administrative Code.* While the Department revised the Annual Real Property Utilization Report (Form A) and took steps to require agencies to submit required information on the Form A – it has not resolved the discrepancy in the reporting date for that information. While in practice the Department holds agencies to the statutory reporting date of October 30th (30 ILCS 605/7.1), the Department's administrative rules still provide a contradictory reporting date of July 30th (44 Ill. Adm. Code 5000.720).

- **Accuracy of the Master Record (Recommendation #2):** *The Department should conduct a statewide inventory of real property to develop an accurate accounting of land and buildings owned by the State. To accomplish this task, the Department should consider sending the agencies all the information contained in the master record for properties owned by the agencies so that applicable additions and deletions can be reported. Additionally, the Department should clarify whether wetland and flood mitigation land holdings should be reported per the provisions of the State Property Control Act and if so, provide sufficient guidance to applicable agencies holding those types of property.* The Department clarified reporting requirements for wetland and flood mitigation projects in an agency directive in August 2005. The Department has developed an accounting of land and buildings owned by the State. However, the master record needs additional verification through the Department's process of facility condition assessments for approximately 40 million square feet of State-owned space.

- **Automation of the Master Record (Recommendation #3):** *The Department should once again look into the possibility of automating the master record of State-owned real property with a system that is capable of producing management reports to allow the State to effectively manage land and building assets.* The Department has automated the master record and it is maintained in a database with the vendor. However, as of August 2005, after the termination of the contract, the Department does not have physical possession of the databases – they are still with the vendor.

- **Use of Unoccupied Space in State-Owned Facilities (Recommendation #7):** *The Department should conduct a detailed examination of all real property owned or controlled by the State and determine what property is excess. For property identified as excess, the Department should ensure it is efficiently utilized or take the steps necessary to declare the space as surplus and follow laws and regulations established regarding the disposal of surplus property. Additionally, the Department should: study the unoccupied space at all State-owned facilities, including the Department of Human Services (DHS) facilities, and determine whether it is cost beneficial to move State agencies that lease office space in the same areas into this unoccupied space; and, ensure that the State should receive adequate revenue for the space rented at these DHS facilities.* The Department, as of August 24, 2005, has not completed the facility condition assessments on State-owned facilities to be able to identify all excess space.

- **Monitoring of Leased Space (Recommendation #8):** *The Department should take proactive steps in monitoring leased space and seek to identify any efficiencies (i.e., combining leases to eliminate some costs) that would result in savings to the State.* The Department, as of August 24, 2005, has not performed a complete analysis of leased space and the potential for excess space in leased facilities.

The following four recommendations have been implemented by the Department:

- **Strategic Planning (Recommendation #4):** *The Department should take steps to complete the objectives set forth to accomplish the space utilization program. Additionally, the Department should develop a comprehensive space utilization strategic plan.*

- **State-Owned Space Verification (Recommendation #5):** *The Department should maintain documentation to show the Department verified whether State-owned space existed prior to leasing space from third parties. Additionally, the Department should follow its documented process and perform the verification check at the beginning of the leasing process and be more timely in relation to when the space request is received from the agency. Lastly, the verification should be accomplished prior to expending leasing division resources.*

- **Monitoring of Space in State-Owned Buildings (Recommendation #6):** *The Department should: develop formal policies and procedures for systematically reviewing space in buildings owned or controlled by the Department which would include reporting excess space to divisions responsible for leasing space for State agencies; take steps to follow up with agencies to declare unused space as excess or surplus so that it can be utilized by State agencies that currently lease space, thus saving State resources; and, develop formal policies and procedures to ensure that excess and surplus real property is considered when filling State agencies' space requests.*

- **Disposal of Surplus Real Property (Recommendation #9):** *The Department should: take steps to ensure that it is more timely in completing the process of disposing of surplus real property; follow the procedures set out in State statute when attempting to dispose of the real property; review what properties are currently listed as surplus, perform cost benefit analyses to ascertain whether leasing the properties is the most economical alternative for the State, and take action to transfer any properties to other government entities where sale may be inhibited or the property may not truly be surplus; and, maintain documentation to show that leases for currently classified surplus real property are at fair market value.*

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. 05-14, 04-12)

RECOMMENDATION:

We recommend the Department of Central Management Services continue to fully implement the remaining five management audit recommendations contained in the February 2004 Space Utilization Management Audit that were either not implemented or were partially implemented.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and will continue its efforts to fully implement each of the recommendations from the February 2004 audit of the State's Space Utilization Program. The Department had outsourced much of the inventory and system development work to Illinois Property and Asset Management (IPAM) and has subsequently cancelled that contract. As a result, the Department is reevaluating its approach but commits to continue to make progress towards its goals.

Recommendation #1: The Department has revised its practice by requiring agencies to comply with the statutory date of October 30^{th}.

Recommendation #2: An RFP is being prepared by the Capital Development Board (CDB) to secure a vendor to conduct a comprehensive property utilization assessment.

Recommendation #3: The Department will continue its efforts through the courts to secure deliverables from IPAM, including the databases containing the master record.

Recommendation #7: An RFP is being prepared to secure a vendor to conduct a property utilization assessment.

Recommendation #8: Until completion of the property utilization assessment, the Department will continue to utilize its due diligence procedures to identify excess space.

05-15 FINDING: (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 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. 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, record, process, and report transactions consistent with management's assertions embodied in the financial statements. Significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to fulfill that responsibility, are deemed reportable conditions.

During our audit of the June 30, 2005 financial statements, we recommended significant adjustments and corrections be made to the financial statements resulting from the Department's failure to establish adequate internal control over the accumulation of information necessary for the proper determination of certain year-end health care benefit liabilities.

The Department is responsible for administering health care benefits to State employees through the Health Insurance Reserve Fund, as well as to members enrolled in the Local Government Health Insurance Reserve Fund, Teachers Health Insurance Fund and the Community College Health Insurance Security Fund. Adjustments were necessary to properly report claims payable liabilities at year-end in all four of the funds as follows: Health Insurance Reserve Fund liabilities were understated by $114,199,000; Local Government Health Insurance Reserve Fund liabilities were understated by $3,078,000; Teachers Health Insurance Fund liabilities were understated by $9,209,000; and Community College Health Insurance Security Fund liabilities were understated by $713,000.

The claims payable liability at year-end consists of two components: 1) claims incurred and reported but not paid; and 2) claims incurred but not reported. The Department utilized the services of an outside actuary to assist in the determination of the incurred but not reported liability as of June 30, 2005. However, the Department did not properly include a liability for claims that were incurred and reported but not paid at year-end. Per Department officials, they believed the liability calculated by the actuary would include all health care benefit liabilities and they did not perform sufficient review of the calculations to identify the omitted liabilities. The Department has not implemented appropriate methodologies and internal controls over the determination and reporting of these liabilities.

In addition, the Department is required to accumulate information regarding health benefits provided to retired employees for reporting in the statewide financial statements. Similar information is utilized in actuarial calculations that are prepared for other internal uses, including determination of health cost on a per employee basis for reporting on-behalf payments by component units. The Department utilized health cost information from a different source for these purposes than was used by the actuary in determining claims liabilities reported on Department financial statements. As such, postemployment benefits reported by the Department to the Office of the Comptroller were overstated by approximately $34,881,000. Per Department officials, adequate consideration was not given to the potential implications of differing sources of health benefit cost information. The Department has not established effective lines of communication to ensure information used for significant liability calculations is consistent.

As a result of these deficiencies, the Department's financial statements understated liabilities by $127,199,000. In addition, reporting of postemployment benefit costs and on-behalf payments may not be accurate in relation to reported financial statement costs and liabilities. Establishment of appropriate internal controls over financial reporting is important due to the impact adjustments have on the statewide financial statements. (Finding Code No. 05-15, 04-13)

RECOMMENDATION:

We recommend the Department implement procedures to ensure GAAP Reporting Packages are prepared in a complete and accurate manner. Further, the Department should establish a comprehensive, consistent methodology for determining liabilities and accumulating financial information necessary for accurate reporting of benefit costs.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. It is important to note that for fiscal year 2006, CMS' benefits funds and related financial reporting were transferred to the Department of Healthcare and Family Services.

05-16 **<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 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 arrive at the Surplus Warehouse, often in large volumes, and Surplus personnel would do a spot check, comparing inventory listed on the delivery form with the inventory delivered, and then sign the form indicating property was received. This process potentially provides signed evidence that missing/stolen items were received at the Surplus Warehouse, even though the items may never have been received.

Department personnel have represented the weaknesses in the inventory control system are the result of insufficient resources, utilization of practices that are not representative of the best practices used by other states and inventory control rules that may not meet the needs of the State.

During the prior period it was noted that the Department did not ensure computer equipment was adequately cleared of all data prior to being surplused and compensation for sale of computer equipment was found to be inadequate. Based on testing performed during the current period, data on computers transferred to Surplus was found to have been properly removed and no instances of inadequate compensation for the sale of computer equipment were noted. (Finding Code No. 05-16, 04-15)

RECOMMENDATION:

We recommend the State's Surplus Warehouse implement an effective inventory control system. 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 agrees with the recommendation. The Department continues to look for ways to improve controls over the receipt and tracking of inventory and is planning on pursuing an automated solution. In addition, the Department has identified potential changes to the administrative rules that would improve controls currently in place.

05-17 FINDING: (Preparation of year-end Department financial statements not timely)

Department financial statements for the year ended June 30, 2005 were not prepared on a timely basis.

The Office of the State Comptroller requires agencies to prepare financial reports (GAAP Reporting Packages) for each of their funds to assist in the preparation of the statewide financial statements and the Department financial statements. All GAAP Reporting Packages were submitted by the Department on a timely basis, with the last submission made on September 16, 2005. However, the first complete draft of the financial statements was not prepared and available until December 7, 2005.

Department officials have indicated the delay was due to the complexity of the information included in the financial statements and the level of coordination necessary with the Office of the State Comptroller. Basic information for the preparation of the financial statements was accumulated on a timely basis, but additional time was needed to obtain risk management disclosure information, and to calculate department liabilities for health claims benefits and other liabilities. In addition, the financial activities of four health benefit funds continued to be reported in the Department's financial statements; however, the functions of these funds were transferred to the Department of Healthcare and Family Services effective July 1, 2005.

Untimely preparation of Department financial statements impedes the audit process and could potentially impact the statewide financial statements prepared by the Office of the State Comptroller. (Finding Code No. 05-17, 04-17)

RECOMMENDATION:

We recommend the Department work with the Office of the State Comptroller to improve the coordination of the financial statement preparation process to ensure more timely completion of year-end Department financial statements.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation. The Department acknowledges its responsibility to the Illinois Office of the Comptroller for preparation of financial statements under the guidelines established in the Statewide Accounting Management System (SAMS) Manual. Beginning in Fiscal Year 2004, the Illinois Office of the Comptroller, took ownership of the preparation of the financial statements. The Department subsequently reviews and provides those financial statements to the auditors. The Department worked throughout the fiscal year 2005 GAAP Package and financial statement process to be proactive and collaborated with the Illinois Office of the Comptroller and the auditors to improve the effective and timely communication of financial information.

05-18 **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, equipment purchases, and equipment transfers and deletions, and noted deficiencies in each area 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:

- A laser printer valued at $2,397 that was certified during the annual physical inventory could not be located during our testing.
- A printer, copier and wireless keypad tech system were located at sites other than the location listed on the property control records.
- In several instances, the property control records were not complete or were inaccurate. A copier was listed with no voucher number, purchase date, or purchase price. We noted one incorrect VIN number on an automobile.
- The annual inventory performed at one location identified 306 items that were not listed on the property control records for that location; however, the certification reported zero discrepancies.
- An automobile listed at the Central State Garage could not be located. It was subsequently determined that the car had been assigned to the Governor's office in Chicago.

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 management stated that many of the property control issues noted above were a result of errors or misunderstanding on the part of property control location supervisors. They further stated the Department has established policies and procedures related to property control, but it is the responsibility of each property control location supervisor to ensure property control records are accurate and complete.

Equipment Purchases

During our testing of 60 equipment purchases we noted the following:

- 3 (5%) property items valued at $16,781 were not recorded in the property control records, including a purchase of two 42" plasma screen televisions valued at $12,970.

- 3 (5%) separate purchases of cellular phones with individual cost in excess of $100 were not recorded in the property control records. In total the Department purchased 48 cell phones, totaling $10,676. Department officials stated all the cell phones were purchased on behalf of other agencies; however, this was not adequately documented in the information provided by the Department.
- 3 (5%) property items valued at $5,466 were recorded in the property control records twice.
- 2 (3%) purchases of property items were entered in the property control records at an incorrect cost.
- 3 (5%) of the equipment purchases did not have all necessary information entered in the property control records or certain parts costs were added inconsistently compared to other comparable purchases.

The Property Management rules as set forth at 44 Ill. Adm. Code 5010.230 require the Department to record in the permanent property records, among other items, the purchase price of the item and the location code.

Department representatives stated the errors occurred due to insufficient staffing and human errors.

Excess Information Technology Equipment Maintained
During our testing of equipment maintained by the Illinois Century Network, we noted $2.6 million of information technology equipment was technologically obsolete for use by State agencies. The Illinois Procurement Code (30 ILCS 500/50-55) states every State agency shall inventory or stock no more than a twelve month need of equipment, supplies, commodities, articles and other items, except as otherwise authorized by the State agency's regulations.

By maintaining equipment beyond a year's supply, the Department is incurring unnecessary storage, maintenance and insurance costs. Due to the nature of the equipment, the Department is facing the likely loss on trade-in due to obsolescence.

Annual Certification of Inventory
During our testing we noted annual certification of inventory was performed inadequately. We specifically noted the following:

- The same procedures are not followed at every location.
- Property not found at the location identified in the property control records was not listed as a discrepancy.
- Property found at a location but not listed for that location will not be certified.
- Certification and Discrepancy sheets were not filled out correctly.
- A complete inventory listing did not always accompany the certification.
- A physical inventory was not taken at the Bureau of Communication and Computer Services or of the electronic data processing equipment of the Illinois Century Network.

- The list of property control liaisons was not accurate.
- Two laser printers were not inventoried during Annual Certification.

As stated in 30 ILCS 605/6.04, annually, and upon at least 30 days notice, the administrator may require each responsible officer to make, or cause to be made, an actual physical inventory check of all items of property under his jurisdiction and control and said inventory shall be certified to the administrator with a full accounting of all errors or exceptions reported therein.

Department personnel have represented the deficiencies in the Annual Certification of Inventory are the result of insufficient resources and lack of organization caused by the significant consolidations the Department has undergone.

If the Annual Certification of Inventory is not performed correctly and accurately, then there is no way to verify the accuracy of the property control records. Inaccurate property control records can lead to a misstatement of assets on the financial statements as well as create the potential for theft.

Timely Certification of Annual Inventory not Performed

Pursuant to 44 Ill. Adm. Code 5010.460, all agencies are required to conduct an annual inventory of State equipment with a certification of such inventory to be submitted to the statewide property control office (a unit within the Department). The Department's certification date was December 30, 2004 and the properly completed Certification of Inventory and Agency Inventory Summary was to be submitted no later than April 1, 2005. The Department requested and received a 90-day extension in March 2005. A second 90-day extension was requested and received in July 2005 and an October 1, 2005 deadline was established.

During our testing we noted various units, sections or divisions within the Department conducted annual physical inventories throughout this period, thus never establishing a consistent certification date. Lack of a consistent certification date greatly increases the likelihood that discrepancies will not be resolved. The Department has over 22,000 pieces of property in inventory, with a value in excess of $500 million. It is imperative that DCMS be able to accurately identify, control and track the location and value of these items.

The Department stated that the certification was completed late because of numerous statewide consolidation initiatives and multiple internal office moves.

Equipment Transfers and Deletions

During our testing of transfers and deletions of property and equipment we noted the following:

- 8 items with an original cost totaling $332,256 did not have all information required on supporting documentation.
- 9 items with an original cost totaling $227,271 had no supporting documentation.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.310) establishes the rules for proper recording of transfers and deletions, including information and documentation required to be maintained in agency files. Department representatives stated the errors occurred due to lack of staff knowledgeable of the property requirements.

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. (Finding Code No. 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.
- Properly complete and maintain supporting documentation for deletions and transfers.
- Coordinate the Annual Certification of Inventory more effectively and complete it timely.
- Identify and transfer excess equipment timely.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and is working to resolve the discrepancies. The Department will continue to identify and implement policies and procedures to improve its safeguarding of State property and equipment.

With respect to the ICN equipment, which was transferred to CMS from the Illinois Board of Higher Education in fiscal year 2004 as part of the telecommunications rationalization project, the entire excess inventory was placed in production or disposed of by the end of fiscal year 2005.

05-19 **<u>FINDING</u>:** (Travel Control Board member designees not properly appointed and travel exceptions not properly approved)

The members of the Governor's Travel Control Board (Board) did not obtain proper approval to send a designee to official Board meetings. In addition, travel exceptions were not approved by the Board Chairman as required.

During our testing, we noted the Board met seven times during fiscal year 2005. Based on our review of the Board minutes, we noted each meeting was attended by only one appointed member with the other two attendees serving as designees for appointed members. The individuals attending the meetings as designees were not properly authorized, in writing, to serve as a designee in the absence of an appointed member.

Additionally, during our review of Board minutes and other communications with individuals representing the Board, we noted 63 of 126 (50%) of the requests for exceptions to travel regulations lacked evidence that the exception had been approved by the Board Chairman.

Per the State Finance Act, 30 ILCS 105/12-1 (b),"Each travel control board … shall meet at the call of the chairman at least quarterly to review all vouchers … for travel reimbursements involving an exception to the State Travel Regulations and Rates." The State Finance Act also states "any chairman or member of a travel control board may, with the consent of the respective appointing official, designate a deputy to serve in his place at any or all meetings of the board. The designation shall be in writing and directed to the chairman of the board".

Further, the Governor's Travel Control Board regulations (80 Ill. Adm. Code 2800.710(a)) state "Exceptions to the operation of specific provisions of this Part may be granted after the fact by the Chairman of the Governor's Travel Control Board when necessary to meet special or unavoidable circumstances and when in the best interests of the State."

The Board's failure to authorize designees as required and the Chairman's failure to approve travel exceptions constitutes noncompliance with the Act and related regulations.

During the prior period it was noted that the Travel Control Board did not meet quarterly as required and did not submit quarterly travel reimbursement claim forms to the Legislative Audit Commission as required. During the current period the Travel Control Board complied with these requirements. (Finding Code No. 05-19, 04-20)

<u>RECOMMENDATION</u>:

We recommend that the Travel Control Board comply with State statute regarding the appointment of members and designees and with administrative rules regarding approval of travel exceptions.

<u>DEPARTMENT RESPONSE</u>:

The Department agrees with the recommendation and will ensure compliance with the statute to the proper designation of a deputy to serve on behalf of a member at the Board meetings. The Department will also update 80 Ill. Adm. Code Section 2800.710(a) to reflect the current process of requiring the majority of Board approval for exceptions with a letter from the Chairman granting the exception.

05-20 **<u>FINDING</u>:** (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 43 (72%) vouchers were not approved in a timely manner. Those not approved within 30 days of physical receipt were approved from 1 to 89 days late. Of the 43 vouchers not approved timely, 32 (53%) were also not paid within 60 days of receipt.

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 personnel stated the majority of these invoices were paid from the State Garage Revolving Fund and the Facilities Management Revolving Fund, both of which experienced cash shortfalls resulting in untimely processing of invoice vouchers. However, it is our observation that the billings to other State agencies for Facilities Management services were not processed and funds were not transferred on a timely basis by the Department. Furthermore, at June 30, 2005 the State Garage Revolving Fund reported a cash balance of approximately $1,800,000 and the Facilities Management Revolving Fund reported a cash balance of approximately $19,000,000.

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. During fiscal year 2005 the Department made interest payments for late payment of vouchers totaling $163,478. (Finding Code No. 05-20, 04-21)

<u>RECOMMENDATION</u>:

We recommend the Department enforce procedures requiring the approval or disapproval of vouchers within 30 days of receipt and comply with the payment of vouchers within 60 days of physical receipt, as required by the Illinois Administrative Code.

<u>DEPARTMENT RESPONSE</u>:

The Department agrees with the recommendation. Agency fiscal staff continue to process vendor invoices to the CMS Accounting Division in a timely fashion. The very nature of revolving funds such as the SGRF and FMRF, however, preclude the delivery of payment vouchers to the Comptroller until sufficient cash is in the funds. We will continue our efforts to improve cash flows to these funds and will pursue dialogue with the Illinois Office of the Comptroller regarding voucher approval language in the Prompt Payment Rules that takes into consideration cash flow issues.

05-21 FINDING: (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."

We noted that 42 of 50 Department's employees tested did not maintain time sheets in compliance with the Act. 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.

The Department revised its policies regarding time reporting to ensure the policies were consistent with the Act. However, the Department did not modify the timekeeping system to accommodate the additional detail necessary to comply. Department management stated they are considering modifications to the existing timekeeping system.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and has updated the monthly timesheet signed by employees to reflect time spent on official State business.

05-22 **FINDING:** (Travel Headquarters Reports (Form TA-2) not properly completed)

The Department did not ensure that all Travel Headquarters Reports (Form TA-2) filed with the Legislative Audit Commission (LAC) were accurately and timely completed.

The State Finance Act (30 ILCS 105/12-3) requires that each State agency "…shall file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time. The reports shall be filed with the Legislative Audit Commission no later than each July 15 for the period from January 1 through June 30 of that year and no later than each January 15 for the period from July 1 through December 31 of the preceding year. The report shall list, for each such officer or employee, the place designated as his or her official headquarters and the reason for that designation."

Additionally, Travel Regulation Council Rules (80 Ill. Adm. Code 3000.140) defines headquarters as "the post of duty or station at which official duties require the employee to spend the largest part of working time. Headquarters shall ordinarily be the corporate city limits in which the employee is stationed …".

During our testing, we noted the following.

- The TA-2 report due January 15, 2005 was submitted five days late on January 20, 2005.
- An employee spent 59.09% of her time outside of her assigned headquarters during the period July 1, 2004 through December 31, 2004; however, she was not included on the TA-2 report filed January 15, 2005. This person was listed in an addendum filed late on July 20, 2005.

The Department failed to ensure the form was complete and accurate. Failure to file accurate and complete Form TA-2 is in noncompliance with the State Finance Act and could allow for employees to be reimbursed for travel from an incorrect location. In addition, failure to file mandated reports in a timely manner reduces the effectiveness of governmental oversight. (Finding Code No. 05-22, 04-24)

RECOMMENDATION:

We recommend that the Department review the TA-2 report to ensure complete adherence to State statute.

DEPARTMENT RESPONSE:

The Department agrees with the recommendation and will continue to take all necessary steps to properly complete the TA-2 reports filed with the Legislative Audit Commission (LAC).

PRIOR FINDINGS NOT REPEATED
(STATE COMPLIANCE)

05-23 **FINDING** (Efficiency initiative payments)

The prior engagement noted the Department paid efficiency initiative billings from improper line item appropriations. Additionally, the Department allowed the Governor's Office of Management and Budget to establish the amounts that were billed to agencies for efficiency initiatives in September 2003.

During the current period, the Department paid efficiency initiative billings from line items related to the initiative being billed and amounts billed to agencies for efficiency initiatives were established by the Department. (Finding Code No. 04-1)

05-24 **FINDING** (Failure to publish that contract was awarded to other than the lowest priced vendor)

The prior engagement noted the Department failed to provide notification, in the Illinois Procurement Bulletin, that contracts were awarded to other than the lowest priced vendor.

During the current period, our sample testing did not disclose any instances in which the Department failed to publish notification of contracts awarded to other than the lowest priced vendor. (Finding Code No. 04-6)

05-25 **FINDING** (Failure to include subcontractor information in contracts)

The prior engagement noted the Department failed to ensure that subcontractor information required under the Procurement Code was included in contracts awarded by the Department.

During the current period, our sample of fiscal year 2005 contracts did not disclose any instances where the subcontractor information, if applicable, was omitted from the contracts. For additional work performed in this area on fiscal year 2004 contracts, which were previously testing during the fiscal year 2004 compliance examination, see finding 05-10. (Finding Code No. 04-7)

05-26 **<u>FINDING</u>** (Noncompliance with the Fiscal Control and Internal Auditing Act)

During the prior engagement, the Illinois Office of Internal Audit (IOIA) did not complete audits of all agencies' major systems of internal accounting and administrative control and an effective process to identify new major computer systems or major modification of existing computer systems was not in place.

Beginning in fiscal year 2005, IOIA adopted a Statewide risk-based approach in the development of its two-year internal audit plan. Compliance with the Fiscal Control and Internal Auditing Act cannot be fully assessed until this initial two-year period has lapsed and IOIA audit efforts can be appropriately tested. During fiscal year 2005, major computer system development or modification was curtailed. IOIA performed certain monitoring in this area. (Finding Code No. 04-14)

05-27 **<u>FINDING</u>** (Reports of reorganization not filed as required)

During the prior engagement, the Department did not file reports with the General Assembly regarding reorganization as required.

During the current period, we noted that the reports from the prior year have been filed and that the annual reports for reorganization have been filed for the current year. (Finding Code No. 04-16)

05-28 **<u>FINDING</u>:** (Motor vehicle accident reports not submitted timely)

During the prior engagement, the Department did not ensure motor vehicle accident reports were submitted timely by its employees.

During the current period, our sample testing did not disclose any instances in which reports for accidents involving Department employees were not submitted timely. (Finding Code No. 04-19)

05-29 **<u>FINDING</u>** (Employees not removed from payroll during leave of absence)

During the prior engagement, the Department did not remove employees on leave of absence from the payroll system in a timely manner.

During the current period, our sample testing did not disclose any instances in which employees on leave of absence were not removed from the payroll system in a timely manner. (Finding Code No. 04-22)

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 Efficiency Initiative Payments
  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 Operations:

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

The auditors' 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 auditors' 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 BY FUND
APPROPRIATIONS FOR FISCAL YEAR 2005
FOURTEEN MONTHS ENDED AUGUST 31, 2005

	Appropriations (Net after Transfers and EO10 Transfers)	Expenditures Through June 30, 2005	Lapse Period Expenditures July 1 to August 31, 2005	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
Shared Funds:					
General Revenue - 001	$ 984,461,562	$ 976,921,510	$ 6,215,072	$ 983,136,582	$ 1,324,980
Road - 011	121,296,825	121,355,235	(58,410)	121,296,825	-
Nonshared Funds:					
Local Government Health Insurance Reserve - 193	116,157,600	65,458,254	4,468,243	69,926,497	46,231,103
State Garage Revolving - 303	35,717,594	28,138,518	5,491,501	33,630,019	2,087,575
Statistical Services Revolving - 304	134,491,071	77,194,739	10,100,284	87,295,023	47,196,048
Paper and Printing Revolving - 308	2,588,400	999,191	242,847	1,242,038	1,346,362
Communications Revolving - 312	159,592,753	97,750,467	19,806,503	117,556,970	42,035,783
Facilities Management Revolving - 314	143,988,130	112,670,058	29,549,107	142,219,165	1,768,965
Efficiency Initiatives Revolving - 315	64,700,000	17,869,413	1,501,873	19,371,286	45,328,714
Senior Citizen & Disabled Persons Program-316	350,000	34,751	10,777	45,528	304,472
Professional Services - 317	13,710,170	8,293,905	771,147	9,065,052	4,645,118
Workers' Compensation Revolving - 332	76,789,576	67,039,281	1,041,287	68,080,568	8,709,008
Minority and Female Business Enterprise - 352	50,000	-	-	-	50,000
Group Insurance Premium - 457	77,721,000	57,669,159	11,656,023	69,325,182	8,395,818
State Employees' Deferred Compensation Plan - 755	1,662,471	1,053,045	35,559	1,088,604	573,867
State Surplus Property Revolving - 903	2,537,763	1,885,942	172,923	2,058,865	478,898
Health Insurance Reserve - 907	1,642,264,858	1,423,100,887	99,878,877	1,522,979,764	119,285,094
Special Events Revolving - 989	-	-	-	-	-
Total appropriated funds	$ 3,578,079,773	3,057,434,355	190,883,613	3,248,317,968	$ 329,761,805
NON-APPROPRIATED FUNDS					
Flexible Spending Account - 202		17,329,962	347,554	17,677,516	N/A
Teacher Health Insurance Security - 203		263,811,398	18,916,706	282,728,104	N/A
Community College Health Insurance Security - 577		22,330,015	1,934,788	24,264,803	N/A
State Employees' Deferred Compensation Plan - 755		146,078,358	560,000	146,638,358	N/A
Total non-appropriated funds		449,549,733	21,759,048	471,308,781	
TOTAL		$ 3,506,984,088	$ 212,642,661	$ 3,719,626,749	

Note 1 - Appropriated amounts were authorized by Public Act 93-0842, Senate bill No. 3340 and Public Act 93-0681, Senate bill No. 3361.

Note 2 - The expenditure amounts are taken directly from the records of the State Comptroller and were reconciled with Department records.

Note 3 - This schedule excludes salaries paid to the Department's Director and two Assistant Directors. Such salaries are paid from a separate appropriation with expenditures aggregating $316,756 recorded in the records of the State Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
General Revenue - 001			
Appropriations (net after transfers)	$ 984,461,562	$ 1,052,497,596	$ 843,353,400
Expenditures:			
Personal services	12,307,321	26,912,116	22,256,236
Employee retirement paid by employer	9,800	-	-
Contribution to SERS	1,945,835	3,085,158	3,133,731
Contribution to social security	900,797	1,736,014	1,503,954
Group insurance	933,640,533	942,224,255	768,667,807
Contractual services	771,626	16,000,450	12,956,374
Travel	101,257	336,394	136,424
Commodities	44,147	221,600	223,911
Printing	41,947	69,647	54,906
Equipment	23,238	113,517	115,708
Electronic data processing	189,060	394,904	274,688
Telecommunications	208,107	453,551	376,204
Operation of automotive equipment	10,834	92,574	82,382
Worker's compensation claims	3,299,084	15,738,100	18,023,149
Automobile liability claims	1,600,200	1,707,538	1,525,728
Payment of employee wage claims	869,548	953,884	1,052,693
Civil law suits - claims	1,210,950	1,255,437	2,064,066
Repairs, maintenance, and capital improvements	-	-	115,584
Surplus real property	-	209,667	206,002
Employee suggestion board program	3,541	1,120	1,703
Upward mobility program	4,965,304	5,111,126	5,363,369
State board of ethics	-	60	290
Veterans job program	229,571	232,370	269,651
Vito Marzullo intern program	731,072	684,673	601,374
Nurses tuition	62,746	55,516	58,463
Procurement policy board	8,575	180,483	180,951
Governor's commission on status of women in Illinois	2,540	105,591	39,224
Compensation review board	-	25,072	2,503
Attorneys fees plus interest (Hope Clinic v. James Ryan)	-	-	413,219
Education Technology - operating and admin costs	19,958,949	-	-
Executive Order 2003-10 consolidation transfers	-	26,941,334	-
Total expenditures	983,136,582	1,044,842,151	839,700,294
Lapsed balances	$ 1,324,980	$ 7,655,445	$ 3,653,106

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Road - 011			
Appropriations (net after transfers)	$ 121,296,825	$ 105,632,600	$ 99,450,100
Expenditures:			
Group insurance	120,827,468	98,752,836	92,194,600
Worker's compensation claims	469,357	4,767,112	7,251,287
Total expenditures	121,296,825	103,519,948	99,445,887
Lapsed balances	$ -	$ 2,112,652	$ 4,213
Local Government Health Insurance Reserve - 193			
Appropriations (net after transfers)	$ 116,157,600	$ 137,374,300	$ 148,188,800
Expenditures:			
Ordinary and contingent expenditures			
Personal services	436,336	433,953	485,757
Employee retirement paid by employer	7,266	-	-
Contribution to SERS	70,283	66,566	69,216
Contribution to social security	31,823	31,620	35,558
Group insurance	127,129	106,470	100,447
Contractual services	72,178	65,109	47,277
Travel	6,474	4,109	3,478
Commodities	733	3,475	1,146
Printing	2,875	3,039	2,421
Electronic data processing	16,166	14,459	22,518
Telecommunications services	2,602	2,076	3,125
Operation of automotive equipment	4,310	2,487	2,049
Local government contributions	69,148,322	68,631,058	75,915,607
Total expenditures	69,926,497	69,364,421	76,688,599
Lapsed balances	$ 46,231,103	$ 68,009,879	$ 71,500,201

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
State Garage Revolving - 303			
Appropriations (net after transfers)	$ 35,717,594	$ 44,346,500	$ 46,531,900
Expenditures:			
Ordinary and contingent expenditures			
Personal services	8,478,151	8,833,372	9,429,460
Employee retirement paid by employer	200,827	-	-
Contribution to SERS	1,368,314	1,464,975	1,338,006
Contribution to social security	627,347	653,370	698,993
Group insurance	2,443,795	2,066,600	1,896,785
Contractual services	271,173	818,192	932,724
Travel	6,007	3,824	25,172
Commodities	74,499	72,755	91,550
Printing	16,731	12,628	14,697
Equipment	315,170	610,041	793,059
Electronic data processing	905,934	878,938	646,927
Telecommunications services	62,802	72,073	92,090
Operation of automotive equipment	18,857,889	17,487,592	18,007,835
Refunds	1,380	228	-
Total expenditures	33,630,019	32,974,588	33,967,298
Lapsed balances	$ 2,087,575	$ 11,371,912	$ 12,564,602
Statistical Services Revolving - 304			
Appropriations (net after transfers)	$ 134,491,071	$ 141,805,992	$ 147,486,100
Expenditures:			
Ordinary and contingent expenditures			
Personal services	22,391,272	14,801,081	17,267,456
Employee retirement paid by employer	233,174	-	-
Contribution to SERS	3,424,860	2,296,905	2,417,219
Contribution to social security	1,691,497	1,113,987	1,298,924
Group insurance	3,667,849	2,386,744	2,293,131
Contractual services	1,478,158	2,238,759	2,511,642
Travel	137,101	71,503	82,168
Commodities	58,594	57,907	63,217
Printing	76,670	67,104	60,402
Equipment	16,116	38,908	14,875
Electronic data processing	48,864,263	39,167,845	50,112,320
Telecommunications services	2,888,970	2,596,260	3,148,409
Lump Sum	999,832	-	-
Operation of automotive equipment	6,096	5,355	5,315
Refunds	1,360,571	10,033	-
Total expenditures	87,295,023	64,852,391	79,275,078
Lapsed balances	$ 47,196,048	$ 76,953,601	$ 68,211,022

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Paper and Printing Revolving - 308			
Appropriations (net after transfers)	$ 2,588,400	$ 2,685,500	$ 2,867,600
Expenditures:			
Ordinary and contingent expenditures			
Personal services	159,423	175,241	166,107
Employee retirement paid by employer	2,322	-	-
Contribution to SERS	25,681	28,354	23,793
Contribution to social security	11,882	12,995	12,336
Group insurance	37,470	37,918	33,602
Contractual services	75,448	94,893	85,650
Travel	255	305	473
Commodities	1,342	1,520	797
Printing	47	-	-
Electronic data processing	12,083	52,047	99,159
Telecommunications services	1,912	1,719	2,424
Printing and distribution of wall certificates	914,173	889,727	946,121
Total expenditures	1,242,038	1,294,719	1,370,462
Lapsed balances	$ 1,346,362	$ 1,390,781	$ 1,497,138
Communications Revolving - 312			
Appropriations (net after transfers)	$ 159,592,753	$ 179,870,900	$ 177,830,600
Expenditures:			
Ordinary and contingent expenditures			
Personal services	9,166,289	6,326,930	7,085,551
Employee retirement paid by employer	111,475	-	-
Contribution to SERS	1,461,305	981,794	997,942
Contribution to social security	701,331	491,621	537,855
Group insurance	1,655,461	1,204,384	1,166,420
Contractual services	2,239,945	3,601,159	3,777,508
Travel	159,548	64,914	44,178
Commodities	47,703	35,551	35,814
Printing	16,711	25,160	15,999
Equipment	260,125	124,516	54,106
Electronic data processing	2,468,153	3,218,831	3,173,738
Telecommunications services	98,792,966	92,130,265	93,861,097
Operation of automotive equipment	106,711	88,137	88,555
Executive Order 2004-02 PIO (1600)	3,882	-	-
Executive Order 2004-02 PIO (1900)	337,916	-	-
Executive Order 2004-02 PIO (1920)	23,773	-	-
Refunds	3,676	160,942	103,485
Total expenditures	117,556,970	108,454,204	110,942,248
Lapsed balances	$ 42,035,783	$ 71,416,696	$ 66,888,352

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Facilities Management Revolving - 314			
Appropriations (net after transfers)	$ 143,988,130	$ 200,000	$ 200,000
Expenditures:			
Personal services	11,167,999	-	-
Employee retirement paid by employer	19,498	-	-
Contribution to SERS	1,754,748	-	-
Contribution to social security	809,738	-	-
Group insurance	539,686	-	-
Contractual services	119,595,355	-	-
Travel	34,779	-	-
Commodities	195,368	-	-
Printing	11,915	-	-
Equipment	10,407	-	-
Electronic data processing	40,534	-	-
Telecommunications services	286,739	-	-
Operation of automotive equipment	30,700	-	-
FMRF-1900-000	5,087,730	-	-
Lump sum-operations (1910)	609,462	-	-
Fac. Mgmt. awards and grants	2,024,507	-	-
Operation and management of state facilities	-	146,240	151,272
Total expenditures	142,219,165	146,240	151,272
Lapsed balances	$ 1,768,965	$ 53,760	$ 48,728
Efficiency Initiatives Revolving - 315*			
Appropriations (net after transfers)	$ 64,700,000	$ 63,200,000	$ -
Expenditures:			
Efficiency initiatives	19,371,286	37,350,560	-
Total expenditures	19,371,286	37,350,560	-
Lapsed balances	$ 45,328,714	$ 25,849,440	$ -
Senior Citizens & Disabled Persons Program - 316			
Appropriations (net after transfers)	$ 350,000	$ -	$ -
Expenditures:			
Expenses of admin. for prescription drug program	45,528	-	-
Total expenditures	45,528	-	-
Lapsed balances	$ 304,472	$ -	$ -

*New fund in fiscal year 2004

Schedule 2

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Professional Services - 317**			
Appropriations (net after transfers)	$ 13,710,170	$ -	$ -
Expenditures:			
Personal services	5,214,262	-	-
Employee retirement paid by employer	6,993	-	-
Contribution to SERS	833,429	-	-
Contribution to social security	383,115	-	-
Group insurance	1,031,629	-	-
Contractual services	804,302	-	-
Travel	87,382	-	-
Commodities	8,228	-	-
Printing	9,350	-	-
Equipment	11,875	-	-
Electronic data processing	126,462	-	-
Telecommunications services	68,581	-	-
Info tech consolidation (1910)	10,862	-	-
Internal audit consolidation	468,582	-	-
Total expenditures	9,065,052	-	-
Lapsed balances	$ 4,645,118	$ -	$ -
Workers' Compensation Revolving - 332			
Appropriations (net after transfers)	$ 76,789,576	$ 650,000	$ 650,000
Expenditures:			
Personal services	1,218,292	-	-
Contribution to SERS	189,975	-	-
Contribution to social security	90,078	-	-
Group insurance	27,690	-	-
Contractual services	13,315	-	-
Travel	15,572	-	-
Commodities	9,351	-	-
Electronic data processing	4,993	-	-
Telecommunications services	21,306	-	-
Group insurance - lump sum (1900)	182,890	-	-
Injured employees award etc. (4420)	66,254,367	-	-
Admin. expenses and payment of temporary disability	52,739	283,225	340,107
Total expenditures	68,080,568	283,225	340,107
Lapsed balances	$ 8,709,008	$ 366,775	$ 309,893

** New fund in fiscal year 2005

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Minority and Female Business Enterprise - 352			
Appropriations (net after transfers)	$ 50,000	$ 50,000	$ 100,000
Expenditures:	-	-	569
Total expenditures	-	-	569
Lapsed balances	$ 50,000	$ 50,000	$ 99,431
Group Insurance Premium - 457			
Appropriations (net after transfers)	$ 77,721,000	$ 76,495,900	$ 73,998,800
Expenditures:			
Group insurance	69,042,942	65,191,319	63,344,547
Cost containment program	282,240	282,240	287,992
Total expenditures	69,325,182	65,473,559	63,632,539
Lapsed balances	$ 8,395,818	$ 11,022,341	$ 10,366,261
Wireless Service Emergency - 612			
Appropriations (net after transfers)	$ -	$ 44,800,000	$ 40,000,000
Expenditures:			
Administration	-	34,013,721	28,171,211
Total expenditures	-	34,013,721	28,171,211
Lapsed balances	$ -	$ 10,786,279	$ 11,828,789
Wireless Carrier Reimbursement - 613			
Appropriations (net after transfers)	$ -	$ 35,400,000	$ 30,000,000
Expenditures:			
Administration	-	32,443,855	8,758,854
Total expenditures	-	32,443,855	8,758,854
Lapsed balances	$ -	$ 2,956,145	$ 21,241,146
State Employees' Deferred Compensation Plan - 755			
Appropriations (net after transfers)	$ 1,662,471	$ 1,856,900	$ 1,856,900
Expenditures:			
Administration	1,088,604	1,252,766	1,369,173
Total expenditures	1,088,604	1,252,766	1,369,173
Lapsed balances	$ 573,867	$ 604,134	$ 487,727

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2005	Fiscal Year 2004	Fiscal Year 2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
State Surplus Property Revolving - 903			
Appropriations (net after transfers)	$ 2,537,763	$ 2,782,500	$ 2,724,000
Expenditures:			
Ordinary and contingent expenditures			
Personal services	908,196	932,438	949,375
Employee retirement paid by employer	11,998	-	-
Contribution to SERS	146,292	140,752	135,086
Contribution to social security	66,229	67,307	68,686
Group insurance	225,182	190,831	176,719
Contractual services	249,286	600,565	323,599
Travel	17,350	17,801	9,873
Commodities	9,974	7,922	9,840
Printing	3,247	3,009	1,713
Equipment	145,351	172,088	58,171
Electronic data processing	44,273	62,647	29,578
Telecommunications services	16,002	24,777	16,323
Record processing/I-Cycle program	107,147	107,892	69,231
Operation of automotive equipment	108,268	105,883	87,173
Refunds	70	50	2,450
Total expenditures	2,058,865	2,433,962	1,937,817
Lapsed balances	$ 478,898	$ 348,538	$ 786,183
Health Insurance Reserve - 907			
Appropriations (net after transfers)	$ 1,642,264,858	$ 1,533,290,746	$ 1,316,940,100
Expenditures:			
Personal services	208,160	-	-
Employee retirement paid by employer	93	-	-
Contribution to SERS	33,563	-	-
Contribution to social security	15,186	-	-
Group insurance	9,497	-	-
Contractual services	6,850	-	-
Travel	5,674	-	-
Commodities	142	-	-
Printing	45	-	-
Telecommunications services	3,953	-	-
Cost containment	158,900	155,722	157,103
Health care coverage	1,522,537,701	1,431,409,295	1,314,590,539
Total expenditures	1,522,979,764	1,431,565,017	1,314,747,642
Lapsed balances	$ 119,285,094	$ 101,725,729	$ 2,192,458

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year		
	2005	2004	2003
	P.A. 93-0681 and P.A. 93-0842	P.A. 93-0091	P.A. 92-0538 and P.A. 93-0014
Special Events Revolving - 989			
Appropriations (net after transfers)	$ -	$ 200,000	$ 250,000
Expenditures:			
Lease/rental of CMS buildings	-	23,779	66,723
Total expenditures	-	23,779	66,723
Lapsed balances	$ -	$ 176,221	$ 183,277
Grand Total, All Appropriated funds			
Appropriations (net after transfers)	$ 3,578,079,773	$ 3,423,139,434	$ 2,932,428,300
Total expenditures	3,248,317,968	3,030,289,106	2,660,565,773
Total lapsed balances	$ 329,761,805	$ 392,850,328	$ 271,862,527
State Officers' Payroll			
Appropriations (through Comptroller's Office)	$ 326,500	$ 326,500	$ 326,500
Expenditures:			
For the Director	111,156	120,900	83,830
For two Assistance Directors	205,600	176,685	98,785
Total expenditures	316,756	297,585	182,615
Lapsed balances	$ 9,744	$ 28,915	$ 143,885

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 3

SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS
For the Year Ended June 30, 2005

Procurement Efficiency Initiative

General Revenue - 001		
Contractual services	$	896
Commodities		406
Printing		5,971
Lump sum and other purposes		468
Lump sum, operations		1,657
State Garage Revolving- 303		
Contractual services		144
Commodities		574
Printing		2,457
Statistical Services Revolving - 304		
Contractual services		97
Commodities		60
Printing		100
Electronic data processing equipment		14,142
Paper & Printing Revolving- 308		
Contractual services		3
Commodities		3
Printing		47
Lump Sum and other purposes		135,255
Communications Revolving - 312		
Contractual services		96
Commodities		31
Printing		483
Electronic data processing equipment		65
Telecommunications		1,354
Facilities Management Revolving - 314		
Contractual services		177,573
Commodities		2,275
Lump sum and other purposes		163
Lump sum operations excluding personal services		13
Awards and grants, lump sum and other purposes		743

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS
For the Year Ended June 30, 2005

Professional Services - 317		
Contractual services	$	3,981
Commodities		46
Printing		1,114
Electronic data processing equipment		401
Lump sum and other purposes		2,953
State Employees' Deferred Compensation Plan - 755		
Lump sum, operations		861
State Surplus Property Revolving - 903		
Contractual services		1,392
Commodities		71
Printing		517
Lump sum, operations		245
Health Insurance Reserve - 907		
Commodities		2
Printing		7
Subtotal for Procurement Efficiency Initiative	$	356,666

Legal Services Consolidation Initiative

Professional Services- 317		
Personal services		231,709
Employee retirement paid by employer		37,295
Contribution to social security		16,395
Group insurance		404
Contractual services		167,345
Travel		4,540
Commodities		2,679
Printing		2,279
Equipment		2,616
EDP		1,989
Telecommunications		7,915
Lump Sum and other purposes		41,457
Subtotal for Legal Services Consolidation Initiative	$	516,623

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 3

SCHEDULE OF EFFICIENCY INITIATIVE PAYMENTS
For the Year Ended June 30, 2005

Public Information Officers

Communications Revolving - 312		
Personal services	$	771,443
Employee retirement paid by employer		1,684
Contribution to SERS		112,622
Contribution to social security		56,771
Group insurance		4,279
Contractual services		9,161
Travel		1,810
Commodities		2,895
Printing		5,380
Equipment		5,666
Telecommunications		33,572
Operation of automotive equipment		1,949
Lump sum and other purposes		192,077
Lump Sum-excluding personal services		23,773
Subtotal for Public Information Officers Initiative	$	1,223,082
Grand Total for Efficiency Initiative Payments	$	2,096,371

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department and reconciled to information from the Office of the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 4

SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2005
(Expressed in Thousands)

	Balance June 30, 2004	Additions	Deletions	Reclassifications	Balance June 30, 2005
General Government					
Land and land improvements	$ 34,971	$ -	$ -	$ (34,929)	$ 42
Historical treasures and works of art	974	-	-	(974)	-
Site and site improvements	701	-	-	(701)	-
Building and building improvements	339,261	-	(370,300)	35,679	4,640
Equipment	2,864	217	(1,137)	925	2,869
Total General Government	378,771	217	(371,437)	-	7,551
State Garage Revolving - 303					
Building and building improvements	12,427	-	(12,427)	-	-
Equipment	5,695	-	(1,145)	-	4,550
Total State Garage Revolving - 303	18,122	-	(13,572)	-	4,550
Statistical Services Revolving - 304					
Land and land improvements	1,048	-	(1,048)	-	-
Building and building improvements	15,112	-	(15,112)	-	-
Equipment	49,579	4,009	(614)	-	52,974
Total Statistical Services Revolving - 304	65,739	4,009	(16,774)	-	52,974
Paper and Printing Revolving - 308					
Equipment	34	-	(19)	-	15
Communications Revolving - 312					
Land and land improvements	713	-	(713)	-	-
Building and building improvements	4,050	-	(4,050)	-	-
Equipment	60,840	50,620	(10,667)	-	100,793
Total Communications Revolving - 312	65,603	50,620	(15,430)	-	100,793
Facilities Management Revolving - 314					
Land and land improvements	-	36,689	-	-	36,689
Historical treasures and works of art	-	974	-	-	974
Site and site improvements	-	3,805	-	60	3,865
Building and building improvements	-	401,715	-	(60)	401,655
Equipment	-	504	-	-	504
Total Facilities Management Revolving - 314	-	443,687	-	-	443,687
TOTAL STATE PROPERTY, AT COST	$ 528,269	$ 498,533	$ (417,232)	$ -	$ 609,570

(1) This schedule was prepared by the Department on the cash basis of accounting and, therefore, does not include lapse period purchases.

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

(3) Additions include transfers from other agencies as a result of consolidations and are not purchases.

(4) Reclassifications presented to properly classify state property.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2005, 2004, and 2003

	2005	2004	2003
SHARED FUNDS			
General Revenue - 001			
Rents from State of Illinois buildings in Chicago, farmland, and other property	$ 302,370	$ 736,110	$ 770,180
Miscellaneous	29,660	103,363	86,963
Repay State-upward mobility	62,495	34,898	-
Sale of land and structures	4,629,250	81,000	2,677,100
Prior year refunds	32,353	76,638	37,983
Private organizations or individuals	17,059	2,701	6,797
Other	1,860	1,615	(666)
Total - Fund 001	$ 5,075,047	$ 1,036,325	$ 3,578,357
Road - 011			
Prior year refunds	$ 561	$ 6,175	$ 1,100
NONSHARED FUNDS			
Local Government Health Insurance Reserve - 193			
Contributions	$ 68,056,354	$ 72,842,522	$ 84,225,868
Interest	228,237	130,779	93,829
Total - Fund 193	$ 68,284,591	$ 72,973,301	$ 84,319,697
Flexible Spending Account - 202			
Payroll deductions	$ 16,982,362	$ 14,220,122	$ 14,853,114
State Police Vehicle - 246			
State property sales	$ 15,400	$ 95,400	$ 172,024
State Garage Revolving - 303			
Charges to user agencies	$ 32,676,553	$ 35,759,307	$ 32,759,156
Statistical Services Revolving - 304			
Charges to user agencies	$ 74,127,248	$ 85,712,081	$ 70,349,582
Paper and Printing Revolving - 308			
Charges to user agencies	$ 994,071	$ 1,263,465	$ 1,298,845
Communications Revolving - 312			
Charges to user agencies	$ 112,553,413	$ 124,559,377	$ 116,846,886
Facilities Management Revolving - 314			
Rental income	$ 459,543	$ 183,121	$ 189,470
Efficiency Initiatives Revolving - 315*			
Other Illinois state agencies	$ 21,795,170	$ 109,978,596	$ -

*New fund in fiscal year 2004

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2005, 2004, and 2003

	2005	2004	2003
Senior Citizen and Disabled Persons Program - 316*			
Senior citizens / Prescription drug discount fees	$ 99,195	$ 218,873	$ -
Professional Services-317**	$ -	$ -	$ -
Workers' Compensation Revolving - 332			
Receipts due to subrogation of workers' compensation claims	$ 861,726	$ 564,955	$ 315,019
Minority and Female Business Enterprise - 352			
License fees or registration	$ 775	$ 825	$ 950
Group Insurance Premium - 457			
Direct payments of insurance premiums by employees	$ 461,462	$ 378,952	$ 3,250,804
Optional life deductions	39,587,293	39,453,509	35,604,134
Pharmacy recoveries	2,169,838	1,390,431	1,824,196
Employer reimbursement for basic life coverage	6,455,932	4,884,188	4,367,303
Transfers in from other funds	24,000,000	19,314,200	20,000,000
Interest	226,057	93,671	126,034
Prior year refund	35	-	126
Total - Fund 457	$ 72,900,617	$ 65,514,951	$ 65,172,597
Community College Health Insurance Security - 577			
Transfers in from other funds	$ 2,996,308	$ 3,101,100	$ 2,960,315
Member contributions	421,168	297,669	188,520
Total - Fund 577	$ 3,417,476	$ 3,398,769	$ 3,148,835
Wireless Service Emergency - 612			
Surcharges	$ 2,229,454	$ 30,841,832	$ 28,665,757
Wireless Carrier Reimbursement - 613			
Surcharges	$ 1,114,727	$ 15,420,916	$ 14,332,878
State Employees' Deferred Compensation Plan - 755			
Benefits receipts	$ 4,525,970	$ 2,448,970	$ 4,329,775
Annual asset charge and investment exchange	1,059,873	16,456	429,393
Investments and other income	82,284	54,811	111,568
Payroll deductions	142,359,077	133,609,415	163,705,958
Other	800	1,089	5,048
Total - Fund 755	$ 148,028,004	$ 136,130,741	$ 168,581,742
State Surplus Property Revolving - 903			
Sales of surplus property	$ 2,194,719	$ 3,235,401	$ 2,015,783

*New fund in fiscal year 2004
**New fund in fiscal year 2005

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2005, 2004, and 2003

	2005	2004	2003
Health Insurance Reserve - 907			
Reimbursement of insurance premiums from federal trusts, other funds, and employers	$ 110,911,634	$ 97,491,380	$ 124,180,301
Direct payments of insurance premiums by employees	8,684,248	8,368,362	8,184,051
Refunds from insurance carriers	15,501,949	12,771,332	8,065,176
Optional health deductions	188,213,288	184,874,341	171,689,053
Health facilities	154,942,360	117,220,528	104,815,275
Interest	1,181,927	688,939	711,857
Transfers in from other funds	1,079,224,882	974,275,236	870,018,800
Prior year refund	164	4,000	-
Total - Fund 907	$1,558,660,452	$1,395,694,118	$1,287,664,513
Special Events Revolving - 989			
Rental income	$ 38,750	$ 63,275	$ 64,545
GRAND TOTAL, ALL FUNDS	$2,122,509,854	$2,096,871,926	$1,894,330,850

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

RECONCILATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2005

	Shared Funds		Nonshared Funds					
	General Revenue 001	Road 011	Local Government Health Insurance Reserve 193	Flexible Spending Account 202	State Police Vehicle 246 (1)	State Garage Revolving 303	Statistical Services Revolving 304	Paper and Printing Revolving 308
Cash receipts per Department records	$ 5,075,047	$ 561	$ 68,284,591	$ 16,982,362	$ 15,400	$ 32,676,553	$ 74,127,248	$ 994,071
Add:								
Deposits in transit at beginning of period	2,629	-	-	-	-	348	12,664	-
Miscellaneous	-	-	-	-	-	275	374	-
IOC holds from GRF (current year)	-	-	-	-	-	9,643	21,266	2,372
Refunds	-	-	-	-	-	695	4,380	-
Deduct:								
Interest income	-	-	228,237	-	-	-	-	-
Deposits in transit at end of period	3,788	-	-	-	-	-	-	-
Miscellaneous/Adjustments	-	-	-	-	-	-	-	-
IOC holds from GRF (prior year)	-	-	-	-	-	2,719	352	-
Deposits into the State Treasury	$ 5,073,888	$ 561	$ 68,056,354	$ 16,982,362	$ 15,400	$ 32,684,795	$ 74,165,580	$ 996,443

(1) The Police Vehicle Fund is the reporting responsibility of the Illinois State Police.
(2) The Professional Services Fund was established in fiscal year 2005.

Schedule 6

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

RECONCILATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2005

	Nonshared Funds							
	Communications Revolving 312	Facilities Management Revolving 314	Efficiency Initiatives Revolving 315	Senior Citizen and Disabled Persons Program 316	Professional Services 317 (2)	Workers' Compensation Revolving 332	Minority and Female Business Enterprise 352	Group Insurance Premium 457
Cash receipts per Department records	$ 112,553,413	$ 459,543	$ 21,795,170	$ 99,195	$ -	$ 861,726	$ 775	$ 72,900,617
Add:								
Deposits in transit at beginning of period	426,497	-	-	-	-	51,034	-	-
Miscellaneous	2,063	-	-	-	-	-	-	-
IOC holds from GRF (current year)	70,637	-	43,321	-	-	-	-	-
Refunds	-	-	-	-	-	-	-	-
Deduct:								
Interest income	-	-	-	-	-	-	-	226,057
Deposits in transit at end of period	550,671	6,370	-	-	-	657	25	-
Miscellaneous/Adjustments	1,078	-	-	-	-	-	-	-
IOC holds from GRF (prior year)	5,351	-	-	-	-	-	-	-
Deposits into the State Treasury	$ 112,495,510	$ 453,173	$ 21,838,491	$ 99,195	$ -	$ 912,103	$ 750	$ 72,674,560

(1) The Police Vehicle Fund is the reporting responsibility of the Illinois State Police.
(2) The Professional Services Fund was established in fiscal year 2005.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

RECONCILATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2005

	Nonshared Funds							
	Community College Health Insurance Security 577	Wireless Service Emergency 612	Wireless Carrier Reimbursement 613	State Employees' Deferred Compensation Plan 755	State Surplus Property Revolving 903	Health Insurance Reserve 907	Special Events Revolving 989	TOTAL
Cash receipts per Department records	$ 3,417,476	$ 2,229,454	$ 1,114,727	$ 148,028,004	$ 2,194,719	$ 1,558,660,452	$ 38,750	$ 2,122,509,854
Add:								
Deposits in transit at beginning of period	-	-	-	-	89,441	-	1,900	584,513
Miscellaneous	-	-	-	-	-	-	-	2,712
IOC holds from GRF (current year)	-	-	-	-	-	-	-	147,239
Refunds	-	-	-	-	-	-	-	5,075
Deduct:								
Interest income	-	-	-	74,172	-	1,181,927	-	1,710,393
Deposits in transit at end of period	-	-	-	-	76,018	-	-	637,529
Miscellaneous/Adjustments	-	-	-	-	-	-	-	1,078
IOC holds from GRF (prior year)	-	-	-	-	-	-	-	8,422
Deposits into the State Treasury	$ 3,417,476	$ 2,229,454	$ 1,114,727	$ 147,953,832	$ 2,208,142	$ 1,557,478,525	$ 40,650	$ 2,120,891,971

(1) The Police Vehicle Fund is the reporting responsibility of the Illinois State Police.
(2) The Professional Services Fund was established in fiscal year 2005.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Year Ended June 30, 2005

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures greater than $65,000 and 15% between fiscal years 2004 and 2005 as presented in the "Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances – Appropriated Funds" are detailed below.

General Revenue – 001

The General Revenue Fund experienced a decrease in expenditures of $61,705,569 (6%). The decrease is attributable to consolidations under Executive Order #2003-10.

A $14,604,795 (54%) decrease in personal services is attributable to personnel transfers from the General Revenue Fund to other funds. Internal audit and legal personnel consolidated into the Professional Services Revolving Fund (317). The payment of personal services for the Bureau of Property Management was transferred to the Facilities Management Revolving Fund (314) and the consolidation of security and investigations division transferred to the Illinois State Police. Workers compensation was also transferred to the Bureau of Benefits and paid from the Workers' Compensation Revolving Fund (332).

Contractual services decreased $15,228,824 (95%) as the result of the consolidations out of the General Revenue Fund for internal audit and legal, IT, workers' compensation, facilities management, and security and investigations functions under Executive Order #2003-10.

Worker's compensation claims decreased $12,439,016 (79%) due to the payments being paid from the Workers' Compensation Revolving Fund (332).

Road – 011

Total expenditures for the Road Fund increased $17,776,877 (17%) as a result of appropriation transfers from the Health Insurance Reserve and Group Insurance Premium Funds to Fund 11.

Statistical Services Revolving – 304

Total expenditures for the Statistical Services Revolving Fund decreased $22,442,632 (35%) primarily due to the IT consolidation that transferred agency staff of approximately 400 individuals.

Communications Revolving – 312

The total expenditures for the Communications Revolving Fund increased $9,102,766 (8%). The variance in expenditures is primarily due to the Illinois Century Network consolidation into the fund which affected personal services $2,839,359 (45%) and telecommunications services $6,662,701 (7%).

Facilities Management Revolving – 314

The total expenditures for the Facilities Management Revolving Fund increased $142,072,925 (97,151%) due to the facilities management consolidation into CMS pursuant to Executive Order 2003-10.

Efficiency Initiatives Revolving – 315

The total expenditures for the Efficiency Initiatives Revolving Fund decreased by $17,979,274 (48%). The decrease is attributable to payments for computer related items being paid from the Statistical Services Revolving Fund (304) due to the IT consolidation. There were fewer statutory transfers out due to less cash being available.

Workers' Compensation Revolving – 332

Expenses increased for the Workers' Compensation Revolving Fund $67,787,343 (23,938%). These increases are the result of the consolidation of the workers' compensation program into CMS pursuant to 20 ILCS 405/405-411.

*Wireless Service Emergency – 612**

*Wireless Carrier Reimbursement – 613**

State Surplus Property Revolving – 903

Expenditures decreased $375,097 (15%) for the State Surplus Property Revolving Fund. The decrease is a result of all of the efficiency initiative payments being made from Fund 903 during fiscal year 2004; very few ($2,225) efficiency initiative payments were made from this fund during fiscal year 2005.

*Note: On July 1, 2004, the administration of the funds was transferred to the Illinois Commerce Commission.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For the Year Ended June 30, 2005

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than $65,000 or 15% between fiscal years 2004 and 2005 as presented in the "Comparative Schedule of Cash Receipts" are detailed below:

General Revenue – 001

Rents from the State of Illinois buildings in Chicago, farmland, and other property decreased $433,740 (59%). This decrease, along with the decrease in miscellaneous rental income, was due to the transfer of these income items to the Facilities Management Revolving Fund (314) in fiscal year 2005, as a result of the facilities management consolidation pursuant to Executive Order 2003-10. See related increase in fund 314 rental revenue.

The Department of Human Services Elgin Mental Health Center was sold to the City of Elgin in fiscal year 2005 for $4.6 million. This sale represents a significant increase in revenue from fiscal year 2004 to fiscal year 2005.

Local Government Health Insurance Reserve – 193

The increase in fiscal year 2005 interest income of $97,458 (75%) is directly related to the increase of the monthly earnings rate. The July 2004 rate was 1.85% which gradually increased to 3% in May 2005.

Flexible Spending Account – 202

Revenues increased by $2,762,240 (19%) due to increased participation in the medical care assistance program. As a result of rising health care costs, state employees contributed an additional $1.4 million and university employees contributed and additional $1 million to the plan.

Paper and Printing Revolving – 308

Charges to user agencies decreased $269,394 (21%). The reasons for the decrease include: lower paper prices which is sold at cost plus 33% mark-up, reduced quantity of paper sold to user agencies (agencies can buy in bulk off master contracts rather than through Fund 308), and printed form sales continue to decline sharply as more forms are available via websites and are printed on laser printers.

Facilities Management Revolving – 314

Rental income increased $276,422 (151%). Receipts for miscellaneous rental income were shifted to the Facilities Management Revolving Fund (314) from the General Revenue Fund (001) as a result of the facilities management consolidation pursuant to Executive Order 2003-10. See related decrease in fund 001 rental revenue.

Efficiency Initiatives Revolving – 315

A decrease in cash receipts in this fund of $88,183,426 (80%) is due to fewer initiatives billings in fiscal year 2005 than in fiscal year 2004 as follows:

Initiative	Fiscal Year 2004 Amount	Fiscal Year 2005 Amount
Legal	$ .3M	$ .5M
Communication Managers	-	1.2M
Internal Audit	3.1M	-
Facilities Management	8.0M	-
Information Technology	29.3M	26.9M
Procurement	85.9M	5.4M
Vehicle Fleet	3.9M	-
	$ 130.5M	$ 34.0M

Senior Citizen and Disabled Persons Program – 316

Cash receipts for this fund decreased $119,678 (55%) in fiscal year 2005 because the plans' original fee was $25.00 per plan member in mid fiscal year 2005; the fee was then reduced to $10.00.

Workers' Compensation Revolving – 332

Receipts within this fund represent recoveries from third parties for the subrogation of workers' compensation claims. During fiscal year 2005 the $296,771 (53%) increase is a result of the consolidation of the workers' compensation program into CMS pursuant to 20 ILCS 405/405-411. Workers' compensation subrogation receipts related to all of the consolidated agencies that were deposited into Fund 332 during fiscal year 2005.

Group Insurance Premium – 457

A number of factors contributed to the significant increases in receipts from fiscal year 2004 to fiscal year 2005 for this fund. The reasons for the increases include:

Direct payments of insurance premiums by employees increased $82,510 (22%). Terminated employees make direct payments for their basic life coverage. Statewide staffing reductions have resulted in more ex-employees required to pay for their basic life coverage.

Pharmacy recoveries increased $779,407 (56%). Pharmacy recoveries are deposited to the Premium Fund using this revenue category. The Increase reflects deposits of $382,499 for Buspar Antitrust pharmacy settlement in December 2004 and a $536,548 pharmacy settlement in August 2004. No similar pharmacy settlements in fiscal year 2004 were deposited in the Premium Fund.

Employer reimbursement for basic life coverage increased $1,571,744 (32%). This is employer reimbursements from agencies for the basic life coverage which was processed through the Comptroller's payroll system. In fiscal year 2004, the life plus health payments were paid as a single amount, it was estimated as 4% of total (life plus health) payroll reimbursement. In fiscal year 2005, processing was changed, and the agency reimbursement for life was based on actual member count and the actual life insurance reimbursement rate per member. The increase reflects the more accurate calculation method.

Transfers in from other funds increased $4,685,800 (24%). General revenue fund transfers to this fund increased in fiscal year 2005 to offset $2.7 million favorable experience recovery in fiscal year 2004. In fiscal year 2004 the Department received a refund from the insurance carrier due to a lower than expected experience and in fiscal year 2005 no refund was received due to expenses being higher than anticipated. Transfers also increased to meet higher fund expenditures in fiscal year 2005.

Interest increased $132,386 (141%) based on higher interest paid by the Comptroller based on Comptroller's average interest rate and higher average month-end fund balance of $11.1 million in fiscal year 2005 versus $7.6 million in fiscal year 2004.

Community College Health Insurance Security – 577

Member contributions increased $123,499 (41%) in fiscal year 2005. The increase was a result of a plan rate increase of about 11% and an increase in plan membership of about 350 participants.

*Wireless Service Emergency – 612**

*Wireless Carrier Reimbursement – 613**

State Employees' Deferred Compensation Plan – 755

From fiscal year 2004 to fiscal year 2005, benefits receipts and annual asset charge and investment exchange showed significant increases in receipts for this fund. The reasons for the increase include:

Benefits receipts – During fiscal year 2005, there was the offer of the Alternative Retirement Cancellation Payment. Because of the tax consequences, many separating participants rolled their payment into their Deferred Compensation Account, resulting in an unusually high amount of benefit receipts in fiscal year 2005.

Annual asset charge and investment exchange – In January 2005, the asset fee was reinstated after the fee holiday in fiscal years 2003 and 2004.

State Surplus Property Revolving – 903

Receipts for this fund decreased $1,040,682 (32%) from fiscal year 2004 to fiscal year 2005. During fiscal year 2004, $1.1 million proceeds were received from the sale of a surplus airplane. There were no similar sales proceeds deposited into the fund in fiscal year 2005.

Health Insurance Reserve – 907

A number of factors contributed to the significant increases in receipts from fiscal year 2004 to fiscal year 2005 for this fund. The reasons for the increase included:

Refunds from insurance carriers increased $2,730,612 (21%). Formulary rebates from prescriptions increased $5.1 million in fiscal year 2005 and miscellaneous receipts decreased $2.4 million.

Health facilities increased $37,721,832 (32%). This is employer reimbursement payments from agencies for health and dental coverage which are processed through the Comptroller's payroll system. The increase is attributable to the increase in health and dental rates for insurance in fiscal year 2005.

Interest increased $492,988 (72%). A higher average cash balance for Fund 907 in fiscal year 2005 and a gradual increase in interest rates in fiscal year 2005 attributed to the increase in interest earned.

*Note: On July 1, 2004, the administration of the funds was transferred to the Illinois Commerce Commission.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Year Ended June 30, 2005

The State of Illinois, Department of Central Management Services' (Department) explanations for significant lapse period spending greater than $65,000 and 15% as presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances By Fund" for fiscal years 2005 and 2004 are detailed below.

State Garage Revolving – 303

The percentage of total expenditures paid during lapse period for the State Garage Revolving Fund exceeded 16% in fiscal year 2005. Repair and maintenance for machinery and auto, statistical and tabulating services, rental - telephone service and equipment and parts and fittings for autos are the items that contributed to the increase of expenditures that were paid during lapse for fiscal year 2005. The timing of vendor payments from Fund 303 is dependent upon the available cash balance. At June 30, 2005, outstanding accounts receivable were $6.2M ($.5M was held by the State Comptroller from amounts due from other agencies General Revenue Fund) and outstanding accounts payable were $5.6M. Upon collection of the receivables and the Department of Transportation prepayment, the vendor payments were made resulting in a large portion of the fund's costs paid during lapse period.

Paper and Printer Revolving – 308

The percentage of total expenditures paid during lapse period for the Paper and Printing Revolving Fund exceeded 19% in fiscal year 2005. The Efficiency Initiative Revolving payment relating to repair and maintenance-furniture/equipment for $135,255 was paid during lapse.

Communications Revolving – 312

More that 16% of the fiscal year 2005 Communications Revolving Fund (CRF) expenditures were paid during lapse period. A number of items contributed to this as follows.

Repair and maintenance of real property totaling $170,829 were spent in lapse can be attributed to two vendors working on removing and reinstalling carpet and electrical work at 120 West Jefferson Facility in Springfield that was not fully competed until July, therefore, the bill was paid during the lapse period.

Rental – office equipment – A lease for mailing systems was initiated in the middle of the year. The second quarterly payment of $9,123 was made in July.

Rental payments for film and audio visual aids totaling $66,260 were spent late in the fiscal year for various photos and videos of the Governor promoting State of Illinois (SOI) programs throughout the state.

Statistical and tabulating service invoices from the Statistical Services Revolving Fund (SSRF) totaling $578,273 were received and paid during lapse.

Computer software invoices from a vendor for upgrading an existing software system were received for work prior to 6/30/05 totaling $208K spent in fiscal year 2005 lapse.

Office furniture and equipment for the 120 West Jefferson Facility in Springfield of $210,976 was received and paid during July and August 2005.

Repair, maintenance, telephone and other related invoices were received during July and August for work performed by a vendor during fiscal year 2005 for various projects totaling $2.5M.

Rental and data communication services network payments for April, May and June totaling $1.1M were delayed due to complications for invoices received July and August and obligation increases. $800,000 was June rental payments that were not paid or invoiced until July. $530,000 was multiple payments to a vendor that were delayed due to incorrect invoices and disconnects by the vendor.

Rental and other communication service payments made to a vendor for work performed throughout the year totaled $4.5M. The review process for these expenses was lengthy and very complicated thus approvals were not final until lapse period.

Telephone and communication equipment invoices totaling $3.7M spent in fiscal year 2005 lapse were received in late July and early August. The purchases were from suba 1000, which is Fund 312 portion that supplements the General Revenue Funds shortfall for the Network. The Network, previously known as Illinois Century Network (ICN), traditionally makes large equipment purchases each spring.

Efficiency initiative payments totaling $1,225,111 was billed during lapse and no other payments were made throughout the year.

Interest prompt payments of $14,720 were paid during lapse that went to payments to vendors that were finalized late and paid late.

Facilities Management Revolving – 314

Lapse period expenditures represent more than 20% of total expenditures for fiscal year 2005. The facility management consolidation function was accounted for in fund 314 for fiscal year 2005 pursuant to Executive Order 2003-10. During fiscal year 2005 funds were transferred from participating agencies' funds into fund 314 and the timing of the transfers was not timely to meet all outstanding vendors' payments. Upon receipt of final fiscal year 2005 fund transfers and a fiscal year 2006 prepayment from CMS, the vendor payments were made resulting in a large portion of the fund's costs paid during lapse period.

Group Insurance Premium – 457

More than 16% of total expenditures in the Group Insurance Premium Fund were paid during the lapse period during fiscal year 2005. Normally vendor payments for life insurance are paid each month, however during fiscal year 2005 staff members responsible for making payments moved to a new location in July and two payments were made during lapse instead of one.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 7

ANALYSIS OF ACCOUNTS RECEIVABLE
For Fiscal Year Ended 2005
(Expressed in Thousands)

	General Revenue 001	Local Government Health Insurance Reserve 193	Teacher Health Insurance Security 203	State Garage Revolving 303	Communications Revolving 312	Senior Citizen and Disabled Persons Program 316	Group Insurance Premium 457	Community College Health Insurance Security 577	State Employees' Deferred Compensation Plan 755	State Surplus Property Revolving 903	Health Insurance Reserve 907	Special Events Revolving 989
Accounts receivable - State governmental entities	$ -	$ 103	$ -	$ 25	$ 485	$ -	$ -	$ -	$ -	$ 20	$ -	$ -
Accounts receivable - other	389	316	9,086	8	60	5	30	484	635	15	8,244	21
Total accounts receivable	389	419	9,086	33	545	5	30	484	635	35	8,244	21
Allowance for doubtful accounts	19	-	-	-	4	-	-	-	-	-	-	8
Net accounts receivable	$ 370	$ 419	$ 9,086	$ 33	$ 541	$ 5	$ 30	$ 484	$ 635	$ 35	$ 8,244	$ 13

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 actual net writeoffs to the total billings. The Department utilizes the Comptroller's offset system for non-State agency receivables.
The Department sends a GSARPS 60 report to the Office of the Auditor General for receivables due from other State agencies.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Year Ended June 30, 2005

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. Michael M. Rumman served as Director of Central Management Services through June 1, 2005. Paul J. Campbell is currently acting Director effective June 2, 2005.

On July 1, 2004, the Department reorganized into eight major bureaus:

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

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; centralized accounting for revolving and trust funds under its control; 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, 2005, 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. The performance management process requires the periodic reporting of program performance information. This process results in an agency-wide strategic plan and 14 program plans.

The Department has organized its services into the following 14 programs:

1. Business Enterprise Program for Minorities, Females and Persons with Disabilities
2. Communication and Computer Services
3. Employee Benefits
4. Human Resources
5. Internal Security and Investigations
6. Labor Relations
7. Mail and Messenger Services
8. Media Services
9. Paper and Printing Services
10. Procurement Services
11. Property Management
12. Risk Management
13. Vehicle Services
14. Strategic Sourcing and Procurement (Beginning in fiscal year 2005)

Annually, the Department submits a strategic plan to the Governor's Office of Management and Budget. This plan reflects the Department's strategic priorities and the initiatives and objectives included to support these priorities. The Department also provides its strategic performance metrics related to its strategic priorities. On a quarterly basis, the Department submits a quarterly performance measure report to the Governor's Office of Management and Budget providing data on its strategic priorities and performance measures.

Both the Annual Management Plan information and the Agency Performance Indicators: Quarterly Reports data are reported through an electronic reporting system (PB Views).

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, CMS submits Service Efforts and Accomplishments (SEA) 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.

Auditor's Assessment of Planning Program

Based on our review, we noted the plans contained specific written goals and objectives that could help the Department comply with its mission "to provide quality, cost-efficient services to support Illinois government operations through responsive and professional leadership". We conclude the Department's planning function is effective in developing and achieving goals and objectives that help the Department comply with its mission.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AVERAGE NUMBER OF EMPL0YEES

For the Fiscal Years Ended June 30, 2005, 2004, and 2003

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

	2005	2004	2003
Administrative Operations	343	152	81
Communications and Computer Services	1,133	330	352
Personnel	259	132	137
Benefits	59	114	122
Support Services	-	226	243
Property Management	531	138	154
Information Services	135	51	57
Business Enterprise Programs for Minorities, Females and Persons with Disabilities	6	6	6
Internal Security and Investigation	-	31	36
Total	2,466	1,180	1,188

An information technology consolidation in Communications and Computer Services and a facilities management consolidation in Property Management occurred during fiscal year 2005, resulting in an increase of 1,286 employees (109%) over fiscal year 2004.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

EMERGENCY PURCHASES AND ILLINOIS FIRST PROJECTS

For Fiscal Year Ended June 30, 2005

Description			
IIS	$	53,101	
BCCS		94,455	
Real Property		41,128	*
BCCS/IS		148,995	
Telecommunications		5,864,578	
Property Management		21,000	*
Strategic Sourcing and Procurement		6,820,000	*
Information Technology		2,800,707	
Bureau of Benefits		1,200,000	*
Bureau of Strategic Sourcing		75,000	
TOTAL APPROXIMATE COST	$	17,118,964	

*Includes affidavits with estimate amounts

The Department did not have any Illinois First Projects

Central Management Services
(Appropriated Spending in Thousands)

	FY2004		FY2005	
Program	**Expenditures**	**Headcount**	**Expenditures**	**Headcount**
Employee Benefits	$2,609,138.7	101.0	$2,717,550.6	72.0
Communications and Computer Services	$267,588.6	357.0	$225,874.4	756.0
Property Management	$36,172.8	140.0	$148,769.5	307.0
Risk Management	$24,344.6	14.0	$74,884.7	30.0
Vehicle Services	$31,629.9	184.0	$32,253.9	153.0
Other/Non Programs	$19,429.1	170.0	$20,884.2	165.0
Human Resources	$15,251.4	119.0	$12,276.3	110.0
Procurement Services	$15,790.0	41.0	$7,017.4	65.0
Media Services	$1,826.9	19.0	$4,993.7	40.0
Mail and Messenger Services	$2,675.9	26.0	$2,384.2	21.0
Labor Relations	$1,418.6	13.0	$972.7	12.0
Business Enterprise Program	$442.9	6.0	$456.4	6.0
Internal Security and Investigations	$3,210.8	31.0	$0.0	0.0
Paper and Printing Services	$1,368.9	5.0	$0.0	0.0
Totals	$3,030,289.1	1,226.0	$3,248,318.0	1,737.0

Mission and Organization

The mission of Central Management Services (CMS) is to free Illinois State agencies and governmental entities from certain administrative responsibilities so that they can focus their energies and resources on accomplishing their core missions, and attending to customer service. To accomplish this mission, CMS uses a Shared Services model and works in partnership with agencies and governmental entities to help facilitate the reduction of their total cost of operation. CMS is also continuously working to improve the efficiency and effectiveness of the administrative services we provide State agencies and governmental entities, which in turn improves the services that they provide to the citizens of Illinois. We work towards these same goals of efficiency and effectiveness when supplying services to the general public. In fulfilling our mission, we utilize best practices, creative thinking, and forward-looking solutions to develop, lead, monitor and manage administrative and customer services. Ultimately, the services that CMS provides recognize and seek to preserve the state's human and economic assets.

Vehicle Services manages the state fleet throughout its life cycle and provides agency transportation solutions. Responsibilities include acquisition, maintenance and repair, providing fuel, leasing, fleet inventory and policy setting. Vehicle Services manages a network of 17 state garages in close proximity to essential service agencies such as the Illinois Departments of Transportation and State Police. Vehicle Services coordinates compliance with environmental regulations, and manufacturer safety recalls, serving constitutional offices, state agencies, and over 200 local governments.

Risk Management encompasses Workers' Compensation, Motor Vehicle Liability, Insurance Procurement, and Representation and Indemnification. The state's Workers' Compensation program provides statutory benefits for state employees experiencing work-related injury or illness. CMS adjudicates claims for all Illinois agencies and universities excluding the University of Illinois and Illinois Toll-Highway Authority. The self-insured Motor Vehicle Liability program includes investigation, evaluation, negotiation and settlement of claims involving state drivers or state-owned vehicles. The Insurance Procurement program involves the purchase of commercial insurance under master policies to address certain risks for the benefit of various state agencies and universities. The Representation and Indemnification program provides legal representation through the Office of the Attorney General and indemnification for employees who are sued for acts or omissions within the scope of their state employment. On September 1, 2004, the Workers' Compensation Programs administered by DHS, IDOC, IDOT, and ISP were consolidated into CMS. The increase in fiscal year 2005 expenditures and headcount over the prior fiscal year numbers are a direct reflection of the consolidation of the Workers' Compensation Program.

The Bureau of Property Management provides statewide facilities management services to state owned and/or controlled facilities occupied by the agencies, boards and commissions under the stewardship of the Governor. These services are provided in the areas of lease administration, facilities management, contract administration, real property acquisition and disposition, energy management, and property control. Currently, CMS administers a portfolio of 658 leases, representing 9,126,801 square feet of space costing roughly $9.4 million monthly. In addition to the management of this portfolio, Facilities Management has property management responsibilities for more than 950 facility sites, representing roughly 60.4 million square feet of owned and leased space. The Bureau of Property Management is committed to providing the best service for the least cost, and strives towards that goal by effective utilization of a recently implemented "Call Center". Other functions, such as contract administration, energy management, and property management, both real and personal, round out the facilities management portfolio.

Employee Benefits encompasses four benefit programs, a prescription discount program, a deferred compensation program, and flexible spending programs for state employees. The state employee insurance plan provides benefits for state employees, retirees and their dependents, including health, dental, life, vision, and COBRA. In addition, Employee Benefits administers three other health insurance plans: A self-insured risk-pool for units of local government and other eligible units, as defined by statute; the Teachers' Retirement Insurance Program (TRIP); and the College Insurance Program (CIP). The Senior Citizens and Disabled Persons Prescription Discount Card Program provides all Illinois seniors and disabled persons the ability to obtain their prescription medications at a discounted price. The state employee Deferred Compensation Plan is a supplemental retirement plan for state employees. The Flexible Spending Accounts program allows state employees to use pre-tax dollars to pay medical and dependent care costs; and the Commuter Savings Program allows state employees to use pre-tax dollars to pay work-related transportation and parking expenses.

The Bureau of Communications and Computer Services Program assists agencies in achieving their immediate and future data processing and telecommunications needs. This program provides a complex array of communications and information processing services to state agencies. This program continues to grow dramatically in both volume of services and variety of services offered to user agencies while the levels of performance remain consistent and comparable to those in the private sector.

Employee Benefits

Mission Statement: The Employee Benefits Program will deliver fiscally-responsible and 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.

Program Goals: Objectives:

1. Manage employee benefit programs that promote and maintain individual well-being.
   a. Offer vision benefits for all enrollees each year.
   b. Increase enrollment in the Flexible Spending Accounts by 7% each year.
   c. Continue to contract with an Administrative Service Organization to administer the self-insured medical indemnity plans offered by the Department.
   d. Negotiate contracts, in fiscal year 2005, to maintain a Quality Care Health Plan (QCHP) Preferred Provider Hospital network with access within 25 miles for 99% of QCHP members residing in Illinois.
   e. In fiscal year 2005, partner with managed health care vendors to provide managed care plans accessible to at least 99% of members residing in Illinois.
   f. In fiscal year 2005, contract with a dental vendor to administer a self-funded indemnity dental program.
2. 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 by 5% each year.
3. Manage resources and services efficiently to minimize costs.
   a. Obtain competitively priced products and services annually.
   b. Increase managed care enrollment during the annual benefits choice period.
   c. Continue to utilize the Request For Proposal (RFP) process to ensure competitive selection of vendors and appropriate charges to agencies for services.
   d. Continue to contract with a vendor to manage costs of indemnity plan inpatient hospitalizations through notification, continuous stay review, case management, and healthy baby programs in an effort to contain costs and show an increase in savings.
   e. Provide annual imputed financial statements to satisfy federal review requirements identified by Health and Human Services reviewer to ascertain the correctness of reimbursement charges.
   f. Continue to increase cost containment savings at the rate of $3 million per year.
4. 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.
5. Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.

Source of Funds: General Revenue Fund, Efficiency Initiatives Revolving Fund, Senior Citizen and Disabled Persons Prescription Drug Discount Fund, Group Insurance Premium Fund, State Employees Deferred Compensation Plan Fund, Health Insurance Reserve Fund

Statutory Authority: 5 ILCS 375 et seq.

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$2,546,297.7	$2,871,547.1	$3,210,210.4	$2,717,550.6	$136,209.6
* Total expenditures - state appropriated funds (in thousands)	$2,317,300.4	$2,609,138.7	$2,894,210.4	$2,717,550.6	$136,209.6
* Average monthly full-time equivalents (a)	82.0	101.0	111.0	72.0	76.0
Output Indicators					
* Number of QCHP (state) claims processed (b)	3,458,511	3,064,513	3,200,000	N/A	N/A
* QCHP (state) health claims processed in dollars (in millions) (b)	$487.2	$509.6	$527.1	$551.1	N/A
* Number of disputes resolved (c)	4,658	4,374	4,000	2,086	2,200
* Number flexible spending account participants	8,075	6,839	7,250	8,286	8,200
* Deferred compensation - total dollars deferred (in millions)	$163.5	$133.7	$134.0	$142.1	$142.0
* Number of deferred compensation participants	51,836	51,679	51,700	51,868	51,900
* Number of new deferred compensation participants	2,380	2,528	2,500	2,325	2,500
Outcome Indicators					
* Percent of employee and retiree members in managed care (state program)	50.1 %	49.6 %	51.1 %	51.4 %	52.6 %
* Percent Quality Care Health Plan (QCHP) (state) claims processed within 10 days (b)	92.8 %	98 %	98 %	97.3 %	N/A
* Percent of state QCHP members residing within 25 miles of a Preferred Provider Organization (PPO) hospital (b)	99.6 %	99.6 %	100 %	97.1 %	N/A

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Employee Benefits (Concluded)

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
* Percent of disputes resolved within 30 days of notification	87.6 %	75 %	80 %	97 %	90 %
* Percent of members satisfied with telephone inquiry with the state QCHP health claims administrator (b)	88.3 %	86 %	88 %	86 %	N/A
* Percent of members satisfied with claims processing and service with the state QCHP health claims administrator (b)	88.3 %	92 %	95 %	92 %	N/A
External Benchmarks					
* Number of deferred compensation investments exceeding benchmark - 1 year rolling return (Before fiscal year 06, there were a total of 12 investments.)	6.0	7.0	12.0	9.0	14.0
Efficiency/Cost-Effectiveness Indicators					
* Average monthly employee contribution for indemnity health insurance (state program) (in dollars)	$40.43	$43.61	$43.79	$43.91	$53.91
* Average monthly employee contribution for managed care insurance (state program) (in dollars)	$31.30	$33.48	$33.62	$33.76	$34.10
* Average monthly administrative cost per group insurance enrollee (state program) (in dollars) (d)	$26.31	$83.14	$84.59	$68.17	$35.89
* Average annual administrative cost per deferred compensation participant (state program) (in dollars)	$26.03	$24.23	$24.25	$20.85	$24.25

Footnotes

(a) The hiring of additional Full Time Employees is subject to adequate cash flows within their respective funds.

(b) Under the Governor's Executive Order 2005-3, health care purchasing was consolidated under the Department of Healthcare and Family Services (DHFS), effective July 1, 2005. Per Executive Order 2005-3, CMS will maintain the administrative and member facing functions, while DHFS will assume the responsibilities of claim payment, contract administration, and vendor facing functions.

(c) The reduction in fiscal year 2005 is the result of improved performance and service provided by the program's medical third party administrator.

(d) The Group Insurance Program for fiscal years 2004 and 2005 showed a significant increase to its administrative costs due in part to expenditures associated with Public Act 93-0032. Additionally, payments related to efficiency initiatives that resulted in the reduction of program liabilities are included in the administrative expenditure amounts.

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

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.
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. Annually, each service area within Communications and Computer Services will meet with internal and external stakeholders about targets/expectations, and will report on service targets/expectations.
   b. Annually, each service area within Communications and Computer Services attends 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.

Source of Funds: General Revenue Fund, Statistical Services Revolving Fund, Communications Revolving Fund

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

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/Projected(a)
Input Indicators					
* Total expenditures - all sources (in thousands)	$217,275.5	$267,588.6	$302,779.7	$225,874.4	$347,499.4
* Total expenditures - state appropriated funds (in thousands)	$217,275.5	$267,588.6	$302,779.7	$225,874.4	$347,499.4
* Average monthly full-time equivalents (b)	317.0	357.0	432.0	756.0	874.0
Output Indicators					
* Number of network data circuits managed (c)	5,001	4,876	4,700	N/A	N/A
* Telecommunications Voice Orders (TSRs) processed/month	8,003	8,810	8,800	7,741	N/A
* Billed CPU hours/month (processor hours)	3,997	4,958	5,000	5,211	N/A
* Megabytes of Direct Access Storage Device (DASD) billed/month	9,194,246	11,854,359	12,000,000	12,232,515	N/A
Outcome Indicators					
* Percent mainframe transactions completed within 1 second (c)	98 %	98.15 %	95 %	N/A	N/A
* Percent mainframe system availability (c)	99.5 %	99.09 %	99 %	N/A	N/A
* Mean Time to Restore (MTTR) service (voice network)(hrs.and minutes)	3.0	3.0	3.0	3.3	N/A
* Territory centrex monthly rate per line (in dollars)	$14.00	$14.00	$10.85	$14.00	N/A
External Benchmarks					
* Ameritech territory centrex monthly rate per line (in dollars)	$22.80	$22.64	$22.64	$22.64	N/A
* Mainframe application availability - industry goal is 98.0% to 99.5% (per Gartner Group Research)	98 %	98 %	98 %	98 %	N/A
* Mainframe transactions completed within 2 seconds (per Gartner Group Research)	96.3 %	96.3 %	96.3 %	96.3 %	N/A
* Mean time to restore service (data network) (SBC) (hrs:mins)	3.3	3.3	3.3	3.3	N/A

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Communications and Computer Services (Concluded)

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
Efficiency/Cost-Effectiveness Indicators					
* Cost per megabyte of mainframe storage (in dollars)	$0.04	$0.04	$0.04	$0.03	N/A

Footnotes

(a) BCCS has undergone massive consolidation and transfromation efforts during fiscal year 2005 and will continue to finalize these efforts during the course of fiscal year 2006. Therefore at this time, all measures and indicators need to be revisited to ensure their continued applicability given the large scale transformation of the organization. These changes will be formalized during the summer of calendar year 2006.

(b) The hiring of additional Full Time Employees is subject to adequate cash flows within their respective funds.

(c) The Bureau of Communications and Computer Services stopped tracking this information in fiscal year 2005.

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 programs in an efficient and cost effective manner.

Program Goals: Objectives:

1. Establish benchmarks, measures and service expectations.
   a. During fiscal year 2005, initiate Phase I of the Facilities Condition Assessment.
   b. Implement a fully integrated facility and real estate management enterprise solution.
   c. Implement the leasing strategy's holdover lease component aimed at reduction of holdover leases to industry standards.
   d. Reduce the State's cost of occupancy in both state owned and leased properties.
   e. Improve the Bureau's timeliness, responsiveness, and customer satisfaction by streamlining internal procedures.
   f. Reduce the State's energy cost utilizing energy consumption and contract consolidation strategies.
   g. Develop a plan to determine where capital resources should be targeted to maintain the useful life of all buildings that can continue to deliver high value relative to the allocation of capital resources.
2. Manage resources and services efficiently to minimize costs.
   a. Implement the asset management plan to drive down occupancy cost through the application of newly developed space standards, the due diligence process, facilities assessments 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. Develop permanent programs and policies for recycling of plastics and fluorescent and high intensity discarge lamps.
   c. Continue to review, recommend and implement recycling programs for various types of batteries and small electronics.
   d. Continue to participate in toner carriages and book recycling.

Source of Funds: General Revenue Fund, Statistical Services Revolving Fund, Facilities Management Revolving Fund, Efficiency Initiatives Revolving Fund, State Surplus Property Revolving Fund, Special Events Revolving Fund

Statutory Authority: 20 ilcs 405/405-300

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$24,215.7	$36,172.8	$41,329.5	$148,769.5	$356,773.7
* Total expenditures - state appropriated funds (in thousands)	$24,215.7	$36,172.8	$41,329.5	$148,769.5	$356,773.7
* Average monthly full-time equivalents (a)	135.0	140.0	133.0	307.0	378.0
Output Indicators					
* Number of facilities participating in I-Cycle Program	248.0	251.0	255.0	251.0	255.0
* Number of daily special events scheduled	704.0	718.0	718.0	690.0	700.0
* Number of equipment items transferred out of State Surplus Warehouse	2,460	3,638	3,500	5,093	4,500
* Number of vehicles transferred out of State Surplus Warehouse	95.0	179.0	175.0	85.0	50.0
* Number of tenant improvement requests completed (b)	12.0	5.0	10.0	2.0	5.0
* Number of tenant improvement requests completed within 60 days	7.0	1.0	5.0	2.0	5.0
* Number of work orders completed within 20 working days for CMS operated facilities. (c)	17,300	20,247	20,250	13,464	21,500
* Number of items sold via I-Bid	N/A	954.0	1,600	2,464	3,900
* Number of Registered bidders for I-Bid Program	N/A	4,580	6,000	7,431	10,000
Outcome Indicators					
* Percent increase/decrease of special events between fiscal years. (d)	11.04 %	2.92 %	2 %	-3.9 %	1.4 %
* Percent of surplus property warehouse facilities customers responding "satisfactory" or better to the customer satisfaction survey	98.25 %	N/A	80 %	94.2 %	85 %
* Percent of regional office buildings' (including JRTC & MABB) office managers responding "satisfactory" or better to the customer satisfaction survey	84.63 %	N/A	80 %	94.5 %	90 %
* Average percent of work orders completed within 20 working days at CMS-operated facilities. (e)	93.04 %	91 %	90 %	79 %	90 %
* CMS downtown Chicago lease rate ($/sq. ft.). (in dollars) (f)	$19.53	$21.12	$21.12	$21.06	N/A

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Property Management (Concluded)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/Projected
External Benchmarks					
* Compare the inc./dec. in events scheduled through the Chicago Convention and Tourism Bureau (CCTB). (Data are for calendar year).	N/A	8.43 %	8.43 %	1 %	1 %
* Building Owners & Managers Association (BOMA) downtown Chicago lease rates (calendar year 2004-$/sq. ft.). (in dollars) (f)	$27.52	$26.07	$26.07	$25.31	N/A
Efficiency/Cost-Effectiveness Indicators					
* JRTC building operating expenses ($/sq. ft.) (in dollars) (g)	$5.08	$8.21	$8.21	$7.39	$7.39
* MABB building operating expenses ($/sq. ft.) (in dollars) (g)	$5.87	$7.84	$7.84	$7.26	$7.26
External Benchmarks					
* BOMA downtown Chicago building operating expenses (calendar year 2004 $/sq. ft.) (in dollars)	$7.02	$9.12	$9.12	$7.54	$7.54

Footnotes

(a) The hiring of additional Full Time Employees is subject to adequate cash flows within their respective funds.

(b) Due to funding constraints and the September 1, 2004 consolidations, Property Management received fewer requests.

(c) Reduction in staff (due to retirement or other factors) accounted for some of the variance between the fiscal year 2005 Target and fiscal year 2005 Actual, as well as operational adjustments to a newly improved call center which handles work order requests.

(d) Budget constraints have accounted for some reduction in the amount of special events that have previously been sponsored by agencies. The increased use of teleconferencing has also effected the amount of special events scheduled, as well as the unavailability of some facilities due to maintenance.

(e) CMS' Facilities Management saw a drastic increase in the amount of buildings under its jurisdiction during fiscal year 2005 due to the September 1, 2004 consolidations. Efforts continue to bring the work order system up to date to accomodate the now 950+ facilities.

(f) The actual data that is used for comparison purposes is not available until the end of the fiscal year for reporting purposes. The BOMA rates are established on lease activity for the previous calendar year. The CMS rates are analyzed in comparison to the same period, and consequently the comparison rates are established. Therefore, a projected rate is not the determining measurable. Real numbers are used upon the establishment of the benchmark set for the previous year's activity.

(g) In fiscal year 2003, security costs were not included in the total operation expenses for each facility. Also, the cost was figured using the total gross building area at each facility. In 2004, $1,975,312 in security costs for the JRTC and $282,596 in expenses for the MABB were included; and, the operation cost per square foot was calculated using only the rentable area of each facility. This accounts for the significant increase in operation expenses between fiscal year 2003 and fiscal year 2004. If fiscal year 2004 costs were calculated using the same categories of expenses as fiscal year 2003, the JRTC operating expenses would be $5.19 and the MABB operating expenses would be $5.40 per square foot. The slight increase in operating expense at the JRTC is due to small increases in utilities, and repair and maintenance of the facility. The decrease in operating expenses at the MABB is due to decreases in cleaning and administrative expenses.

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Risk Management

Mission Statement: The Risk Management Program is mandated by state statutes to minimize the State of Illinois' exposure to risk. The program utilizes best industry practices and cost-effective administration to manage the state's self-insured plans and to procure the most advantageous commercial insurance for selected state property, casualty and liability exposures. The program provides service, oversight and training to state employees, officials, agencies, universities, and the public in a fiscally responsible manner.

Program Goals:
Objectives:

1. 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.
   b. Conduct a survey of the Early Intervention Service to measure program satisfaction levels.
   c. Consolidate Workers' Compensation Programs administered by the Department of Human Services, Department of Corrections, Department of Transportation, and Illinois State Police, into the Department of Central Management Services.
   d. Contact 85% of Auto Liability claimants within five (5) days following the accident.
   e. Improve benefits for injured State employees at the Illinois Department of Transportation and Department of Corrections through the expansion of the Early Intervention Program (telephonic medical case management).
   f. Work with Agencies and Universities to report Workers' Compensation injuries within fifteen (15) days.
2. Establish benchmarks, measures, and service expectations.
   a. Work with the Office of the Attorney General to improve methods of processing indemnity payments and projecting liabilities.
   b. Conduct training sessions for Auto Liability coordinators annually and achieve 90% satisfaction levels
3. Manage resources and services efficiently to minimize costs.
   a. Process 75% of payments for bills related to medical treatment, rehabilitation services, temporary disability income payments, and settlements for permanent impairments within ninety days of service.
   b. Investigate, evaluate, and negotiate equitable settlements during the fiscal year to parties impacted by negligence of state drivers while operating a state owned, leased, or controlled motor vehicle in the scope of employment.
   c. Continue procurement of commercial insurance for state agencies on a cost-effective basis under a program of master policies and expand agency/university use of master policies.
   d. Engage vendors to provide an on-site case management program to assist with managing medical costs and to facilitate return to work.
   e. Utilize the existing Workers' Compensation Physician PPO Network and Group Health Preferred Hospital network to provide discounted prices for employees suffering a work related injury and to contain costs.
   f. Continue use of a Bill Review vendor partner to apply discounts and usual and customary screens to contribute to an overall medical cost containment savings of 18.25%.
   g. Expand the Workers' Compensation Hospital PPO Network to include non-participating centers of care currently selected by injured workers at high volume agency locations to achieve greater medical cost savings.
   h. Maintain a Subrogation Program to recover from third parties who have injured state employees.
   i. Continue to manage an Early Intervention Program (telephonic case management) to injured workers to manage medical care, to ensure optimum treatment, to facilitate return to work plans, and to contain costs.
   j. Monitor spending plans for Workers' Compensation, Auto Liability, and Representation and Indemnification; and develop budget and supplemental appropriation requests.
   k. Process all auto liability claims for state drivers and authorized non-state employees of all agencies, universities, commissions, and boards; work closely with agency/university coordinators to process the necessary documentation.
   l. Utilize the Workers' Compensation Physician PPO Network to obtain discount pricing for state employees suffering from a work related injury and channel claimants by suggestive means of the Early Intervention vendor partner.
   m. Conduct an audit of the Workers' Compensation Programs administered by CMS and the Devolved Agencies to determine if the programs should be consolidated.
4. Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.
   a. Work with the Bureau of Communications and Computer Services (BCCS) personnel to design and install during the fiscal year electronic running notes and diary features in the Workers' Compensation program to improve adjuster workflow efficiencies.
   b. Provide the new Auto Liability Automation System during the fiscal year to Agency Users.

Source of Funds: General Revenue Fund, Workers' Compensation Revolving Fund

Statutory Authority: 20 ILCS 405/405-105, 411

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands) (a)	$30,376.1	$24,344.6	$44,846.4	$74,884.7	$104,489.3
* Total expenditures - state appropriated funds (in thousands) (a)	$30,376.1	$24,344.6	$44,846.4	$74,884.7	$104,489.3
* Average monthly full-time equivalents (a,b)	11.0	14.0	16.0	30.0	39.0
* Total Workers' Compensation Spending (in thousands) (a,c)	$41,079.2	$24,344.6	$37,764.4	$68,669.9	$101,485.6
Output Indicators					
* Number of Workers' Compensation injuries. (a)	2,325	2,365	2,300	6,823	6,687
* Average Days to Report Workers' Compensation Accident	17.7	27.1	15.0	14.9	15.0
* Percent of workers' compensation cases found compensable within 45 days.	52.77 %	40.02 %	62 %	58.75 %	62 %

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Risk Management (Concluded)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/Projected
* Number of independent medical evaluations performed. (a)	97.0	145.0	170.0	217.0	239.0
* Percent utilization of PPO networks (d)	52.8 %	72.25 %	64 %	76.32 %	67 %
* Number of injured employees returned to work at modified duty (a)	106.0	93.0	115.0	2,752	2,500
* Number of motor vehicle liability claims.	2,019	1,682	1,682	1,739	1,704
* Non-litigated vehicle liability claims closed. (e)	1,885	1,577	1,500	1,735	1,700
Outcome Indicators					
* Annual change in Workers' Compensation spending (a,f)	10.6 %	-17.95 %	12.05 %	116.73 %	49.07 %
* Savings resulted from Workers' Compensation Physicians PPO Network (in dollars) (a,c)	$1,346,433.00	$1,605,497.00	$1,260,000.00	$4,134,700.00	$4,000,000.00
* Percent of medical cost containment savings to total medical program cost	13.52 %	18.25 %	18.25 %	24.81 %	18.5 %
* Percent of workers' compensation claims paid within 90 days (g)	91.27 %	97.94 %	70 %	89.6 %	77 %
* Workers' compensation coordinator satisfaction with training and communication (on a scale of 1 to 5, 5 being very satisfied) (h)	4.2	N/A	4.5	N/A	4.5
* Percent of Workers' Compensation claimants with a satisfied/very satisfied rating of the early intervention program.	93 %	N/A	92 %	92 %	92 %
* Percent of vehicle liability claimants contacted within 5 calendar days (i)	77 %	91 %	85 %	99.94 %	85 %
* Average days to close a vehicle liability case (bodily injury and property damage) (i)	62.3	170.4	80.0	61.2	80.0
* Auto vehicle liaison satisfaction with training and communication (on a scale of 1 to 5, 5 being very satisfied).	4.6	4.7	4.5	4.9	4.5
* Number of state agencies/universities using the master policies	64.0	65.0	65.0	67.3	65.0
* Timely and accurate processing indemnity expenses and awards within a 20 business day period.	72.3 %	91.5 %	90 %	91.04 %	90 %
External Benchmarks					
* Annual change in the Consumer Price Index.	2.58 %	2.2 %	2.3 %	3 %	3.4 %

Footnotes

(a) Effective September 1, 2005, the Workers' Compensation operations of the Illinois Department of Transportation, the Department of Human Services, the Department of Corrections, and the Illinois State Police were consolidated into the Department of Central Management Services. Figures for fiscal year 2004 and prior are reflective of operations pre-consolidation.

(b) The hiring of additional Full Time Employees is subject to adequate cash flows within their respective funds.

(c) Total Workers' Compensation Spending is reflective of all programmatic spending on an agency wide basis, include those monies appropriated to and accounted for in the Benefits section of this report.

(d) The significant increase in percent utilization of and savings generated by the PPO Networks reflects improved penetration levels by First Health (Bill Review/PPO Network Vendor Partner).

(e) The total number of non-litigated vehicle liability claims closed increased because new close out procedures were implemented.

(f) The increase in spending noted in the fiscal year 2006 Target/Projected column reflects an estimated fiscal year 2005 liability of $13.6 million that will be carried into fiscal year 2006.

(g) The percent of workers' compensation bills paid within 90 days is dependent upon fund availability.

(h) The Annual Workers' Compensation Conference was not held because of recent consolidation efforts and satisfaction surveys were not conducted. Satisfaction surveys will be taken to measure training provided to Workers' Compensation Agency Coordinators during fiscal year 2006.

(i) Auto Liability claims processing was improved because new procedures were implemented and staffing levels improved.

Vehicle Services

Mission Statement: The Vehicle Services Program mission is to support state agencies in obtaining, maintaining and operating state fleet vehicles safely, economically and efficiently. Vehicle Services' primary services are fleet maintenance, fuel, fleet management, and vehicle leasing.

Program Goals: Objectives:

1. Fortify training options in state government.
   a. Ensure mechanics have skills to perform their job by offering at least 8 classes annually and continue or expand ASE certification for technicians.
   b. Ensure managers and supervisors are provided on-going management training. Distributed CMS' Tranining and Development course schedule. Selected staff were directed and did attend specific sessions. Coordinated training for CMS expertise in fuel buying.
   c. Ensure agency vehicle coordinators receive training on changes to fleet and policies/procedures as per recommendations of the Fleet Efficiency study. Vehicle Coodinator meeting held in early October 2005 to communicate the Fleet Efficiency Study recommendations.
2. Establish benchmarks, measures and service expectations.
   a. Participate in industry surveys on fleet size and life cycle cost.
3. Manage resources and services efficiently to minimize costs.
   a. Ensure the rates Illinois State Government pays and the prices CMS charges for service are appropriate.
   b. Bureau, Division and other managers to meet to determine which upcoming fiscal year goals/objectives are the highest priority to achieve; what the annual spending/staffing plan should be to achieve the priorities using the Strategic Plan and appropriation information; and how cash flow can be adequately maintained considering standard and alternative funding and service delivery options.
   c. Implement a monthly maintenance fee and call center as per recommendations of the Fleet Efficiency Study.
   d. Maintain a vehicle return rate less than or equal to 0.4% annually.
   e. Update preventive maintenance schedules for agency vehicles.
   f. Maintain a mechanic productivity rate of at least 100% annually.
   g. Meet with the Illinois Department of Transportation (IDOT) representatives at least four times per fiscal year to discuss cash flow issues.
   h. Maintain a mechanic utilization rate above industry standard during each fiscal year.
4. Improve the communication level and quality of information on programs and services provided and accomplishments achieved by CMS.
   a. Improve coordination of the vehicle procurement process each fiscal year.
   b. Conduct at least two meetings with major state agency vehicle coordinators each fiscal year to provide continuous evaluation and feedback, and to improve overall communication.
   c. Provide regular updates to website information.
5. Provide for timely and continuous stakeholder feedback.
   a. Re-activate Planning Panel Committee to identify internal stakeholder needs.
   b. Focus group meetings with agency representatives to obtain feedback on changes impacting the state vehicle fleet.
6. Provide for appropriate technological infrastructure, tools, services, and resources to meet user needs.
   a. Develop timeline for FleetAnywhere Project.
   b. Phase 1 implemented. Phase 2 is a common fleet system which is in the planning phase.

Source of Funds: State Garage Revolving Fund, Efficiency Initiatives Revolving Fund ***Statutory Authority:*** 20 ILCS 405/405-280

	Fiscal Year 2003 Actual	*Fiscal Year 2004 Actual*	*Fiscal Year 2005 Target/Projected*	*Fiscal Year 2005 Actual*	*Fiscal Year 2006 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$32,862.7	$31,629.9	$34,715.0	$32,253.9	$35,824.7
* Total expenditures - state appropriated funds (in thousands)	$32,862.7	$31,629.9	$34,715.0	$32,253.9	$35,824.7
* Average monthly full-time equivalents (a)	188.0	184.0	146.0	153.0	164.0
Output Indicators					
* Gallons of gasohol sold	1,447,233	1,300,506	1,200,000	1,079,373	1,000,000
* Total state garage billings (in thousands)	$25,700.0	$24,883.0	$24,000.0	$24,801.0	$24,500.0
Outcome Indicators					
* Mechanic productivity rate (actual time to complete a job compared to industry standard. Industry flat rate standard is 100%.)	103.9 %	104.1 %	104 %	104.4 %	104 %
* Percent savings to state agencies - DOV mechanical labor rate per hour vs. industry average (for passenger vehicles).	10.3 %	7.1 %	10 %	9.7 %	5.4 %
* Percent of vehicles purchased meeting federal requirements when FFV vehicles are available- EPACT (Energy Policy Act)- Federal mandate to purchase light duty alternative fueled vehicles to reduce dependency on foreign oil (example:model year 1999 = FY 2000 (b)	100 %	100 %	75 %	100 %	75 %
External Benchmarks					
* Fleet vehicle purchase compliance - EPACT (example: model year 2000=fiscal year 2001)	75 %	75 %	75 %	75 %	75 %

SERVICE EFFORTS AND ACCOMPLISHMENTS (UNAUDITED)
For the Fiscal Year Ended June 30, 2005

Vehicle Services (Concluded)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/Projected
Efficiency/Cost-Effectiveness Indicators					
* DOV mechanical labor rate per hour (in dollars)	$61.00	$65.00	$70.00	$65.00	$70.00
External Benchmarks					
* Industry average mechanical labor rate per hour (source: National Automobile Dealers Association) (in dollars)	$68.00	$70.00	N/A	$72.00	$72.00

Explanation of Changes to Prior Year Data

(1) The 2004 value for "Industry average mechanical labor rate per hour (source: National Automobile Dealers Association)" was changed because data recently became available.

(2) The 2004 value for "Percent of vehicles purchased meeting federal requirements when FFV vehicles are available-EPACT (Energy Policy Act)-Federal mandate to purchase light duty alternative fueled vehicles to reduce dependency on foreign oil (example: model year 1999 = fiscal year 2000)" was changed to accurately reflect Illinois meeting Federal mandate.

(3) The 2003 value for "Percent of vehicles purchased meeting federal requirements when FFV vehicles are available-EPACT (Energy Policy Act)-Federal mandate to purchase light duty alternative fueled vehicles to reduce dependency on foreign oil (example: model year 1999 = fiscal year 2000)" was changed to accurately reflect Illinois' participation concerning EPACT vehicles

(4) The 2004 value for "Percent savings to state agencies - DOV mechanical labor rate per hour vs. industry average (for passenger vehicles)." was changed to accurately reflect changes made on NADA's website.

(5) The 2003 value for "Percent savings to state agencies - DOV mechanical labor rate per hour vs. industry average (for passenger vehicles)." was changed to accurately reflect changes on NADA's website

(6) The 2004 value for "Industry average mechanical labor rate per hour (source: National Automobile Dealers Association)" was changed to accurately reflect changes made to NADA's website

Footnotes

(a) The hiring of additional Full Time Employees is subject to adequate cash flows within their respective funds.

(b) Figures provided for 2005 and 2006 Targets are based on EPACT guidelines.