STATE OF ILLINOIS
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES

FINANCIAL AUDIT AND
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2008

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS

Director	Mr. James P. Sledge (Effective August 25, 2008) Ms. Maureen O'Donnell (Acting, effective through August 24, 2008)
Assistant Director	Mr. Mathew Beaudet (Effective June 30, 2008)
Chief Operating Officer	Ms. Marcia Armstrong
Chief Fiscal Officer	Mr. Paul Romiti
General Counsel	Ms. Debra Matlock
Chief Internal Auditor (Illinois Office of Internal Audit)	Ms. Carol Kraus

AGENCY OFFICE LOCATION

Stratton Office Building
401 South Spring Street
Springfield, IL 62706

CMS
ILLINOIS Pat Quinn, Governor
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
James P. Sledge, Director

MANAGEMENT ASSERTION LETTER

May 15, 2009

Sikich LLP
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 grant agreements that could have a material effect on the operations of the Department. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the year ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the Department has materially complied with the assertions below.

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

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

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

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

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

Yours very truly,

Department of Central Management Services

James P. Sledge, Director

Paul Romiti, Chief Financial Officer

Debra Matlock, 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.

ACCOUNTANTS' 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.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	24	28
Repeated findings	19	14
Prior recommendations implemented or not repeated	9	4

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

SCHEDULE OF FINDINGS

Item Number	Page	Description	Finding Type
		FINDINGS *(GOVERNMENT AUDITING STANDARDS)*	
08-1	16	Excess retained earnings balances representing noncompliance with federal regulations	Significant Deficiency and Noncompliance
08-2	18	Reporting of costs not in accordance with federal regulations	Material Weakness and Noncompliance
08-3	21	Documentation of payroll costs not in compliance with federal regulations	Material Weakness and Noncompliance

Item Number	Page	Description	Finding Type
		FINDINGS *(GOVERNMENT AUDITING STANDARDS)* – (Continued)	
08-4	23	Weaknesses in internal control over financial reporting	Material Weakness and Noncompliance
08-5	26	Inappropriate use of appropriation authority	Significant Deficiency
08-6	28	Inadequate control over property and equipment	Significant Deficiency
08-7	31	Inadequate security and control over the midrange environment	Significant Deficiency
08-8	34	Incomplete and inaccurate records over computer systems and equipment	Significant Deficiency
		FINDINGS (STATE COMPLIANCE)	
08-9	36	Inadequate disaster contingency planning	Significant Deficiency and Noncompliance
08-10	39	Inadequate software licensing monitoring	Significant Deficiency and Noncompliance
08-11	41	Follow up to Management audit of the Department's Administration of the Business Enterprise Program	Significant Deficiency and Noncompliance
08-12	44	Surplus property management process weaknesses	Significant Deficiency and Noncompliance
08-13	46	Not timely in filing contracts and leases with the Comptroller	Significant Deficiency and Noncompliance

Item Number	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE) – (Continued)	
08-14	47	Failure to meet statutory reporting requirements	Significant Deficiency and Noncompliance
08-15	48	Late approval and payment of vouchers	Significant Deficiency and Noncompliance
08-16	49	Time sheets not maintained in compliance with the State Officials and Employees Ethics Act	Significant Deficiency and Noncompliance
08-17	50	Failure to develop rules or policies describing the State employees' group insurance program	Significant Deficiency and Noncompliance
08-18	51	Inadequate monitoring of interagency agreements	Significant Deficiency and Noncompliance
08-19	52	Ineffective property management	Significant Deficiency and Noncompliance
08-20	56	Inadequate controls over travel	Significant Deficiency and Noncompliance
08-21	57	Unnecessary procurement of emergency contracts	Significant Deficiency and Noncompliance
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08-23	61	Inadequate documentation of compliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency and Noncompliance

Item Number	Page	Description	Finding Type

FINDINGS (STATE COMPLIANCE) – (Continued)

08-24	64	Costs paid from shared services appropriations not related to the shared services initiative	Significant Deficiency and Noncompliance

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

08-1	16	Excess retained earnings balances representing noncompliance with federal regulations	Significant Deficiency and Noncompliance
08-2	18	Reporting of costs not in accordance with federal regulations	Material Weakness and Noncompliance
08-3	21	Documentation of payroll costs not in compliance with federal regulations	Material Weakness and Noncompliance
08-4	23	Weaknesses in internal control over financial reporting	Material Weakness and Material Noncompliance
08-5	26	Inappropriate use of appropriation authority	Significant Deficiency and Noncompliance
08-6	28	Inadequate control over property and equipment	Significant Deficiency and Noncompliance
08-7	31	Inadequate security and control over the midrange environment	Significant Deficiency and Noncompliance
08-8	34	Incomplete and inaccurate records over computer systems and equipment	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	65	Failure to comply with advance billing rules
B	65	Bond funds utilized for inappropriate purposes
C	65	Consolidated services billings not adequately supported
D	65	Department receipts not reconciled to Comptroller records
E	66	Changes in award evaluation criteria not communicated to proposers
F	66	Deficiencies in evaluation process for proposals
G	66	Inadequate controls regarding master contract development and usage
H	66	Inadequate controls over the awarding of leases
I	66	Follow up to management audit of the Department's administration of the State's Space Utilization Program

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on May 7, 2009. Attending were:

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

James P. Sledge, Director
Matthew Beaudet, Assistant Director
Paul Romiti, Chief Fiscal Officer
Debra Matlock, Chief Legal Counsel
Denise Caldwell, Deputy Chief Internal Auditor
Janice Bonneville, Deputy Director-Benefits
Rick Hughes, BOSSAP
Doug Kasamis, BCCS
Jim Kincaid, IOIA
Sean Connolly, Legal
Matt Hammoudeh, Director's Office
David Boyd, Audit Liaison

OFFICE OF THE AUDITOR GENERAL

Terri Davis, Audit Manager

SIKICH LLP

Gary Neubauer, Partner
Scott Tolsdorf, Senior Accountant

Reponses to the recommendations were provided by Paul Romiti on May 15, 2009.

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Central Management Services (the Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

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

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

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

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

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

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

As described in finding 08-4 in the accompanying schedule of findings, the Department did not comply with requirements regarding:

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

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

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 08-1, 08-2, 08-3 and 08-5 through 08-24.

Internal Control

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as findings 08-1 through 08-24 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 08-2, 08-3, and 08-4 to be material weaknesses.

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

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

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

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated May 15, 2009. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2008 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2008 taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Department's basic financial statements for the year ended June 30, 2007. In our report dated May 9, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2007 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, 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 agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
May 15, 2009

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services as of and for the year ended June 30, 2008, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements and have issued our report thereon dated May 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 08-1 through 08-8 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-2, 08-3, and 08-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Central Management Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 08-1 through 08-8.

The State of Illinois, Department of Central Management Services' response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the State of Illinois, Department of Central Management Services' response and, accordingly, we express no opinion on it.

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

Sikich LLP

Springfield, Illinois
May 15, 2009

08-1 FINDING: (Excess retained earnings balances representing noncompliance with federal regulations)

The Department generated excess retained earnings balances for certain internal service fund activities and failed to make adequate adjustments as required by OMB Circular A-87.

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

However, two internal service funds administered by the Department maintained retained earnings balances in excess of the allowable working capital reserve. Consequently, a payback representing the federal share of excess retained earnings balances for fiscal years 2006 and 2007 is required from the Statistical Services Revolving Fund (SSRF) and the Communications Revolving Fund (CRF) and the Department believes that it is probable that a payback will be required from these funds for fiscal year 2008. The SSRF liability for fiscal years 2006 and 2007 is approximately $5.931 million and the CRF liability for fiscal years 2006 and 2007 is approximately $2.445 million. It is estimated that the SSRF liability for fiscal year 2008 is approximately $3.858 million and the CRF liability for fiscal year 2008 is approximately $1.088 million. Total liabilities recognized at June 30, 2008, representing the federal share of excess retained earnings balances, are reported to be $9.789 million for the SSRF and $3.533 for the CRF.

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

Department officials have stated that the Department has adjusted rates in fiscal years 2008 and 2009 in order to reduce exposure to excess balances. Department officials further stated that the rates process is not an exact science and relies heavily on estimated usage. Federal paybacks are used in conjunction with rates realignments to satisfy excess balances.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department concurs with the recommendation. The existence of an excess balance alone is not a violation of A-87. The federal requirement is that excess balances be remedied through the four methods mentioned above. The Department contends that its adjustment methods are acceptable. The Department does agree that adjustments should be timely. DCMS continues to adjust rates annually (c) and adjust central service cost allocations annually (d) to reduce exposure to excess balances. However, these annual adjustments cannot guarantee that excess balances will be entirely eliminated, since rates and costs are projections and are usage-sensitive. Billing credits (b), like cash refunds, take multiple years to apply, so the adjustment occurs no faster than a negotiated payback and requires significantly more up-front cash which the state does not have. Therefore, direct negotiated paybacks (a) have always been, and will likely always be, a part of the remedy for excess balances. The timeliness of direct paybacks is dependent on the federal review cycle. The federal Dept of HHS includes imputed interest in the payback calculations in recognition of, and as compensation for, any delay in remedying the excess balances.

08-2 <u>FINDING</u>: (Reporting of costs not in accordance with federal regulations)

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

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

The Department maintains accounting records for its internal service funds and annually makes adjustments to report the funds on a GAAP basis for preparation of the Department's financial statements. The Department prepares a reconciliation reflecting the differences between its internal accounting records and its GAAP basis financial statements. The Department also maintains records reflecting the allocation and determination of revenues and expenses being accounted for by individual billed service for federal reporting purposes. A reconciliation of the reporting differences between the Department's internal accounting records and the records maintained for federal purposes is also prepared by the Department. However, the Department does not reconcile the GAAP basis financial statements to the federal reporting and, as such, certain items have been reported differently in the GAAP basis financial statements than for federal reporting purposes. Specifically, we noted the following during our review of the fiscal year 2007 reconciliations that were completed by the Department during the audit period (in March 2008) for the Statistical Services Revolving Fund (SSRF), Communications Revolving Fund (CRF), and the Facilities Management Revolving Fund (FMRF):

- Equipment totaling $1,574,000 purchased in the SSRF during the fiscal year 2006 lapse period was properly reported as fiscal year 2007 expenses for the GAAP basis financial statements but was expensed in fiscal year 2006 for federal purposes.

- Equipment totaling $715,000 purchased in the SSRF during the fiscal year 2007 lapse period was reported as 2007 expenses for the GAAP basis financial statements but capitalized in fiscal year 2008 for federal purposes.

- An increase in compensated absence liability in the SSRF totaling $161,000 was reported as 2007 expenses for the GAAP basis financial statements but was not accrued for federal purposes in fiscal year 2007.

- Equipment totaling $2,869,000 purchased in the CRF during the fiscal year 2007 lapse period was reported as 2007 expenses for the GAAP basis financial statements but capitalized in fiscal year 2008 for federal purposes.

- An increase in compensated absence liability in the CRF totaling $270,000 was reported as 2007 expenses for the GAAP basis financial statements but was not accrued for federal purposes in fiscal year 2007.

- Commission income in the CRF of $1,410,000 was reported for federal purposes in fiscal year 2007 but not reported as revenue in the 2007 GAAP basis financial statements.

- Encumbrances in the CRF totaling $1,667,000 were properly excluded from fiscal year 2007 expenses for the GAAP basis financial statements but were expensed in fiscal year 2007 for federal purposes.

- Accrued interest expense of $1,041,000 for Certificates of Participation was reported in FMRF for the fiscal year 2007 GAAP basis financial statements but was reported in fiscal year 2008 for federal purposes.

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

During our testing of expenditures charged to the internal service funds, we also noted certain expenditures that were not reasonable and necessary for the administration of the fund. Included were travel expenses for the Director and cable for the Director's office paid from the SSRF and purchases of bottled water from the CRF.

Department officials stated that timing differences have resulted between the GAAP basis and federal reporting as a result of the required completion timeframe and as a result of past practices and the related acceptance by the Department of Health and Human Services.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department concurs. We have developed a more clear presentation of the reconciliation process for fiscal year 2008, and we are adjusting our practices where feasible to reduce the total number of reconciling items.

08-3 FINDING: (Documentation of payroll costs not in compliance with federal regulations)

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

Fiscal year 2007 revenues and expenses for the Department's internal service funds were reported to the federal government during March 2008. During our testing we noted transactions between the Statistical Services Revolving Fund (SSRF) and Communications Revolving Fund (CRF) involving payroll costs for employees performing services on behalf of both Funds. However, the time spent working by the employees on behalf of each Fund was not supported by adequate documentation as required by federal regulations.

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State. OMB Circular A-87 (circular), *Cost Principles for State, Local and Indian Tribal Governments*, Attachment B provides guidelines determining the allowability of costs, including compensation for personal services. Section 11.h(1) stipulates that "Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit." Section 11.h(4) and (5) further stipulate that "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which…must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee, (b) they must account for the total activity for which each employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, (d) they must be signed by the employee, and (e) budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards…."

During fiscal year 2007, the SSRF incurred payroll costs for approximately 61 employees performing services on behalf of the CRF in the amount of $1,791,063. During the same period, CRF incurred payroll costs for approximately 21 employees performing services on behalf of the SSRF in the amount of $1,009,035. This resulted in a payment of $782,028 to SSRF from CRF.

Department officials have stated the employees were assigned to the specific fund based on headcount considerations. An analysis of shared staff payroll costs was used to approximate the time spent on activities relating to the separate funds. No detailed timesheets were maintained to determine the amount of time spent on activities involving more than one service.

Failure to maintain adequate documentation to support the distribution of personal services costs represents noncompliance with federal cost principles and could result in such costs being disallowed for federal reporting purposes. During fiscal year 2007, the Department reported payroll and related costs of $57.776 million in the SSRF and $20.717 million in the CRF. (Finding Code No. 08-3, 07-3)

RECOMMENDATION:

We recommend the Department comply with the provisions of OMB Circular A-87 by maintaining appropriate personnel activity reports or equivalent documentation to support costs of salaries and wages reported for federal purposes.

DEPARTMENT RESPONSE:

The Department concurs and has already changed this process for the fiscal year 2008 federal reporting period.

08-4 **<u>FINDING</u>:** (Weaknesses in internal control over financial reporting)

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

The Office of the State Comptroller requires State agencies to prepare financial reports (GAAP Reporting Packages) for each of their funds to assist in the annual preparation of the statewide financial statements and the Department's financial statements. In addition, the Department provides certain financial information to the Office of the State Comptroller regarding liabilities arising from automobile accidents involving State employees that is reported by another agency and in the State's Comprehensive Annual Financial Report. GAAP Reporting Package instructions are specified in the Statewide Accounting Management System (SAMS) Manual, Chapter 27. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal controls that will, among other things, initiate, authorize, record, process, and report financial data reliably and consistent with management's assertions embodied in the financial statements. Deficiencies in the design or operation of internal control that result in more than a remote likelihood of a misstatement that is more than inconsequential are deemed significant deficiencies. Significant deficiencies that result in more than a remote likelihood of a material misstatement are deemed material weaknesses.

During our audit of the June 30, 2008 financial statements and testing of automobile liability information, we noted significant deficiencies resulting from the Department's failure to establish adequate internal control over the accumulation of information necessary for the proper determination of year-end liabilities as follows:

- The Department is responsible for reporting liabilities arising from accidents involving State employees. While testing large (>$25,000) Automobile Liability reserves at June 30, 2008, we noted the Automobile Liability reserve for the Road Fund was overstated by $2,000,000. The overstatement was the result of an accident which did not occur until July 2008, and therefore did not exist as a liability of the State at June 30, 2008. Department officials have stated this error was the result of an oversight.

- While testing large (>$25,000) Automobile Liability reserves at June 30, 2008, we noted one claim totaling $40,000 lacked documentation supporting the liability amount reserved at June 30, 2008. The reserve increased from the prior year reserve of $26,500. However, no documentation was found in the claim file indicating any facts which would lead to an increase in the reserve amount.

Department officials have indicated that the claim notes in the CMS Auto Liability system included information pertaining to this claim, which was not included in the claim file. Based on review of these claim notes, the reserve was actually increased to $40,000 in fiscal year 2007 on the CMS system, but was not subsequently increased for financial reporting purposes. While the system notes support the increase in the reserve amount, the lack of consistency between the claim file and the system could result inaccurate or untimely recognition of claims liabilities.

- During our testing of routine claims (<$25,000) settled during fiscal year 2008, we noted three claims with payments split between the General Revenue Fund and the Road Fund. The total amount paid for each claim exceeded $25,000 and, as such, should have been included in the estimate of the large claims liability. By including these claim payments in the routine claims calculation which estimates a liability based on historical claims expenditures, the Department has overstated the routine claims liability by approximately $21,000 ($10,920 – General Revenue Fund; $10,080 – Road Fund). Department personnel indicated this was the first year a breakdown had been prepared indicating large claims paid out of multiple funds. Department personnel further indicated that because the amounts paid out of each fund were not large based on the identified criteria, they were included in the routine payment category.

- The Department is responsible for administering the State's workers compensation program and reporting estimated liabilities for amounts to be paid to injured employees in future years relating to injuries already suffered. This liability is calculated based on historical data projected out to payments expected to be made in the succeeding five fiscal years. During our review and testing, we noted two types of awards, pension and death benefit, that provide benefits for indefinite periods of time (Lifetime Awards). The methodology currently utilized by the Department does not adequately recognize a liability for payments on Lifetime Awards to be made beyond the succeeding five fiscal years. Department officials have stated various factors and uncertainties are associated with the length of time these Lifetime Awards will be paid out, making it difficult to estimate a total liability.

- We noted a piece of telecommunications equipment purchased for $274,746 and received prior to June 30, 2008 that was properly recorded as a payable but not included as a fixed asset for the financial statements. Department officials have stated this error was the result of an oversight.

As a result of these deficiencies, the Department's financial statements misreported fixed assets and liabilities at June 30, 2008. In addition, the information pertaining to the auto liability for the Road Fund as reported to the Department of Transportation and the Office of the State Comptroller was inaccurate. However, these deficiencies were not deemed to represent a material misstatement of the financial statements of the Department. Nonetheless, establishment of appropriate internal controls over financial reporting is important due to the impact adjustments have on the statewide financial statements. (Finding Code No. 08-4, 07-4)

RECOMMENDATION:

We recommend the Department implement procedures to ensure GAAP Reporting Packages are prepared in a complete and accurate manner and information provided to other agencies and the Office of the State Comptroller for financial reporting purposes is complete and accurate. 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 concurs and agrees that the effects of these financial statement classifications were immaterial. GAAP reporting requirements have been communicated to staff and steps have been taken to identify and properly record these transactions.

CMS uses the Auto Liability System (ALS) for documentation purposes and support for the Auto Liability Reserves and does not rely on printed copies in the hard copy claim files. The Department prefers this method as any unit employee may access the same consistent documentation in the on-line system. CMS will continue to print out all ALS notes once the claim file is closed.

The reporting criteria used to identify large auto liability claims has been changed to include those files in which payments have been made from multiple funds, thereby eliminating the possibility that these amounts would be included in both the large and routine claim calculations.

CMS has developed a workers' compensation liability model using life expectancies obtained from the Centers for Disease Control (CDC) Table 1 (All American Table). The new methodology is in compliance with federal DHHS policy, issued by May 20, 2008 memorandum. Future workers' compensation liabilities will be projected including Lifetime Awards beyond five years.

The Department's fixed asset reconciliation process has been reviewed and procedures identified to ensure proper GAAP reporting treatment of equipment purchases.

08-5 **<u>FINDING</u>:** (Inappropriate use of appropriation authority)

The Department made payments of Workers' Compensation Act claims from funds appropriated to the Department of Healthcare and Family Services for health care coverage per the State Employees Group Insurance Act of 1971.

Public Act 95-0348 appropriated to the Department $124,512,200 from the Workers' Compensation Revolving Fund for "payment of Workers' Compensation Act claims and contractual services in connections with said claims payments."

The same Public Act appropriated $1,877,858,400 to the Department of Healthcare and Family Services (HFS) from the Health Insurance Reserve Fund for "provisions of health coverage <u>as elected by eligible members</u> per the State Employees Group Insurance Act of 1971." (Emphasis Added)

In April 2007 an interagency agreement was transacted between the Department and HFS which essentially authorized the Department to expend funds from HFS' appropriation from the Health Insurance Reserve Fund for the payment of medical expenses under the Workers' Compensation program. The agreement limited the amount to be paid not to exceed $10 million for the payment of invoices of medical care and all expenses associated with that care, and provided that Department employees would be granted signature authority to sign vouchers on behalf of the Director of HFS. During fiscal year 2008, the Department processed $9,994,187 from HFS' appropriation for State Employees Group Insurance to pay for claims and services related to the Workers' Compensation Act.

The interagency agreement established between the Department and HFS, and the related payments circumvents the appropriation process and distorts the cost of two separate programs. In addition, it causes the payment certification required by the State Finance Act to be inaccurate since the certification states, in part, "…the goods and services specified on this voucher were for the use of <u>this agency</u> …." (Emphasis Added)

The State Constitution (Article VIII Section 2(b)) states that the General Assembly by law shall make appropriations for all expenditures of public funds of the State. The 2008 appropriation law clearly provided for separate appropriations for health care coverage as elected by eligible members for State Group Insurance and payment of Workers' Compensation Act claims. The State Finance Act (30 ILCS 105/9.04) requires the Chief Executive Officer of the department from whose appropriation payment will be made to make a specific certification that includes certification that the payment is for the use of that agency.

Additionally, the Intergovernmental Cooperation Act (5 ILCS 220/4.5) prohibits agencies from entering into an interagency agreement if the agreement's intent or effect is; (i) to circumvent any limitation established by law on State appropriation or State expenditure authority with respect to health care and employee benefits contracts or (ii) to expend State moneys in a manner inconsistent with the purpose for which they were appropriated with respect to health care and employee benefits contracts.

Department officials have stated that sufficient authority exists for the payment of medical costs associated with Workers Compensation claims filed against the State of Illinois from the Health Insurance Reserve Fund in accordance with the terms of the Group Insurance Act.

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

RECOMMENDATION:

We recommend the Department make payments in accordance with its appropriation authority and ensure payment certifications are accurate. We further recommend the Department implement controls to ensure interagency agreements are in compliance with all provisions of the Intergovernmental Cooperation Act.

DEPARTMENT RESPONSE:

The Department concurs, and asserts that the authority to utilize the funds and process the transactions in question did exist within the Group Insurance Act at the time of the transactions. This has since become a moot point since statute has been clarified.

08-6 **FINDING:** (Inadequate control over property and equipment)

The Department has not provided adequate control over property and equipment. We tested the physical inventory and location of equipment, 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 two cylinder lift vehicle valued at $8,799 and a portable display case valued at $1,095 could not be located.
- A digital camera valued at $16,865 could not be located. Department personnel indicated the camera was sent to surplus property, however, the property control records showed the camera at its original location.
- Thirteen various items were found at locations other than the location listed in the property records. These items include the following: two laptop computers, desktop computer, desktop scanner, copier, two laser printers, computer monitor, two executive chairs, cabinet, bookcase, and modular office panels.

The State Property Control Act (30 ILCS 605/4) requires the Department be accountable for the supervision, control and inventory of all property under its jurisdiction and control. In addition, good internal control procedures require the proper tracking of property and equipment. The Department has procedures to track the movement of equipment throughout the Department, but these procedures were not followed in all cases.

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

Annual Certification of Inventory

During our testing, we noted the annual certification of inventory was reported inadequately. We noted discrepancies between the Inventory Certification Discrepancy Report and the Annual Certification of Inventory. These reports should have matching totals; however, both reported different dollar amount totals.

The State Property Control Act (30 ILCS 605/6.04) states that 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.

The dollar value of discrepancies listed on the Annual Certification of Inventory was understated $60,047 relative to the dollar value of discrepancies found on the individual Inventory Certification Discrepancy Reports for each location. The physical inventory appears to have been performed correctly. However, more attention to detail is needed when preparing the Annual Certification of Inventory. Clerical errors transferring the information from the Inventory Certification Discrepancy Reports led to an inaccurate Annual Certification of Inventory.

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.

Equipment Transfers

During our testing of transfers of property and equipment, we noted a vehicle valued at $15,788 with accumulated depreciation of $3,618 was transferred between proprietary funds within the Department. The accumulated depreciation associated with the vehicle was not transferred causing the net fixed assets of one fund to be overstated and the net fixed assets of the other fund to be understated.

We also noted weaknesses regarding the transfer of equipment to surplus property. Specifically, we noted four items with an original cost of $229,652 did not have the purchase price or purchase date included on the Surplus Property Delivery Form as required by the Illinois Administrative Code (44 Ill. Adm. Code 5010.310). In addition, three items with an original cost of $229,780 had no Surplus Property Delivery Forms or other supporting documentation when sent to Surplus Property.

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

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

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

RECOMMENDATION:

We recommend the Department:

- Implement adequate controls and procedures to ensure property and equipment is properly safeguarded and records are complete and accurate.
- Properly complete and maintain supporting documentation for transfers.
- Prepare the Annual Certification of Inventory accurately.

DEPARTMENT RESPONSE:

The Department concurs, and continues to address discrepancies as they arise. The Department has been working on implementing the recommendations by seeking necessary additional staffing and providing additional training. The Property Control Officer will continue to have meetings with the inventory liaisons in each location in order to maintain control of the property, implement policies and complete the surplus property delivery forms correctly.

08-7 **<u>FINDING</u>:** (Inadequate security and control over the midrange environment)

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

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

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

As a result of the consolidation, the Department had an increased responsibility to administer, secure, and monitor the midrange environment.

During our testing of the midrange environment to support required audit work for the Department and several consolidated agencies, we found the Department did not effectively secure and control the midrange environment.

We found multiple weaknesses in the current midrange environment. Specifically:

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

Generally accepted information technology guidance endorses the development of well-designed and well-managed controls to protect computer systems and data. Effective computer security controls provide for safeguarding, securing, and controlling access to hardware, software, and the information stored in the computer system.

Although the Department shares responsibility with consolidated agencies, the Department has the ultimate responsibility to effectively secure and control its midrange environment which supports agency applications and data. As outlined in 20 ILCS 405/405-10 (4) - It shall be the duty of the Director and the policy of the State of Illinois to manage or delegate the management of the procurement, retention, installation, maintenance, and operation of all electronic data processing equipment used by State agencies in a manner that provides for adequate security protection. Since the Department has primary control over the midrange environment, it was incumbent upon them to ensure adequate controls existed to protect agency applications and data.

Department officials stated that in order to provide immediate benefit of physical environment control, they relocated the non-standard server platforms into its data center, prior to consolidation, this led to the need to support multiple, non-standard environments. Servers were consolidated "as-is" from the agency which resulted in multiple versions of the same operating system and multiple configurations of similar devices. Many of the underlying causes are a result of the decision to relocate servers prior to consolidation.

Without the implementation of adequate controls and procedures, there is a greater risk unauthorized access to the Department or agency resources may be gained and data destroyed. Prudent business practices dictate the Department identify all assets and strengthen its security to protect its assets and resources against unauthorized access and misuse. (Finding Code No. 08-7, 07-11)

RECOMMENDATION:

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

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

Specifically the Department should:

- Review and decrease the number of users with security administration authority.
- Standardize password length and content requirements and ensure all accounts require a password.
- Update servers to current vendor recommended patch or service pack levels.
- Develop and implement an effective backup tracking process.

DEPARTMENT RESPONSE:

The Department concurs and will continue to strive toward standardization and maturity in the midrange environment. In order to provide immediate benefit of physical environment control, DCMS relocated the non-standard server platforms into its data center which led to the need to support multiple, non-standard environments. Many of the underlying causes are a result of this decision to relocate these servers prior to consolidating them to common platforms. The current Architectural Review Board, Service Engineering unit, and Governance process will continue efforts to institute and implement standards, establish appropriate documentation and guidelines, and communicate with agencies. The recent purchase and installation of a comprehensive compliance monitoring product will help control users with security administration authority, identify users that should be deactivated for non-use and help DCMS track server patch and service pack levels. As staff resources and budgets permit, the Department plans to schedule an enterprise assessment of its security controls.

08-8 <u>FINDING</u>: (Incomplete and inaccurate records over computer systems and equipment)

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

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

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

As a result of the consolidation the Department had an increased responsibility to administer, secure, and monitor the midrange environment.

In order to conduct our audit work of the midrange environment for several consolidated agencies, we requested a listing of all servers utilized by the specific agency. Although the Department provided a listing, we determined the listing contained incomplete and erroneous information.

In addition, during our additional audit work we discovered approximately 400 additional servers which were not included on the Department's server listing.

The lack of complete, accurate, and detailed information available from the Department inhibited our ability to identify and target high-risk servers for detailed audit testing to support audit work.

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

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

Department officials stated many of the issues described are related to legacy environments, and these environments did not have adequate controls in place prior to moving the servers to the Department. In addition, efforts to complete the inventory and record catalog of the equipment have been slowed by resource constraints.

The lack of complete, accurate, and detailed records also inhibits the Department's ability to administer, secure, and monitor the midrange environment for consolidated agencies. With over 2,000 midrange servers under its control, it is imperative that detailed records be maintained to provide an accurate record of equipment inventory and a means to verify that security and integrity controls on individual servers are suitable and meet specific application requirements. (Finding Code No. 08-8, 07-12)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department concurs. Many of the issues described are related to legacy environments, and these environments did not have adequate controls in place prior to moving the servers to the data center. Based on reviews of legacy agencies' prior audit reports, it is evident that these systems were not being effectively managed prior to their move and were at serious risk from an environmental and security perspective. The Department is currently pursuing the initiation of a project for a Configuration Management database to replace the Technical Validation database, which represents all DCMS managed IT processing equipment. The Department is also reconciling its databases against the legacy Agency inventory systems to improve data integrity.

08-9 FINDING: (Inadequate disaster contingency planning)

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

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

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

As a result of the consolidation, the Department had an increased responsibility to administer, secure, monitor, and ensure availability of the midrange environment.

After the consolidation, there were 32 Category One applications included on the Statewide Critical Application Listing which run on the Department's midrange environment. Category One applications are those considered critical that impact the health and welfare of the Illinois citizens.

Although the Department had over 2,000 servers supporting State government, the Department failed to assure an adequately developed and tested disaster contingency plan existed for recovering the midrange environment. Additionally, the Department did not have an adequate satellite recovery location which met the recovery needs of the midrange environment.

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

20 ILCS 405/405-10 (4) states it shall be the duty of the Director and the policy of the State of Illinois to "manage or delegate the management of the procurement, retention, installation, maintenance and operation of all data processing equipment used by State agencies as defined in Section 405-20, so as to achieve maximum economy consistent with development of adequate and timely information in a form suitable for management analysis, in a manner that provides for adequate security protection and back-up facilities for that equipment..."

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

Department officials stated that prior to the consolidation, it was the responsibility of the individual agencies to create their midrange Disaster Recovery Plans. As indicated in previous audits, many of the agencies did not create them. As part of the consolidation, the Department has led the effort to create a comprehensive midrange Disaster Recovery capability for the State.

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

RECOMMENDATION:

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

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

DEPARTMENT RESPONSE:

The Department concurs. DCMS is in the process of awarding a contract to an Alternate Data Center vendor which will be used to create and host a virtualized infrastructure that will significantly improve our ability to recover critical distributed applications without reliance on the current recovery master contract. Once the contract has been awarded and the virtualization of the midrange environment has been established, DCMS will be able to develop an enterprise level recovery plan for the midrange environment that addresses equipment, facilities, and other vital resources. In the meantime, the Department is preparing to deliver, with the recovery service provider, the allocation of third party resources to help ensure that recovery capabilities of user-identified, Category One/Stage Zero midrange applications are conducted at least annually. To date no supported agency has identified a Category One / Stage Zero midrange application for recovery.

08-10 FINDING: (Inadequate software licensing monitoring)

The Department did not have an effective mechanism in place to track, control, and monitor end-user software use.

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

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

The fiscal year 2008 expenditures for end-user software, licenses, and maintenance for the Department and consolidated agencies exceeded $4,100,000. Beyond the costs associated with actual software use, extra costs can be incurred if you pay for more licenses than actually used. In addition, costs for using unlicensed software can include additional penalties and fees.

During the audit period, a software vendor conducted an audit of software utilized at several consolidated agencies. The vendor's audit found several thousand unlicensed versions of software products in use. As a result, the Department and vendor negotiated a settlement and the Department paid the vendor $1,800,000.

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

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

Department officials stated that upon consolidation, accurate records of software license deployments did not exist and consequently did not allow the Department to effectively manage support of the environment. Over the last year the Department has made efforts to develop a tracking mechanism; however, resource constraints and shifting priorities have impeded a complete implementation of the solution.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

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

08-11 <u>FINDING</u>: (Follow up to management audit of the Department's Administration of the Business Enterprise Program)

In June 2006, the Office of the Auditor General released a management audit of the Department of Central Management Services' Administration of the Business Enterprise Program. The audit contained fifteen recommendations to improve the performance and operation of the Department to effectively manage the State's policies in place over the program. As part of this compliance examination (for the year ended June 30, 2008), auditors determined that the Department has fully implemented two of the seven recommendations not fully implemented during the previous year. One of the recommendations has not been implemented. The remaining four recommendations have been partially implemented.

The following recommendation has not been implemented by the Department:

- **Ensure all certifications are completed within 60 days (Recommendation #7):** *The Department of Central Management Services should ensure that all applicants for certification or recertification are processed in the required 60 days.* While management has developed policies and procedures to ensure that applicants for certifications are processed within 60 days, they have been unable to process vendors within this timeframe.

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

- **Adequate membership and regularly scheduled council meetings (Recommendation #1):** *The Department of Central Management Services should ensure that the Business Enterprise Council has adequate membership and that the meetings are held on a regular basis.* While the Council held meetings on a regular basis, they have been unable to fill all the seats on the Council. Although the Governor fills the vacancies, the Department should work with the Governor's Office to ensure all Council seats are filled.

- **Develop minimum training requirements and track training (Recommendation #3):** *CMS should establish minimum training requirements for certification staff and ensure that the required training is received. CMS should also track the training received by certification staff.* While management has identified training they would like their analysts and managers to attend, they have not set minimum training requirement for employees such as a minimum number of hours or core classes for staff.

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

- **Consider conducting site visits (Recommendation #6):** *The Department of Central Management Services should consider conducting site visits of all applicants.* While management has conducted site visits during the fiscal year, they should consider performing additional site visits as the number of vendors increase.

The following two recommendations have been implemented by the Department:

- **Vendors to submit no change affidavit (Recommendation #9):** *The Department of Central Management Services should consider requiring vendors to submit a no change affidavit in years when they are not going through the certification process.*

- **Track vendors for recertification and monitor if they have been debarred from any other entities (Recommendation #13):** *The Department of Central Management Services should track vendors to determine whether recertification documents are submitted in a timely manner and use the enforcement actions that are available to them to decertify vendors that do not submit for recertification in a timely manner.*

  CMS should also monitor vendors that have been debarred by other entities and determine whether these vendors are still eligible to participate in the State's Business Enterprise Program.

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. 08-11, 07-22)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

The Department concurs with the recommendations, which have been substantially implemented.

Ensure all certifications are completed within 60 days.
While significant progress has been made in this area, some certifications continue to exceed the 60 day requirement. In addition, it should be noted that the BEP Administrative Code states that, "the Secretary shall contact all applicants seeking certification within 60 days

after receipt of the application, and shall grant certification, deny certification, or request additional or clarifying information necessary to make the certification decision." The Business Enterprise Program has created a processing system to ensure that this happens.

Adequate membership and regularly scheduled council meetings.
The Business Enterprise Council Act states that "any vacancy occurring on the Council shall be filled by the Governor." CMS has no authority to appoint members, or to make recommendations to the Governor's Office to do so. The Council has now established monthly regularly scheduled meetings and meets on the agreed upon dates.

Develop minimum training requirements and track training.
BEP currently has a training schedule that all staff follows. The trainings include areas of certification such as accounting, company legal structures, professional licensing, loans and underwriting. Trainings and hours are scheduled on a monthly/quarterly basis, depending on the area of training. All staff is required to attend the trainings.

Reciprocal Agreements with Agencies and Universities.
Management is currently waiting for final legal review and signatures on the remaining agreement with the City of Chicago.

Consider conducting site visits.
The Business Enterprise Program has significantly increased site visits to applicant vendors whose applications have questions or concerns that cannot be addressed with additional clarification or document submission. The department plans to continue to increase the number of site visits to directly correlate with the number of applications submitted to the department. The Business Enterprise Program is not statutorily required to conduct site visits on all applications.

08-12 **FINDING:** (Surplus property management process weaknesses)

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

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

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

The lack of effective controls regarding the receipt and inventory of equipment increases the potential for theft of the State's surplused property. Property would 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. However, we did not note any such activity.

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. The Department has been involved in the bid process for a new inventory system to assist in reallocating surplus property to agencies in need. As of December 31, 2008, a vendor had been awarded the contract; however, the contract had yet to be executed. Per discussion with Department personnel, a timetable for implementation has been requested from the vendor but has not been received. (Finding Code No. 08-12, 07-23, 06-9, 05-16, 04-15)

RECOMMENDATION:

We recommend the Department take steps necessary to enable the State's Surplus Warehouse to 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 concurs. Implementation of the Corrective Action Plan originally submitted for this finding has been delayed due to protest issues surrounding the IFB for inventory system software, which have delayed contract negotiation and award. The Department has since resumed contract negotiations with the winning bidder. Contract execution is anticipated shortly. The first phase of the program will include the DCMS State Surplus Warehouse Inventory Management system. The anticipated launch of the new system is August, 2009.

08-13 **<u>FINDING:</u>** (Not timely in filing contracts and leases with the Comptroller)

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

During the current period, 22 contracts and 12 leases awarded in fiscal year 2008, totaling a maximum award amount of approximately $140 million, were selected for testing.

Of the 34 contracts/leases tested, 17 (50%) totaling $103 million were filed 17 to 71 days after the execution of the contract. Of the 17 contracts/leases filed late, 9 of the agreements were filed more than 30 days late which requires submission of a late filing affidavit. The Department did not submit late filing affidavits for 6 of the 9 agreements that were filed more than 30 days late.

The Illinois Procurement Code (30 ILCS 500/20-80 (b)) requires any State agency that incurs a contract liability exceeding $10,000 to file a copy of the contract or lease with the Office of the Comptroller within 15 days of the contracts execution. If the contract is not filed with the Office of the Comptroller within 30 days of execution, the Illinois Procurement Code (30 ILCS 500/20-80(c)) requires the State agency to submit an affidavit to the Office of the Comptroller and the Office of the Auditor General explaining the reason why the contract or lease was not filed.

Department officials stated that the cause is generally administrative delays and were due to a number of factors including staffing shortages, delays in routing, etc.

Failure to file contracts and leases in excess of $10,000 in a timely fashion with the Office of the Comptroller is a violation of State statute. (Finding Code No. 08-13, 07-19, 06-6)

<u>RECOMMENDATION</u>:

We recommend the Department take the necessary steps to ensure contracts and leases are filed with the State Comptroller within 15 days after the execution of the agreement. Additionally, we recommend the Department implement procedures to ensure that affidavits are filed with the State Comptroller and Auditor General for all contracts and leases filed with the State Comptroller more than 30 days after execution.

<u>DEPARTMENT RESPONSE</u>:

The Department concurs. We continue to educate fiscal staff in the proper contract and lease filing requirements and work to improve process efficiencies between contract execution and filing.

08-14 FINDING: (Failure to meet statutory reporting requirements)

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

Reports concerning the activities undertaken to hire qualified veterans and ex-offenders were not filed with the General Assembly or the Governor. The Illinois Procurement Code (30 ILCS 500/45-67 and 45-70) requires the Department to submit two separate reports to the Governor and to the General Assembly by December 31 of each year on the activities undertaken by chief procurement officers and the Department to encourage prospective vendors to consider hiring qualified veterans and residents who have been discharged from an Illinois adult correctional center. Department officials have stated that no such annual reports were filed.

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

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

RECOMMENDATION:

We recommend the Department comply with the Illinois Procurement Code and submit to the General Assembly and Governor all required reports on a timely basis.

DEPARTMENT RESPONSE:

The Department concurs and filed the missing reports May 7, 2009.

08-15 FINDING: (Late approval and payment of vouchers)

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

During our testing of 60 vouchers, we noted 14 (23%) vouchers were not approved in a timely manner. Those not approved within 30 days of physical receipt were approved from 2 to 36 days late. We also noted that 10 (17%) of the 60 vouchers were not paid within 60 days of receipt. During fiscal year 2008 the Department made interest payments for late payment of vouchers totaling $3,549.

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 exceptions were due to the lack of fiscal staff and resources and cash flow constraints during the fiscal year.

This violation could lead to the assessment of late charges or penalties to the State. The Prompt Payment Act states that interest begins accruing on the 61st day after receipt of a proper bill, and interest is calculated at 1% per month. Agencies are required to pay interest amounting to $50 or more. Interest amounting to $5 but less than $50 must be requested by the vendor. The Department appears to have paid interest in accordance with the Act. (Finding Code No. 08-15, 07-24, 06-13, 05-20, 04-21)

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

Regarding approvals, the Department concurs. We continue to educate fiscal staff to approve vouchers within 30 days of receipt, and to properly apply approval dates meeting the prompt payment rules.

In terms of payment, continuing cash flow issues contribute to late payments throughout the fiscal year. This is not in the agency's control, but is symptomatic of the statewide GRF budget shortfall.

08-16 <u>FINDING</u>: (Time sheets not maintained in compliance with the State Officials and Employees Ethics Act)

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

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

During fiscal year 2008 the Department's headcount averaged 1,649 employees. We noted that only 106 of the 1,649 (6%) Department employees maintained time sheets in compliance with the Act. Most employees' time is generally tracked using the Central Management Services payroll system, which is a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. No time sheets documenting the time spent each day on official State business to the nearest quarter hour are maintained for the majority of Department employees. The employees documenting time to the nearest quarter hour were only upper management employees including the Director, General Counsel, and employees in other positions that involve either principal administrative responsibilities for the determination of policy or principal administrative responsibility for the way in which policies are carried out.

Department personnel stated the current system does not accommodate positive-entry timekeeping. Department personnel also stated they are participating in the development of the pilot for the new statewide timekeeping system which will satisfy the requirements of the Act and, in the interim, they require a signed statement on each employee's monthly timekeeping report certifying that all time calculated as worked was spent on State business.

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

<u>RECOMMENDATION</u>:

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

<u>DEPARTMENT RESPONSE</u>:

The Department concurs and is developing a timesheet in coordination with the Governor's Office.

08-17 FINDING: (Failure to develop rules or policies describing the State employees' group insurance program)

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

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

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

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

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

08-18 FINDING: (Inadequate monitoring of interagency agreements)

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

During our examination of 21 interagency agreements between the Department and other State agencies the following deficiencies were noted:

- 6 of 21 (29%) interagency agreements tested were not signed by all necessary parties before the effective date. These agreements were between 2 and 415 days late.

- 4 of 21 (19%) interagency agreements tested failed to include adequate supporting documentation detailing the methodology used for determining the percent allocation to be paid by the Department for the billing of shared services.

The Comptroller's Statewide Accounting Management System (SAMS) procedure 15.20.30 states contracts must be executed prior to commencement of services. Interagency agreements are binding contracts between State agencies. Further, prudent business practices require the approval of agreements prior to the effective date and proper documentation supporting the billing and payment of services.

The Department has entered into 122 agreements with other State agencies and other units of government. The purpose of the agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreement is reasonable, appropriate, and sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date, include proper documentation supporting the percent allocation used for billings, and include proper support for payments to vendors. (Finding Code No. 08-18, 07-27, 06-17)

RECOMMENDATION:

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement. Further, we recommend the Department require all interagency agreements include methodology supporting the percent allocations used for billing of shared services prior to any payments to vendors.

DEPARTMENT RESPONSE:

The Department concurs. It is important to note that the IGAs only reflected payment agreements - they did not legitimize the actual performance of the contract work. The underlying contracts were all properly executed and filed. The Department believes it was an acceptable practice to have the contract work performed while negotiating alternate payment responsibilities. As for the allocation of cost, there were general assumptions regarding percentage of time devoted to DCMS related work/issues. The Department is currently finalizing improved and formalized procedures for managing interagency agreements. The goal of the proposed process is to ensure that DCMS follows a uniform system of requesting, tracking, drafting and executing IGAs in accordance with the Intergovernmental Cooperation Act and other applicable rules and regulations.

08-19 **<u>FINDING</u>:** (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. The Department is currently responsible for managing 603 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).

<u>Lack of Timely Funding or Billing</u>

In fiscal year 2005, 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.

As part of the process development that began 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 uses prior fiscal year spending data to estimate upcoming fiscal year costs resulting in a rate model that established a cost per square foot plus a depreciation factor for each property. The BAS was developed and functional on December 8, 2004. However, the Department has historically not produced bills from the BAS in a timely manner. The Department did not complete the calculation of the new rates or send the first billings for fiscal year 2008 until the end of October 2007. During our testing, we noted August and September 2007 billings were not sent to agencies until December 2007. Delays in updating the cost allocation model and billing agencies have created difficulties in monitoring user agency occupancy costs which had a negative impact in the development of fiscal year 2008 budgets and forecasting for fiscal year 2009.

Department officials stated it is their practice to develop the new billing rates after all vouchers for the previous fiscal year have been processed to ensure rates are based on complete and accurate expenditure information. An estimated 25,000 vouchers are processed each year by the Facilities Management function of the Bureau of Property Management.

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 as of March 2, 2009, 139 of the 505 (28%) 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. However, in May 2007 the Department contracted with multiple vendors to outsource professional services, including architects and contractors, to assist with duties performed by internal leasing representatives. The contracts awarded total a maximum award amount of approximately $912,000.

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. As of March 2009, the case is on-going. (One Congress Center, an IL limited Partnership (aka Anvan) v State, 06-CC-1046)
- 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. As of March 2009, the case is on-going. (Frankenmuth Mutual Insurance Co v DCMS, 03-CC-3457)

Other Issues Noted With The Consolidation Of The Property Management Function

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

- The Department did not conduct a true up of fiscal year 2006 billings to amounts paid until fiscal year 2008. Thus current rates could not be adjusted to reflect the true costs of the facilities. There is a two year lag on the reconciliation of vendor payments and amounts billed to other agencies for facility management services.
- As of December 2008, several agencies had not paid their fiscal year 2008 bills due to the Facilities Management Revolving Fund. At December 31, 2008 the Department reported receivables totaling $12,553,805 for services provided in fiscal year 2008.
- 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.

- A lawsuit has been filed against the Department by an electric utility provider seeking payment of unpaid or outstanding accumulated electric bills at various State of Illinois facilities. The claimant is seeking $296,042. As of March 2009, the case is on-going. (Commonwealth Edison v. State, 07-CC-3396)

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. (Finding Code No. 08-19, 07-20, 06-7, 05-11)

RECOMMENDATION:

We recommend the Department obtain necessary information to enable preparation of complete, accurate and timely billings to user agencies. In addition, we recommend the Department continue efforts in reducing the number of leases in holdover status.

DEPARTMENT RESPONSE:

The Department concurs with the recommendations, which have been substantially implemented.

- The Department has fully implemented a cost allocation methodology and billing system to facilitate timely billing and rates in accordance with A-87 guidelines. The federal Department of HHS has reviewed and approved the methodology.
- The Department utilizes the cost accounting capabilities of its Accounting Information System (AIS) and the CRIS system to accurately allocate costs to applicable buildings and service centers. This information is then utilized in the process of rate development.
- In fiscal year 2009, new rates were billed a full 2 months earlier than prior years. The Department has become much more efficient and now typically issues billings days after the end of each applicable billing month.
- The initial billing delay in fiscal year 2008 did not impact budgetary development or monitoring of occupancy costs as stated in the finding. It did have an initial impact on cash flows into the fund. However, statewide cash shortage was the major contributor during fiscal year 2008 to any delayed vendor payments.
- The Department has no control over agency payments into the FMRF. Statewide cash shortage is the primary contributor to delayed agency payments.
- The Department has established relationships with many utility providers who have communicated that shut-off notices are automatically generated by their systems. They understand that the State works within a given set of constraints and most have also indicated that State accounts are flagged to ignore shut-off notices.
- Neither lawsuit referenced above resulted from the lease referenced being in holdover status and none of the damages claimed in either lawsuit relate to the holdover status of the lease. Moreover, the leases were not terminated due to the fact that they were in holdover.

- In September 2007, the Department began utilizing the Strategic Planning and Analysis Tool (SPAT), created from agency fiscal year 2008 Annual Space Plans, which allowed the Department to see side-by-side comparisons of properties in its leased and owned portfolios. SPAT allows the Department to develop preliminary consolidation and space reduction strategies by identifying potential vacant space since it contains metrics allowing it to compare the ratio of employee to space in any facility. The tool also contains total cost of ownership information that allows the Department to compare costs of comparable facilities in order to eliminate expensive leases.

08-20 **FINDING:** (Inadequate controls over travel)

The Department's internal controls over travel expenditures are inadequate to ensure compliance with travel regulations or internal policies.

We tested 135 general and top travel vouchers noting the following exceptions to the Department's internal travel policies:

- 32 (24%) vouchers totaling $13,890 lacked documentation of required advance approval for in-state travel. Department policy required submission of a Request for Travel Arrangements Form (CMS-41) one-week prior to the planned travel, if possible (Fiscal Operations Policy No. 07.01.00).

- 11 (8%) vouchers totaling $7,124 were not submitted for payment within two weeks of the end of the month in which the travel occurred, as required by the Department's internal travel policy (Fiscal Operations Policy No. 07.01.00).

- 13 (10%) vouchers totaling $13,674 had hotel rates above the State rate without proper documentation to show the lowest rate available was requested, as required by the Illinois Administrative Code (80 Ill. Adm. Code 3000.410) and the Governor's Travel Control Board Travel Update #07-09.

- 3 (2%) vouchers totaling $2,223 showed travelers were reimbursed for commuting expenses between residence and headquarters in violation of the Illinois Administrative Code. (80 Ill. Adm. Code 2800.235)

Department personnel indicated the exceptions are the result of a lack of oversight and lack of communication regarding requirements of Agency Fiscal Operations Policies and State Travel Regulations.

Noncompliance with these requirements could result in the improper expenditure of State funds. (Finding Code No. 08-20)

RECOMMENDATION:

We recommend the Department implement adequate procedures to ensure compliance with the Governor's Travel Control Board Travel Guide and the Department's internal policies related to travel and seek reimbursement from the employee who was paid for un-reimbursable travel costs.

DEPARTMENT RESPONSE:

The Department concurs. We continue to train fiscal staff by reemphasizing requirements and related timelines set forth by Governor's Travel Control Board Travel Guide and the Department's internal policies. We are also evaluating whether our internal policies may need to be revised.

08-21 **<u>FINDING</u>:** (Avoidable use of emergency contracts)

The Department filed an emergency purchase affidavit for a purchase which was not an emergency, in violation of the Illinois Procurement Code.

During our testing of emergency purchase affidavits, we noted seven affidavits were filed to renew cellular services for various regions of the State while waiting to procure a State-wide master contract for cellular services.

Throughout the State of Illinois, there are seven service regions for cellular/wireless services. These service regions are serviced by three separate vendors. The contracts with these vendors have been procured by emergency purchase annually since September 2005. In addition, push-to-talk services are under contract with a fourth vendor whose services were procured through emergency purchase in July 2007.

The Illinois Procurement Code (Code) (30 ILCS 500/20-30) states that a purchasing agency may make emergency procurements without competitive sealed bidding or prior notice when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State property, to prevent or minimize serious disruption in State services, or to ensure the integrity of State records. The Code also states that the emergency procurements shall be made with as much competition as possible. Further, the Code states that the Department shall employ such competition as is practicable under the emergency circumstances to abate the emergency situation.

Department officials stated the original competitive procurement for these services had to be cancelled and re-issued, which resulted in the reliance on additional emergency procurements to provide the services.

The Department's inability to procure a master contract for cellular services has created the emergency situation. Proper planning and foresight would have allowed for these services to be competitively bid. As a result, the Department circumvented the bidding process mandated by the Illinois Procurement Code and spent $10,830,063 on these services which should not have been an emergency and should have been competitively procured. (Finding Code No. 08-21)

<u>RECOMMENDATION</u>:

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

DEPARTMENT RESPONSE:

The Department concurs that emergency provisions of the procurement code should be used appropriately. While the Department agrees with the finding, DCMS also reserves the right to utilize all provisions in the procurement code, including emergency procurement provision. As such, the Department will implement controls to ensure all legitimate provisions of the procurement code are applied appropriately and within the guidelines of the code.

In the case cited, a bid was conducted over a long period, resulting in multiple protests and significant delays. Because of the vital public safety aspect of wireless services, it was determined to be in the best interests of the State to extend the contract terms during the rebidding process, to assure service continuity. The extensions were placed with the original awarded vendors consistent with the original competitive process.

08-22 **<u>FINDING</u>:** (Communication with prospective bidder during procurement process)

While procuring a master contract for the purchasing of servers and accessories, the Department communicated with a prospective bidder resulting in a change of procurement from an Invitation to Bid method to a Sole Economically Feasible method. The prospective bidder was the vendor awarded the sole source contract.

The Illinois Procurement Code (Code) (30 ILCS 500/1-5) states that with respect to procurements, it "…is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts by or for any State agency."

The Department has made a significant investment in brand-specific hardware (servers and related accessories) and determined it was in the State's best interest to ensure compatibility by continuing to purchase the same brand. The hardware to be procured was potentially available directly through the manufacturer (who holds the current contract) or through various resellers. During fiscal year 2008, the Department initiated an Invitation for Bid (IFB) procurement process anticipated to result in the expenditure of approximately $9 million. Following commencement of the IFB procurement process, the Department had several contacts with the manufacturer, including representation that the manufacturer would prohibit any reseller from offering a price better than the price the manufacturer would offer. As a result of these contacts, the Department cancelled the IFB and initiated a sole economically feasible procurement process. The Department subsequently received the letter from the manufacturer supporting the pricing representation.

Department officials have stated they believe the change in procurement method resulted in significant savings to the State as the manufacturer was committing to offering the lowest price. However, during testing of other technology equipment and service procurements, we noted the Department evaluated proposals in which the manufacturer competed against resellers of the manufacturer's equipment and the contract was awarded to the reseller.

The prior master contract for purchase of this brand-name equipment expired on June 30, 2008. The new contract resulting from this procurement was not completed and signed until October 15, 2008 resulting in a four-month period during which the Department and other potential purchasers were unable to procure equipment under favorable master contract terms.

By engaging in discussions and negotiations with a prospective bidder after the IFB procurement process was initiated the Department has created the appearance that it did not conduct the procurement in a fair and open manner to ensure competition. (Finding Code No. 08-22)

<u>RECOMMENDATION</u>:

We recommend the Department establish appropriate controls to ensure the procurement process is conducted in a fair and open manner that does not exclude any potential bidders.

DEPARTMENT RESPONSE:

The Department concurs that procurements should be conducted in a fair and open manner to ensure competition. While significant financial benefits to the State of Illinois were gained and documented in this case as a result of these negotiations, the Department agrees that even the appearance of not having a fair and open procurement should be avoided. While the Department agrees with the recommendation, the Department also reserves the right to utilize all provisions in the procurement code, including the Sole Economically Feasible Source provision. As such, the Department will implement controls to ensure all legitimate provisions of the procurement code are applied appropriately and within the guidelines of the code.

One additional control when using the Sole Economically Feasible Source procurement approach is to expand and document research of market pricing verifying that the State is receiving the most economical procurement. In this case the research was done but the trail of documentation was lacking. We did determine that the pricing offered was 5% lower than that offered through the Western States Contract Alliance, and up to 10% lower than pricing offered by the vendor to the State of Texas.

Finally, the manufacturer had agreed to honor pricing from the previous contract during the contract negotiations, so there was no period where agency needs went unmet.

08-23 FINDING: (Inadequate documentation of compliance with the Fiscal Control and Internal Auditing Act)

The Department's Illinois Office of Internal Audit (IOIA) was unable to demonstrate compliance with the Fiscal Control and Internal Auditing Act that requires audits of major systems of internal accounting and administrative control.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) require the IOIA to develop risk-based plans to determine the priorities of the internal audit activities while the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/2003) establishes specific mandates regarding internal audit requirements at Illinois State agencies.

The Act requires the internal auditing program to include audits of major systems of internal accounting and administrative control be conducted on a periodic basis so that all major systems are reviewed at least once every two years. IOIA made substantial improvements in the number of audits performed during fiscal year 2008. An external assessment concluded the IOIA had generally complied with the Act; however, based on our testing and review, we noted IOIA could not demonstrate that audits of major systems were being completed once every two years as required by the Act and certain risk assessment processes lacked sufficient documentation as follows.

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

- The IOIA implemented a risk assessment process and identified risks; however, the documentation did not always clearly demonstrate how the compiled information was evaluated and correlated to the overall audit plan and/or to the specific internal audit procedures. In addition, during fiscal years 2007 and 2008, IOIA spent approximately 23,000 hours of the total 44,000 internal audit hours (52%) performing internal audits on just seven agencies. The extensively audited agencies (Capital Development Board, Criminal Justice Information Authority, Department of Healthcare & Family Services, Department of Human Services, Department of Revenue, Department of Transportation, and Department of Natural Resources) clearly possess significant audit risk to the State as a whole; however, the overall plan lacked sufficient documentation to substantiate a higher level of risk for the audited agencies as compared to other agencies.

- The following table, summarized from the IOIA annual report, demonstrates the results of the internal audit effort for fiscal year 2008 compared to the planned internal audit effort. In addition to the planned 2008 audits, IOIA completed 66 audits that were started in fiscal year 2007.

From 2008 Plan	Number	Percent
Audits Completed	95	36%
Audits in Draft Stage at June 30, 2008	29	11%
Audits in Progress at June 30, 2008	16	6%
Audits Postponed to Fiscal Year 2009-2010	73	28%
Audits Cancelled	50	19%
Total	263	100%

Executive Order 2003-10 consolidated the internal audit functions of the agencies and boards under the jurisdiction of the Governor within the IOIA. To achieve cost savings and enhance the internal audit process, the IOIA adopted a risk-based audit model intended to focus audit effort on those processes and functions within the State that were deemed to have increased or higher risk. An internal audit plan was developed in response to the assessment of risk with the objective of complying with the requirements of the Act. This plan called for the IOIA to conduct audits of various functions in specific agencies and to conduct audits of certain processes across multiple agencies.

Department officials stated that some audits in FCIAA areas were not conducted due to extenuating circumstances at agencies or other factors based on risk, management's judgment, and the allocation of scarce resources. Judgment was used in deciding which audits to perform.

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

RECOMMENDATION:

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

DEPARTMENT RESPONSE:

IOIA identifies major FCIAA categories at each of the 38 agencies it audits. We consider and track FCIAA coverage in all audits performed. We do an annual risk assessment in accordance with IIA Standards at all agencies subject to audit by IOIA. From the risk assessment and additional input from agency management, we prepare an audit plan that is reviewed and approved by the Governor's Audit Committee. We monitor the status of all planned audits throughout the year. We amend our plan as necessary to respond to agency requests, changes in the organization's environment, audit priorities and the allocation of scarce resources. Any changes to the audit plan are documented on change forms approved by the Chief Internal Auditor. The planning and coverage processes were reviewed and approved by independent auditors who performed an external assessment peer review of IOIA in 2008. The State Internal Audit Advisory Board (SIAAB) approved the independent auditors who conducted the peer review. SIAAB also reviewed and approved the peer review results. We have made significant improvements to our process, but we acknowledge that no process is perfect, so we will continue to assess our operations and implement improvements as needed.

08-24 FINDING: (Costs paid from shared services appropriations not related to the shared services initiative)

The Department paid certain costs from the shared services appropriations that were unrelated to and provided no benefit to the shared services initiative.

During the examination period we reviewed 50 expenditure vouchers and 15 payroll vouchers paid from the shared services appropriations. We found that 9 of the 50 expenditures (18%) and 1 out of the 15 payroll expenditures (7%) were inconsistent with the scope of shared services. We noted the following:

- 7 instances where travel expenses for employees and contractual employees totaling $4,291 were paid from the shared services appropriations but the employees did not perform duties within the scope of shared services.
- 2 instances where data center charges for the Department as a whole totaling $429,450 were paid from shared services appropriations but these charges were not for services that support the scope of shared services exclusively.
- 1 instance where a contractual employee's payroll of $6,399 was paid from shared services but the duties the employee performed were not within the scope of shared services.

Per Executive Order 2006-6, the scope of shared services includes certain Human Resources, Personnel, Payroll, Timekeeping, and Financial Processes. The funding provided in these shared services appropriations shall be used by the Department of Central Management Services for duties performed and goods/services received to support the scope of the shared services.

Department officials have stated that the scope of the shared services initiative continues to be narrowed and defined on an annual basis, as does the related funding. Expenditures for staff that may have potentially been in scope at one time may not have appeared to be in scope at the time of our testing.

By paying expenditures which are not within the scope of shared services, the Department has circumvented the appropriation process. (Finding Code No. 08-24)

RECOMMENDATION:

We recommend the Department utilize the shared service appropriations exclusively for duties performed and goods/services received within the scope of the shared services initiative.

DEPARTMENT RESPONSE:

The Department concurs with the recommendation. At the time they were paid, the expenses were within the potential scope of the Shared Services initiative. The final scope was not determined until well into fiscal year 2009.

STATE OF ILLINOIS
DEPARTMENT OF CENTAL MANAGEMENT SERVICES

PRIOR FINDINGS NOT REPEATED

A **FINDING** (Failure to comply with advance billing rules)

In the prior year, the Department failed to comply with the Illinois Administrative Code rules governing advance billings for internal service fund services. Specifically, the Department accepted payments from the Department of Revenue totaling $2,825,621 that were not associated with any billing for services rendered.

During the current period, we noted the Department has taken steps to ensure any payments received in advance adhere to the advance billings rules. The Department issued a memorandum to all user agencies to clarify and reiterate the statutory requirements which prohibit acceptance of advance payments for services which cross fiscal years or have not been properly billed by the Department. Additionally, we did not note the acceptance of payments for advance billings by the Department in our testing. (Finding Code No. 07-5)

B **FINDING** (Bond funds utilized for inappropriate purposes)

In the prior year, it was noted that the Department's expenditure control system was inadequate to ensure that bond funds were utilized for appropriate purposes.

During the current period, we did not note any instances where the Department utilized bond funds for inappropriate purposes. (Finding Code No. 07-7)

C **FINDING** (Consolidated services billings not adequately supported)

In the prior year, the Department did not provide adequate documentation to support charges billed for consolidated services, including information technology, facilities management and graphic designers.

During the current period, the Department made improvements in substantiating billings to user agencies. (Finding Code No. 07-8)

D **FINDING** (Department receipts not reconciled to Comptroller records)

In the prior year, the Department did not reconcile its cash receipt records to the Comptroller's Monthly Revenue Status Report as required.

During the current period, we noted the Department is current with its monthly receipt reconciliations. (Finding Code No. 07-9)

E **FINDING** (Changes in award evaluation criteria not communicated to proposers)

In the prior year, we noted the Department used evaluation criteria to evaluate vendor proposals that were not stated in the Request for Proposals (RFP). Specifics of the scoring methodology and weighing of pricing alternatives were not included in the original RFP, and in some cases, not communicated to proposing vendors or reflected in any addendums.

During the current period, the Department made improvements in communicating evaluation criteria to proposers. (Finding Code No. 07-15)

F **FINDING** (Deficiencies in evaluation process for proposals)

In the prior year, we noted the Department was applying inconsistent criteria when determining the responsiveness of vendors resulting in the exclusion of a bidder. Also, it was noted that bid evaluations were not performed independently by reviewers.

During the current period, criteria for determining the responsiveness of bidders were consistently applied within our sample of contracts and leases. In addition, bid evaluations within our sample of contracts and leases were independently reviewed. (Finding Code No. 07-16)

G **FINDING** (Inadequate controls regarding master contract development and usage)

In the prior year, it was noted that the Department did not have an adequate process in place to assess the State's needs for master contracts and to develop and monitor the usage of master contracts.

During the current period, we did not note any deficiencies within our sample regarding the development or usage of master contracts. (Finding Code No. 07-17)

H **FINDING** (Inadequate controls over the awarding of leases)

In the prior year, numerous deficiencies were noted in the procurement, evaluation and award of leases.

During the current period, the Department had significantly fewer leases procured through the competitive bid process. Therefore, we did not note any deficiencies in the procurement, evaluation and awarding of leases. (Finding Code No. 07-18)

I **FINDING** (Follow up to management audit of the Department's administration of the State's Space Utilization Program)

In the prior year, the Department did not implement all of the recommendations made as a result of the Office of the Auditor General's management audit of the Department's administration of the State's Space Utilization Program.

During the current period, we noted the Department has implemented the three remaining recommendations. The Department has implemented a database that was developed to record State-leased and State-owned property to aid in analyzing and developing potential consolidation opportunities and strategies. Additionally, the Department clarified the reporting of wetland and flood mitigation as recommended by developing new site use categories for use in completing the Annual Real Property Utilization Report. (Finding Code No. 07-21)

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Central Management Services as of June 30, 2008 and for the year then ended, was performed by Sikich LLP as Special Assistant Auditors to the Auditor General, State of Illinois.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on pages 16-35 of this report, as findings 08-1 through 08-8. The auditors also consider findings 08-2, 08-3 and 08-4 to be material weaknesses.

Certified Public Accountants & Advisors

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Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2008, which collectively comprise the Department of Central Management Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Department of Central Management Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State of Illinois, Department of Central Management Services are intended to present the financial position and changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Central Management Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and its changes in financial position including cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2009 on our consideration of the State of Illinois, Department of Central Management Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Department of Central Management Services has not presented a management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements 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, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
May 15, 2009

State of Illinois
Department of Central Management Services

Statement of Net Assets

June 30, 2008 (Expressed in Thousands)

		Governmental Activities
ASSETS		
Unexpended appropriations	$	2,410
Cash equity with State Treasurer		70,915
Cash and cash equivalents		4,040
Receivables, net:		
Intergovernmental		1,053
Other		6,769
Due from other Department fiduciary funds		13
Due from other State funds		111,511
Due from State of Illinois component units		1,836
Inventories		2,161
Prepaid expenses		494
Capital assets not being depreciated		38,411
Capital assets being depreciated, net		248,593
Total assets		488,206
LIABILITIES		
Accounts payable and accrued liabilities		52,679
Intergovernmental payables		14,904
Due to other State fiduciary funds		281
Due to other State funds		165
Due to State of Illinois component units		2,667
Unearned revenue		1,757
Long term obligations:		
Due within one year		119,904
Due subsequent to one year		165,906
Total liabilities		358,263
NET ASSETS		
Invested in capital assets, net of related debt		247,054
Restricted for debt services		3,594
Unrestricted (deficit)		(120,705)
Total net assets	$	129,943

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

State of Illinois

Department of Central Management Services

Statement of Activities

For the Year Ended June 30, 2008 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenues and Changes in Net Assets: Governmental Activities
Primary government			
Governmental activities			
General government	$ 717,348	$ 640,934	$ (76,414)
Education	893	-	(893)
Employment and economic development	307	-	(307)
Health and social services	3,903	-	(3,903)
Transportation	26,997	-	(26,997)
Public protection and justice	9,575	-	(9,575)
Environment and business regulation	798	-	(798)
Total governmental activities	759,821	640,934	(118,887)
General revenues			
Appropriations from State Resources			92,567
Lapsed appropriations			(2,047)
Reappropriation to future year(s)			(8,672)
Receipts collected and transmitted to State Treasury			(4,001)
Interest and investment income			2,106
Other revenues			5,435
Capital transfers to other State agencies			(356)
Capital contributions			6,880
Transfers-out			(1,408)
Total general revenues and transfers			90,504
Change in net assets			(28,383)
Net assets, July 1, 2007			158,326
Net assets, June 30, 2008			$ 129,943

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

Balance Sheet - Governmental Funds

June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
ASSETS				
Unexpended appropriations	$ 2,410	$ -	$ -	$ 2,410
Cash equity with State Treasurer	4	-	525	529
Cash and cash equivalents	-	-	446	446
Receivables, net:				
Intergovernmental receivables	-	-	29	29
Other receivables	574	-	10	584
Due from other Department funds	8,253	-	1	8,254
Due from other State funds	-	-	24	24
Due from State of Illinois component units	-	-	1	1
Total assets	$ 11,241	$ -	$ 1,036	$ 12,277
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,508	$ -	$ 50	$ 1,558
Intergovernmental payables	35	-	-	35
Due to other State fiduciary funds	78	-	-	78
Due to other Department funds	182,271	40,003	130	222,404
Due to other State funds	-	-	4	4
Due to State of Illinois component units	203	-	-	203
Unavailable revenue	532	-	-	532
Matured portion of long-term obligations	528	-	-	528
Total liabilities	185,155	40,003	184	225,342
FUND BALANCES (DEFICITS)				
Reserved for encumbrances	-	-	30	30
Unreserved, undesignated:				
General fund	(173,914)	-	-	(173,914)
Special revenue funds	-	(40,003)	376	(39,627)
Debt services funds	-	-	446	446
Total fund balances (deficits)	(173,914)	(40,003)	852	(213,065)
Total liabilities and fund balances (deficits)	$ 11,241	$ -	$ 1,036	$ 12,277

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

State of Illinois
Department of Central Management Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

Total fund balances-governmental funds		$	(213,065)
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			180
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the funds.			532
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Assets.			345,128
Some liabilities reported in the Statement of Net Assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:			
Compensated absences	(1,111)		
Auto liability claims	(1,721)		
			(2,832)
Net assets of governmental activities		$	129,943

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

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
REVENUES				
Interest and other investment income	$ -	$ -	$ 14	$ 14
Other	3,874	-	1,404	5,278
Other charges for services	-	-	772	772
Total revenues	3,874	-	2,190	6,064
EXPENDITURES				
General government	63,590	6,589	2,338	72,517
Education	893	-	-	893
Employment and economic development	307	-	-	307
Health and social services	3,903	-	-	3,903
Transportation	468	26,529	-	26,997
Public protection and justice	2,787	6,788	-	9,575
Environment and business regulation	798	-	-	798
Debt service - principal	-	-	9	9
Capital outlays	34	-	341	375
Total expenditures	72,780	39,906	2,688	115,374
Excess (deficiency) of revenues over (under) expenditures	(68,906)	(39,906)	(498)	(109,310)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	83,921	-	8,646	92,567
Lapsed appropriations	(2,047)	-	-	(2,047)
Reappropriation to future year(s)	-	-	(8,672)	(8,672)
Receipts collected and transmitted to State Treasury	(3,904)	(97)	-	(4,001)
Net other sources (uses) of financial resources	77,970	(97)	(26)	77,847
Net change in fund balances	9,064	(40,003)	(524)	(31,463)
Fund balances (deficits), July 1, 2007	(182,978)	-	1,376	(181,602)
FUND BALANCES (DEFICITS), JUNE 30, 2008	$ (173,914)	$ (40,003)	$ 852	$ (213,065)

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

State of Illinois
Department of Central Management Services
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Net change in fund balances	$	(31,463)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceeded depreciation in the current period.		268
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		9
Some capital assets were transferred to other State agencies.		(356)
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.		2,755
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the increase in unavailable revenue over the prior year.		45
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.		
Decrease in compensated absences obligation		431
Increase in auto liability claims		(72)
Change in net assets of governmental activities	$	(28,383)

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

State of Illinois
Department of Central Management Services

Statement of Net Assets - Proprietary Funds

June 30, 2008 (Expressed in Thousands)

		Governmental Activities - Internal Service Funds
ASSETS		
Cash equity with State Treasurer	$	70,386
Cash and cash equivalents		3,594
Receivables, net:		
Intergovernmental		1,024
Other		6,185
Due from other Department fiduciary funds		13
Due from other Department funds		231,116
Due from other State funds		111,487
Due from State of Illinois component units		1,835
Inventories		2,161
Prepaid expenses		494
Total current assets		428,295
Capital assets not being depreciated		38,369
Capital assets being depreciated, net		248,455
Total assets		715,119
LIABILITIES		
Accounts payable and accrued liabilities		51,121
Intergovernmental payables		14,869
Due to other State fiduciary funds		203
Due to other Department funds		16,966
Due to other State funds		161
Due to State of Illinois component units		2,464
Deferred revenue		1,757
Current portion of long-term obligations		117,718
Total current liabilities		205,259
Noncurrent portion of long-term obligations		164,732
Total liabilities		369,991
NET ASSETS		
Invested in capital assets, net of related debt		246,874
Restricted for debt service		3,594
Unrestricted		94,660
Total net assets	$	345,128

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

State of Illinois
Department of Central Management Services

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for sales and services	$ 683,827
Other	112
Total operating revenues	683,939
OPERATING EXPENSES	
Cost of sales and services	470,191
Claims and judgments	143,360
General and administrative	28,749
Depreciation	30,645
Other	13,505
Total operating expenses	686,450
Operating income (loss)	(2,511)
NONOPERATING REVENUES (EXPENSES)	
Interest and investment income	2,092
Interest expense	(2,245)
Other expenses	(53)
Income (loss) before contributions and transfers	(2,717)
Contributions of capital assets	6,880
Transfers-out	(1,408)
Change in net assets	2,755
Net assets, July 1, 2007	342,373
NET ASSETS, JUNE 30, 2008	$ 345,128

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

State of Illinois
Department of Central Management Services

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales and services	$ 18,360
Cash received from transactions with other funds	640,154
Cash payments to suppliers for goods and services	(390,830)
Cash payments to employees for services	(127,311)
Cash payments for workers compensation	(111,867)
Cash receipts from other operating activities	112
Net cash provided (used) by operating activities	28,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers-out to other funds	(1,212)
Net cash provided (used) by noncapital financing activities	(1,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(15,038)
Principal paid on capital debt	(6,457)
Interest paid on capital debt	(2,310)
Net cash (used) by capital and related financing activities	(23,805)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	2,129
Net cash provided (used) by investing activities	2,129
Net increase (decrease) in cash and cash equivalents	5,730
Cash and cash equivalents, July 1, 2007	68,250
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 73,980
Reconciliation of cash and cash equivalents to the statement of net assets:	
Total cash and cash equivalents per the statement of net assets	$ 3,594
Add: cash equity with State Treasurer	70,386
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 73,980
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
OPERATING INCOME (LOSS)	$ (2,511)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	30,645
Provision for uncollectible accounts	80
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	2,379
(Increase) decrease in intergovernmental receivables	(405)
(Increase) decrease in due from other funds	(24,788)
(Increase) decrease in due from State of Illinois component units	(697)
(Increase) decrease in inventory	(436)
(Increase) decrease in prepaid expenses	117
Increase (decrease) in accounts payable and accrued liabilities	(63)
Increase (decrease) in intergovernmental payables	(10,895)
Increase (decrease) in due to other State funds	3,756
Increase (decrease) in due to State of Illinois component units	(326)
Increase (decrease) in deferred revenues	1,574
Increase (decrease) in other liabilities	30,188
Total adjustments	31,129
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 28,618
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Cost of installment purchases	$ 675
Loss on sale of equipment	$ (53)
Transfer of capital assets, net of related debt, to/from other State funds	$ 6,684

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

State of Illinois

Department of Central Management Services

Statement of Fiduciary Net Assets

June 30, 2008 (Expressed in Thousands)

	Pension Trust Fund State Employees' Deferred Compensation Plan 0755	Agency Funds
ASSETS		
Cash equity with State Treasurer	$ 4,710	$ 9,160
Cash and cash equivalents	5,936	3,576
Investments:		
Equities	2,165,010	-
Fixed income	618,640	-
Other receivables, net	1,138	-
Total assets	2,795,434	$ 12,736
LIABILITIES		
Accounts payable and accrued liabilities	2,202	$ 12,712
Due to other Department funds	13	-
Due to other State funds	37	-
Due to State of Illinois component units	-	24
Other liabilities long-term liabilities	138	-
Total liabilities	2,390	$ 12,736
NET ASSETS		
Held in trust for:		
Deferred compensation benefits	2,793,044	
Total net assets	$ 2,793,044	

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

Statement of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Pension Trust Fund State Employees' Deferred Compensation Plan 0755
Deposits/Contributions:	
Members/participants	$ 175,579
Other contributions	3,985
Total contributions	179,564
Investment income:	
Interest, dividends and other investment income	212,632
Net appreciation of investments	(503,141)
Reimbursement of investment expenses not separable from investment income	3,083
Less: investment expense	(580)
Net investment income	(288,006)
Total additions	(108,442)
Deductions:	
Benefit payments	161,415
Refunds	36
General and administration	3,427
Total deductions	164,878
Net additions (deductions)	(273,320)
Net assets, July 1, 2007	3,066,364
Net assets, JUNE 30, 2008	$ 2,793,044

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Notes to Financial Statements

June 30, 2008

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

(1) Organization

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

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

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

2) Fiscal dependency on the primary government.

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Central Management Services, are intended to present the financial position, the changes in financial position, and the cash flows, when applicable, of only that portion of the governmental activities, by each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net assets and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes, charges for services, and intergovernmental revenues.

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

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

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Department administers the following major governmental funds (or portions thereof in the case of shared funds - see note 2(d)) of the State:

> **General** – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The services which are administered by the department and accounted for in the general fund include, among others, health and social services.

Road – This fund accounts for the activities of the Department for payment to the Workers' Compensation Revolving Fund, an internal service fund, for allocated costs associated with providing workers'compensation benefits for State employees paid from the Road Fund.

Additionally, the Department reports the following funds types:

Governmental Fund Types:

Special Revenue – These funds account for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service – These funds account for governmental resources obtained and accumulated to pay interest and principal on general long-term debt (other than capital leases, workers' compensation and unfunded retirement costs).

Capital Projects – These funds account for resources obtained and used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Proprietary Fund Types:

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

Fiduciary Fund Types:

Pension Trust – The State Employees' Deferred Compensation plan is reported as a pension (and other employee benefit) trust fund in order to account for resources required to be held in trust for the members in accordance with Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code.

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

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus (except for agency funds which do not have a measurement focus) and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include donations. Revenue from donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on formal debt issues, claims and judgments, and compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(d) Shared Fund Presentation

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

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

Unexpended Appropriations

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

Appropriations from State Resources

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

Lapsed Appropriations

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

Reappropriation to Future Year(s)

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

Receipts Collected and Transmitted to State Treasury

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

(e) Eliminations

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

(f) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of 90 days or less at time of purchase. Cash equivalents include cash on hand, petty cash funds, and cash in banks for locally held funds.

(g) Inventories

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method. Significant inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(h) Prepaid items

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items on the government-wide statement of net assets.

(i) Interfund Transactions

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

Services provided and used—sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the governmental funds balance sheet or the government-wide and proprietary fund statements of net assets.

Reimbursements—repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers—flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

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

(j) Capital Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

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

(k) Compensated Absences

The liability for compensated absences reported in the government-wide, proprietary and fiduciary fund financial statements consists of unpaid, accumulated vacation and sick leave balances for Department Employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare taxes).

Legislation that became effective January 1, 1998 capped the paid sick leave for all State Employees' Retirement System members at December 31, 1997. Employees continue to accrue twelve sick days per year, but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between 1984 and December 31, 1997 (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997 will be converted to service time for purposes of calculating employee pension benefits.

(l) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties as to use for specific purposes. Designations of fund balances represent tentative State plans that are subject to change.

(m) Net Assets

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

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

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

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(n) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) State Employees' Deferred Compensation Plan Administration

By State statute the Department is responsible for administering the State Employees' Deferred Compensation Plan (Plan). The Department contracts with Invesco Ltd. for investment management services and T. Rowe Price Retirement Plan Services, Inc. to provide recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants' accounts on a monthly or quarterly basis. Effective January 1, 2001, the annual fee charged to participants was limited to a maximum of $45.

(p) Future Adoption of GASB Statements

Effective for the year ending June 30, 2009 the Department will adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes standards for accounting and financial reporting for pollution remediation obligations which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Department has not yet determined the impact of the Department's financial statements as a result of adopting this statement.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. The Department independently manages cash and cash equivalents maintained outside the State Treasury.

Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

(b) Investments

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

As of June 30, 2008, the Department had the following fixed income investments outside of the State Treasury:

	Book Value (Thousands)	Fair Value (Thousands)	Weighted Average Maturity (Years)
Governmental Activities			
Money market mutual funds	$ 4,040	$ 4,040	0.008
Total fixed income investments	$ 4,040	$ 4,040	
Fiduciary Funds			
Money market mutual funds	$ 87,078	$ 87,518	0.155
Debt mutual funds	150,845	150,845	7.550
Total fixed income investments	$ 237,923	$ 238,363	

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

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Governmental Activities and Fiduciary Funds mutual funds were rated of Aaa by Moody's. The Fiduciary Fund investments in debt mutual funds were unrated.

(c) *Reconciliation to Statement of Net Assets and Statement of Fiduciary Net Assets*

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

Governmental Activities	**Deposits**	**Investments**
Amounts Per Note	$ -	$ 4,040
Cash equivalents	4,040	(4,040)
Amounts per Statement of Net Assets	$ 4,040	$ -

Fiduciary Funds	**Deposits**	**Investments**
Amounts Per Note	$ -	$ 237,923
Cash equivalents	9,512	(9,512)
Equity mutual funds	-	1,567,697
Blended mututal funds	-	245,493
Annuities	-	1,538
Equity trust funds	-	123,409
Guaranteed investment contracts	-	617,102
Amounts per Statement of Fiduciary Net Assets	$ 9,512	$ 2,783,650

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due from other Department and State of Illinois funds.

	Due from			
Fund	**Other Department Funds**	**Other State Funds**	**Other Department Fiduciary Funds**	**Description/Purpose**
General	$ 8,253	$ -	$ -	Due from other Department funds for reimbursement of advances on expenditures incurred.
Non-major governmental funds	1	24	-	Due from other Department funds and other State funds for sales of federal surplus property.
Internal service funds	231,116	111,487	13	Due from other Department funds, other State funds, other Department fiduciary funds, and other State fiduciary funds for services provided.
	$ 239,370	$ 111,511	$ 13	

The following balances (amounts expressed in thousands) at June 30, 2008 represent amounts due to other Department and State of Illinois funds.

	Due to			
Fund	**Other Department Funds**	**Other State Funds**	**Other State Fiduciary Funds**	**Description/Purpose**
General	$ 182,271	$ -	$ 78	Due to other Department funds for internal service fund services received including workers compensation claims, other State funds for services received, and other State fiduciary funds for retirement contributions.
Road	40,003	-	-	Due to other Department internal service funds for payment of workers' compensation claims.
Non-major governmental funds	130	4	-	Due to other Department funds for internal service fund services received, other State funds for services received, and other State fiduciary funds for retirement contributions.
Internal service funds	16,966	161	203	Due to other Department funds for internal service fund services received, other State funds for services received, and other State fiduciary funds for retirement contributions.
Fiduciary funds	13	37	-	Due to other Department funds for internal service fund services received and other State funds for audit expenses.
	$ 239,383	$ 202	$ 281	

(b) Transfers to Other Funds

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2008, were as follows:

Fund	Transfers out to Other State Funds	Description/Purpose
Internal service funds	$ 1,408	Transfer to other State funds pursuant to statute and due to budget shortfalls.

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Net Transfers	Balance June 30, 2008
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	$ 38,407	$ -	$ -	$ -	$ 38,407
Nondepreciable historical treasures and works of art	4	-	-	-	4
Total capital assets not being depreciated	38,411	-	-	-	38,411
Capital assets being depreciated:					
Site improvements	3,889	-	-	-	3,889
Buildings and building improvements	437,645	341	-	4,993	442,979
Equipment	185,232	15,747	6,844	11,318	205,453
Depreciable historical treasures and works of art	970	-	-	-	970
Total capital assets being depreciated	627,736	16,088	6,844	16,311	653,291
Less accumulated depreciation:					
Site improvements	2,197	197	-	-	2,394
Buildings and building improvements	216,530	12,421	-	-	228,951
Equipment	151,057	18,134	6,791	9,983	172,383
Depreciable historical treasures and works of art	970	-	-	-	970
Total accumulated depreciation	370,754	30,752	6,791	9,983	404,698
Total capital assets being depreciated, net	256,982	(14,664)	53	6,328	248,593
Governmental activity capital assets, net	$ 295,393	$ (14,664)	$ 53	$ 6,328	$ 287,004

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2008 was charged to functions as follows:

General government	$ 30,752

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2008 were a follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities:					
Compensated Absences	$ 13,535	$ 7,941	$ 7,548	$ 13,928	$ 583
Capital lease obligations	416	-	58	358	61
Installment purchase obligations	9,905	675	4,013	6,567	3,673
Certificates of participation	35,420	-	2,395	33,025	2,525
Workers' compensation claim obligations	200,319	141,283	111,919	229,683	111,013
Auto liability claim obligations	2,043	1,512	1,306	2,249	2,049
Total governmental activities	$ 261,638	$ 151,411	$ 127,239	$ 285,810	$ 119,904

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

(b) Capital lease obligations

The Department leases office space with a historical cost and accumulated deprecation of $1.462 and $.535 million, respectively, under capital lease arrangements. Although lease terms vary, certain leases are renewable subject to appropriation by the General Assembly. If renewal is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting. Future minimum lease payments (amounts expressed in thousands) at June 30, 2008 are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 61	$ 18	$ 79
2010	64	15	79
2011	68	11	79
2012	71	6	77
2013	94	5	99
	$ 358	$ 55	$ 413

(c) Installment purchase obligations

The Department has acquired certain vehicles, electronic data processing and data storage equipment, and communication and video equipment through installment purchase arrangements. Future debt service requirements under installment purchase contracts (amounts expressed in thousands) at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 3,673	$ 182	$ 3,855
2010	2,376	57	2,433
2011	253	15	268
2012	202	6	208
2013	63	1	64
	$ 6,567	$ 261	$ 6,828

(d) Certificates of participation

The Department has financed the purchase of office buildings and land. The office buildings have a historical cost and accumulated deprecation of $48.740 and $12.537 million, respectively and the land has a historic cost of $2.794. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 2,525	$ 1,881	$ 4,406
2010	2,670	1,734	4,404
2011	2,820	1,577	4,397
2012	2,985	1,406	4,391
2013	3,160	1,224	4,384
2014-2018	18,865	2,961	21,826
	$ 33,025	$ 10,783	$ 43,808

(7) Risk Management

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

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The Department's risk financing of auto liability for the State's non-Department of Transportation liability, $2.249 million, has been determined using an estimate of claims outstanding. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the General Revenue Fund, a subaccount of the General Fund, in the amount of $528 thousand. The remaining portion of the liability, $1.721 million, as of June 30, 2008, is included in the Department-wide financial statements and is expected to be paid from future resources of the General Fund.

The Department’s workers’ compensation liability, $229.683 million, has been determined using claims outstanding and a projection of claims to be submitted, based upon prior years experience, to the Department. The liability is recorded in the Workers’ Compensation Revolving Fund, an internal service fund.

The following is a reconciliation of the Department’s claims liabilities for the years June 30, 2007 and June 30, 2008.

Year Ended June 30	Beginning Balance	Claims Incurred	Decreases	Ending Balance
2007	$ 182,820	$ 110,965	$ 91,423	$ 202,362
2008	$ 202,362	$ 142,795	$ 113,225	$ 231,932

(8) Pension Plan

Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. The SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by the State Universities, Teachers’, General Assembly, and Judges’ Retirement Systems. The financial position and results of operations of the SERS for fiscal year 2008 are included in the State of Illinois’ Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. The SERS issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

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

The Department pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal year 2008, the employer contribution rate was 16.561%. Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most State agencies (including the Department) with employees covered by the State Employees’ and Teachers’ Retirement Systems. However, effective with the fiscal year 2004 budget, the State opted to stop paying the portion or a part of the portion of retirement for many State agencies (including the Department) for certain classes of employees covered by the State Employees’ and Teachers’ Retirement Systems. The pickup, when applicable, is subject to sufficient annual appropriations and those employees covered may vary across employee groups and State agencies.

(9) Post-employment Benefits

The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Healthcare and Family Services along with the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes $5,000.

The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Healthcare and Family Services. A copy of the financial statements of the Department of Healthcare and Family Services may be obtained by writing to the Department of Healthcare and Family Services, 201 South Grand Ave., Springfield, Illinois, 62763-3838.

(10) Fund Deficits

The General Fund and Road Fund had deficit fund balances of $173.914 and $40.003 million, respectively, at June 30, 2008. The General Fund and Road Fund deficits result from the liabilities of the workers compensation program recognized at June 30, 2008 which will be paid from future year appropriations.

(11) Commitments and Contingencies

(a) Operating leases

The Department leases a parking lot, warehouse, and several buildings in Springfield, under the terms of a noncancelable operating lease agreement that requires the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was $121.865 million for the year ended June 30, 2008.

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

Year ending June 30,		Amount
2009	$	65,847
2010		58,100
2011		52,099
2012		42,134
2013		27,955
2014-2018		64,065
	$	310,200

(b) Federal Service Charges

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State which are subject to review and audit by federal grantor agencies. The Department believes that it is probable that a payback representing the federal share of excess fund balances will be required from the Statistical Services Revolving Fund (SSRF) and the Communications Revolving Fund (CRF) for activities in fiscal year 2006, 2007, and 2008. The Department estimates the SSRF refund may result in a payment of up to $9.789 million and the CRF refund may result in payment of up to $3.533 million. The Department has recorded a liability in the respective fund.

(c) Litigation

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

(12) State Employees' Deferred Compensation Plan General Description

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The financial position and results of operations of the Plan for fiscal year 2008 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2008. The Plan issues separate financial statements on a calendar year basis that may be obtained by writing to the Deferred Compensation Plan, 201 E. Madison, Suite 1C, P.O. Box 19208, Springfield, Illinois 62794-9208.

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

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

In compliance with Section 457 of the Internal Revenue Code, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed $15,500 ($20,500 for participants age 50 or older) for calendar years 2008 and 2007. The State does not make any contributions to the Plan. The Plan allows participants a limited make-up on deferrals in the three years prior to the year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals, which were made in prior years, up to a maximum of $31,000 for calendar years 2008 and 2007.

Participants may withdraw the current value of funds contributed upon termination of employment with the State of Illinois. Withdrawals can also be made due to financial hardship if approved by a committee established by the Plan. Upon retirement, participants may select various payment options, including lump sum or periodic payments. The participants may also elect to delay the distribution of their accounts to a specific future date. Death beneficiaries may select similar payment options as retired employees. All investments are assets of the Plan until such time as payments are made to participants.

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2008 (Expressed in Thousands)

	Special Revenue: Efficiency Initiatives Revolving 0315	Special Revenue: Minority and Female Business Enterprise 0352	Special Revenue: State Surplus Property Revolving 0903	Capital Projects: Capital Development 0141	Debt Service: ESCO COP Debt Service 1255	Total
ASSETS						
Cash equity with State Treasurer	$ 27	$ 6	$ 492	$ -	$ -	$ 525
Cash and cash equivalents	-	-	-	-	446	446
Receivables, net:						
Intergovernmental	-	-	29	-	-	29
Other	-	-	10	-	-	10
Due from other Department funds	-	-	1	-	-	1
Due from other State funds	-	-	24	-	-	24
Due from State of Illinois component units	-	-	1	-	-	1
Total assets	$ 27	$ 6	$ 557	$ -	$ 446	$ 1,036
LIABILITIES						
Accounts payable and accrued liabilities	$ 7	$ -	$ 43	$ -	$ -	$ 50
Due to other Department funds	-	-	130	-	-	130
Due to other State funds	3	-	1	-	-	4
Total liabilities	10	-	174	-	-	184
FUND BALANCES						
Reserved for encumbrances	-	-	30	-	-	30
Unreserved, undesignated	17	6	353	-	446	822
Total fund balances	17	6	383	-	446	852
Total liabilities and fund balances	$ 27	$ 6	$ 557	$ -	$ 446	$ 1,036

State of Illinois
Department of Central Management Services

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Special Revenue			Capital Projects	Debt Service	
	Efficiency Initiatives Revolving 0315	Minority and Female Business Enterprise 0352	State Surplus Property Revolving 0903	Capital Development 0141	ESCO COP Debt Service 1255	Total
REVENUES						
Interest and other investment income	$ -	$ -	$ -	$ -	$ 14	$ 14
Other revenues	-	-	1,404	-	-	1,404
Other charges for services	-	-	772	-	-	772
Total revenues	-	-	2,176	-	14	2,190
EXPENDITURES						
General government	282	-	2,056	-	-	2,338
Debt service - principal	-	-	9	-	-	9
Capital outlay	-	-	-	341	-	341
Total expenditures	282	-	2,065	341	-	2,688
Excess (deficiency) of revenues over (under) expenditures	(282)	-	111	(341)	14	(498)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES						
Appropriations from State resources	-	-	-	8,646	-	8,646
Reappropriation to future year(s)	-	-	-	(8,672)	-	(8,672)
Net other sources (uses) of financial resources	-	-	-	(26)	-	(26)
Net change in fund balances	(282)	-	111	(367)	14	(524)
Fund balances, July 1, 2007	299	6	272	367	432	1,376
FUND BALANCES, JUNE 30, 2008	$ 17	$ 6	$ 383	$ -	$ 446	$ 852

Combining Statement of Net Assets
Internal Service Funds
June 30, 2008 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Life Insurance Premium 1457	Total
ASSETS									
Cash equity with State Treasurer	$ 3,188	$ 9,203	$ 72	$ 7,729	$ 16,338	$ 9,398	$ 15,723	$ 8,735	$ 70,386
Cash and cash equivalents	-	-	-	-	3,594	-	-	-	3,594
Receivables, net:									
Intergovernmental	73	-	-	951	-	-	-	-	1,024
Other	16	-	-	1,614	48	16	28	4,463	6,185
Due from other Department fiduciary funds	2	4	-	3	4	-	-	-	13
Due from other Department funds	98	1,403	-	3,789	15,282	-	210,543	1	231,116
Due from other State funds	9,665	39,590	-	26,441	30,535	1,574	3,672	10	111,487
Due from State of Illinois component units	30	23	-	1,450	5	-	-	327	1,835
Inventories	2,161	-	-	-	-	-	-	-	2,161
Prepaid expenses	-	494	-	-	-	-	-	-	494
Total current assets	15,233	50,717	72	41,977	65,806	10,988	229,966	13,536	428,295
Capital assets not being depreciated	-	-	-	-	38,369	-	-	-	38,369
Capital assets being depreciated, net	709	10,583	-	22,112	215,051	-	-	-	248,455
Total assets	15,942	61,300	72	64,089	319,226	10,988	229,966	13,536	715,119
LIABILITIES									
Accounts payable and accrued liabilities	6,900	7,001	-	15,074	15,635	1,261	45	5,205	51,121
Intergovernmental payables	5	9,815	-	3,545	1,492	4	8	-	14,869
Due to other State fiduciary funds	12	57	-	91	31	10	2	-	203
Due to other Department funds	1,449	6,248	-	508	337	63	30	8,331	16,966
Due to other State funds	10	11	1	28	103	4	4	-	161
Due to State of Illinois component units	-	-	-	88	2,375	-	1	-	2,464
Deferred revenue	2	32	-	-	1,723	-	-	-	1,757
Current portion of long-term obligations	304	1,506	-	2,144	2,684	49	111,031	-	117,718
Total current liabilities	8,682	24,670	1	21,478	24,380	1,391	111,121	13,536	205,259
Noncurrent portion of long-term obligations	2,080	6,770	-	2,907	33,454	676	118,845	-	164,732
Total liabilities	10,762	31,440	1	24,385	57,834	2,067	229,966	13,536	369,991
NET ASSETS									
Invested in capital assets, net of related debt	(109)	8,484	-	18,462	220,037	-	-	-	246,874
Restricted for debt services	-	-	-	-	3,594	-	-	-	3,594
Unrestricted	5,289	21,376	71	21,242	37,761	8,921	-	-	94,660
Total net assets	$ 5,180	$ 29,860	$ 71	$ 39,704	$ 261,392	$ 8,921	$ -	$ -	$ 345,128

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Life Insurance Premium 1457	Total
OPERATING REVENUES									
Charges for sales and services	$ 44,692	$ 125,651	$ 12	$ 128,491	$ 205,175	$ 11,721	$ 142,872	$ 25,213	$ 683,827
Other	112	-	-	-	-	-	-	-	112
Total operating revenues	44,804	125,651	12	128,491	205,175	11,721	142,872	25,213	683,939
OPERATING EXPENSES									
Cost of sales and services	37,849	119,571	-	87,528	190,611	9,492	8	25,132	470,191
Claims and judgments	-	-	-	-	-	-	143,360	-	143,360
General and administrative	6,301	2,088	2	10,854	6,888	1,858	-	758	28,749
Depreciation	289	6,353	-	11,439	12,564	-	-	-	30,645
Other	381	-	-	13,124	-	-	-	-	13,505
Total operating expenses	44,820	128,012	2	122,945	210,063	11,350	143,368	25,890	686,450
Operating income (loss)	(16)	(2,361)	10	5,546	(4,888)	371	(496)	(677)	(2,511)
NONOPERATING REVENUES (EXPENSES)									
Interest and investment income	-	-	-	-	571	348	496	677	2,092
Other revenues	-	-	-	-	-	-	-	-	-
Interest expense	-	(106)	-	(166)	(1,973)	-	-	-	(2,245)
Other expenses	(8)	(17)	-	(28)	-	-	-	-	(53)
Income before contributions and transfers	(24)	(2,484)	10	5,352	(6,290)	719	-	-	(2,717)
Contributions of capital assets	-	1,212	-	319	5,349	-	-	-	6,880
Transfers-out	-	(1,216)	-	(192)	-	-	-	-	(1,408)
Change in net assets	(24)	(2,488)	10	5,479	(941)	719	-	-	2,755
Net assets, July 1, 2007	5,204	32,348	61	34,225	262,333	8,202	-	-	342,373
NET ASSETS, JUNE 30, 2008	$ 5,180	$ 29,860	$ 71	$ 39,704	$ 261,392	$ 8,921	$ -	$ -	$ 345,128

State of Illinois
Department of Central Management Services

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Life Insurance Premium 1457	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from sales and services	$ 689	$ -	$ -	$ 16,743	$ 928	$ -	$ -	$ -	$ 18,360
Cash received from transactions with other funds	45,384	115,332	2	97,278	211,429	10,147	124,426	36,156	640,154
Cash payments to suppliers for goods and services	(31,834)	(58,960)	(10)	(93,483)	(171,746)	(3,339)	(369)	(31,089)	(390,830)
Cash payments to employees for services	(12,429)	(61,000)	-	(16,327)	(28,457)	(7,491)	(1,607)	-	(127,311)
Cash payments for workers compensation	-	-	-	-	-	-	(111,867)	-	(111,867)
Cash receipts from other operating activities	112	-	-	-	-	-	-	-	112
Net cash provided (used) by operating activities	1,922	(4,628)	(8)	4,211	12,154	(683)	10,583	5,067	28,618
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers-out to other funds	-	(1,212)	-	-	-	-	-	-	(1,212)
Net cash provided (used) by noncapital financing activities	-	(1,212)	-	-	-	-	-	-	(1,212)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(16)	(6,366)	-	(8,621)	(35)	-	-	-	(15,038)
Principal paid on capital debt	(211)	(1,772)	-	(2,021)	(2,453)	-	-	-	(6,457)
Interest paid on capital debt	-	(106)	-	(166)	(2,038)	-	-	-	(2,310)
Net cash (used) by capital and related financing activities	(227)	(8,244)	-	(10,808)	(4,526)	-	-	-	(23,805)
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest and dividends on investments	-	-	-	-	581	373	489	686	2,129
Net cash provided by investing activities	-	-	-	-	581	373	489	686	2,129
Net increase (decrease) in cash and cash equivalents	1,695	(14,084)	(8)	(6,597)	8,209	(310)	11,072	5,753	5,730
Cash and cash equivalents, July 1, 2007	1,493	23,287	80	14,326	11,723	9,708	4,651	2,982	68,250
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 3,188	$ 9,203	$ 72	$ 7,729	$ 19,932	$ 9,398	$ 15,723	$ 8,735	$ 73,980
Reconciliation of cash and cash equivalents to the statement of net assets:									
Total cash and cash equivalents per the statement of net assets	$ -	$ -	$ -	$ -	$ 3,594	$ -	$ -	$ -	$ 3,594
Add: cash equity with State Treasurer	3,188	9,203	72	7,729	16,338	9,398	15,723	8,735	70,386
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	$ 3,188	$ 9,203	$ 72	$ 7,729	$ 19,932	$ 9,398	$ 15,723	$ 8,735	$ 73,980

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Paper and Printing Revolving 0308	Communications Revolving 0312	Facilities Management 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Life Insurance Premium 1457	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
OPERATING INCOME (LOSS)	$ (16)	$ (2,361)	$ 10	$ 5,546	$ (4,888)	$ 371	$ (496)	$ (677)	$ (2,511)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	289	6,353	-	11,439	12,564	-	-	-	30,645
Provision for uncollectible accounts	-	-	-	80	-	-	-	-	80
Changes in assets and liabilities:									
(Increase) decrease in accounts receivable	(2)	-	-	(1,384)	6	-	-	3,759	2,379
(Increase) decrease in intergovernmental receivables	(18)	-	-	(387)	-	-	-	-	(405)
(Increase) decrease in due from other funds	1,425	(5,591)	1	(5,896)	5,280	(1,574)	(18,446)	13	(24,788)
(Increase) decrease in due from component units	(26)	(8)	-	(735)	178	-	-	(106)	(697)
(Increase) decrease in inventories	(436)	-	-	-	-	-	-	-	(436)
(Increase) decrease in prepaid expenses	-	117	-	-	-	-	-	-	117
Increase (decrease) in accounts payable and accrued liabilities	79	(1,673)	-	3,466	(2,513)	396	(24)	206	(63)
Increase (decrease) in intergovernmental payables	4	(4,708)	-	(6,153)	(49)	3	8	-	(10,895)
Increase (decrease) in due to other funds	604	3,175	(8)	(1,917)	51	(4)	(17)	1,872	3,756
Increase (decrease) in due to component units	-	-	-	83	(410)	-	1	-	(326)
Increase (decrease) in deferred revenues	2	(128)	(11)	(7)	1,718	-	-	-	1,574
Increase (decrease) in other liabilities	17	196	-	76	217	125	29,557	-	30,188
Total adjustments	1,938	(2,267)	(18)	(1,335)	17,042	(1,054)	11,079	5,744	31,129
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 1,922	$ (4,628)	$ (8)	$ 4,211	$ 12,154	$ (683)	$ 10,583	$ 5,067	$ 28,618
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES									
Cost of installment purchases	$ 254	$ 421	$ -	$ -	$ -	$ -	$ -	$ -	675
Gain (loss) on sale of property and equipment	(8)	(17)	-	(28)	-	-	-	-	(53)
Transfer of capital assets, net of related debt, to/from other Stat	-	1,208	-	127	5,349	-	-	-	6,684
Total noncash investing, capital and financing activitie	$ 246	$ 1,612	$ -	$ 99	$ 5,349	$ -	$ -	$ -	$ 7,306

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008 (Expressed in Thousands)

	Flexible Spending Account 0202	Group Insurance Premium 0457	Total
ASSETS			
Cash equity with State Treasurer	$ 1,042	$ 8,118	$ 9,160
Cash and cash equivalents	3,576	-	3,576
Total assets	$ 4,618	$ 8,118	$ 12,736
LIABILITIES			
Accounts payable and accrued liabilities	$ 4,594	$ 8,118	$ 12,712
Due to State of Illinois component units	24	-	24
Total liabilities	$ 4,618	$ 8,118	$ 12,736

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2008 (Expressed in Thousands)

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Flexible Spending Account Fund (0202):				
ASSETS				
Cash equity with State Treasurer	$ 1,542	$ 24,266	$ 24,766	$ 1,042
Cash and cash equivalents	3,118	23,608	23,150	3,576
Total assets	$ 4,660	$ 47,874	$ 47,916	$ 4,618
LIABILITIES				
Accounts payable and accrued liabilities	$ 4,648	$ 23,963	$ 24,017	$ 4,594
Due to component units	12	303	291	24
Total liabilities	$ 4,660	$ 24,266	$ 24,308	$ 4,618
Group Insurance Premium Fund (0457):				
ASSETS				
Cash equity with State Treasurer	$ 7,872	$ 47,978	$ 47,732	$ 8,118
Total assets	$ 7,872	$ 47,978	$ 47,732	$ 8,118
LIABILITIES				
Accounts payable and accrued liabilities	$ 7,872	$ 47,978	$ 47,732	$ 8,118
Total liabilities	$ 7,872	$ 47,978	$ 47,732	$ 8,118
Total				
ASSETS				
Cash equity with State Treasurer	$ 9,414	$ 72,244	$ 72,498	$ 9,160
Cash and cash equivalents	3,118	23,608	23,150	3,576
Total assets	$ 12,532	$ 95,852	$ 95,648	$ 12,736
LIABILITIES				
Accounts payable and accrued liabilities	$ 12,520	$ 71,941	$ 71,749	$ 12,712
Due to component units	12	303	291	24
Total liabilities	$ 12,532	$ 72,244	$ 72,040	$ 12,736

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

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

- Analysis of Operations:

  Agency Functions and Planning Program
  Average Number of Employees
  Emergency Purchases
  Memorandum of Understanding (Unaudited)
  Debt Collection Board
  Administrative and Regulatory Shared Services Center
  Service Efforts and Accomplishments (Unaudited)

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 1

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2008
FOURTEEN MONTHS ENDED AUGUST 31, 2008

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2008	Lapse Period Expenditures July 1 to August 31, 2008	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue - 0001	$ 83,920,254	$ 79,463,922	$ 2,409,565	$ 81,873,487	$ 2,046,767
Capital Development - 0141	8,646,455	(25,538)	-	(25,538)	8,671,993
Local Gov't Health Insurance Reserve - 0193	869,000	346,015	118,987	465,002	403,998
CMS State Projects - 0302	100,000	-	-	-	100,000
State Garage Revolving - 0303	46,368,900	35,997,890	8,422,082	44,419,972	1,948,928
Statistical Services Revolving - 0304	176,714,200	114,752,246	10,853,838	125,606,084	51,108,116
Communications Revolving - 0312	155,393,300	106,449,735	15,941,394	122,391,129	33,002,171
Facilities Management Revolving - 0314	240,973,100	181,004,727	18,491,052	199,495,779	41,477,321
Efficiency Initiatives Revolving - 0315	700,000	212,316	7,251	219,567	480,433
Professional Services - 0317	15,076,600	9,235,705	1,346,032	10,581,737	4,494,863
Workers' Compensation Revolving - 0332	127,924,000	111,150,857	8,279,593	119,430,450	8,493,550
Minority and Female Business Enterprise - 0352	50,000	-	-	-	50,000
Group Insurance Premium - 0457	91,644,300	65,364,715	13,400,816	78,765,531	12,878,769
State Employees' Deferred Compensation Plan - 0755	1,698,300	1,183,313	21,402	1,204,715	493,585
State Surplus Property Revolving - 0903	4,132,225	1,866,749	189,231	2,055,980	2,076,245
Health Insurance Reserve - 0907	14,556,100	9,166,769	600,519	9,767,288	4,788,812
Total appropriated funds	$ 968,766,734	716,169,421	80,081,762	796,251,183	$ 172,515,551
NON-APPROPRIATED FUNDS					
Flexible Spending Account - 0202	N/A	24,470,780	239,338	24,710,118	N/A
Teacher Health Insurance Security - 0203	N/A	846,863	694,424	1,541,287	N/A
Community College Health Insurance Security - 0577	N/A	371,436	54,343	425,779	N/A
State Employees' Deferred Compensation Plan - 0755	N/A	178,677,181	832,938	179,510,119	N/A
Total non-appropriated funds		204,366,260	1,821,043	206,187,303	
TOTAL		$ 920,535,681	$ 81,902,805	$ 1,002,438,486	

Note 1 - Appropriated amounts were authorized by Public Act 95-0348 and Public Act 95-11

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

Note 3 - There was no Department Director during fiscal year 2008. However, the Department did have an Assistant Director who was temporarily filling the role of Acting Director. This individual's salary is excluded from this schedule because it is paid from a separate appropriation with expenditures aggregating $116,917 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	
	2008	2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
General Revenue - 001		
Appropriations (net after transfers)	$ 83,920,254	$ 106,380,600
Expenditures:		
Personal services	8,302,128	7,893,884
Contribution to SERS	1,375,797	910,250
Contribution to social security	609,761	580,823
Group insurance	29,349,200	32,349,200
Contractual services	13,957,467	20,701,457
Travel	61,781	69,403
Commodities	37,462	40,409
Printing	23,272	27,715
Equipment	16,684	7,327
Electronic data processing	202,725	173,512
Telecommunications services	134,872	162,893
Operation of automotive equipment	3,124	6,714
Deposit Worker's Comp	-	11,398,100
Automobile liability claims	1,439,911	1,570,925
Payment of employee wage claims	809,291	806,808
Civil law suits - claims	1,321,397	1,286,391
Employee suggestion board program	239	1,953
Upward mobility program	4,226,255	4,156,891
Veterans job program	223,435	174,899
Vito Marzullo intern program	691,218	688,141
Nurses tuition	42,822	65,518
For General and Regulatory Shared Services Center	892,046	2,339,850
Education Technology - operating and admin costs	18,152,600	18,152,600
Pilot program to increase access to broadband services	-	956,108
Total expenditures	81,873,487	104,521,771
Lapsed balances	$ 2,046,767	$ 1,858,829
Capital Development - 141		
Appropriations (net after transfers)	$ 8,646,455	$ 10,000,000
Expenditures:		
Information Technology	(25,538)	405,154
Total expenditures	(25,538)	405,154
Lapsed balances	$ 8,671,993	$ 9,594,846

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Local Government Health Insurance Reserve - 193		
Appropriations (net after transfers)	$ 869,000	$ -
Expenditures:		
Local Government Health Program	465,002	-
Total expenditures	465,002	-
Lapsed balances	$ 403,998	$ -
CMS State Projects Fund - 302		
Appropriations (net after transfers)	$ 100,000	$ 100,000
Expenditures:		
Strategic Marketing Team Services	-	-
Total expenditures	-	-
Lapsed balances	$ 100,000	$ 100,000
State Garage Revolving - 303		
Appropriations (net after transfers)	$ 46,368,900	$ 41,914,900
Expenditures:		
Personal services	8,262,866	7,717,653
Contribution to SERS	1,374,286	897,270
Contribution to social security	612,520	570,957
Group insurance	2,200,997	2,117,314
Contractual services	1,286,918	970,427
Travel	7,894	11,026
Commodities	89,526	77,211
Printing	12,093	17,124
Equipment	416,404	265,467
Electronic data processing	768,177	764,332
Telecommunications services	49,157	48,690
Operation of automotive equipment	28,909,684	24,834,304
For General and Regulatory Shared Services Center	428,542	-
Refunds	908	48
Total expenditures	44,419,972	38,291,823
Lapsed balances	$ 1,948,928	$ 3,623,077

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Statistical Services Revolving - 304		
Appropriations (net after transfers)	$ 176,714,200	$ 163,619,900
Expenditures:		
Personal services	42,533,957	41,357,516
Contribution to SERS	7,046,390	4,773,216
Contribution to social security	3,138,511	3,055,920
Group insurance	8,189,139	8,054,555
Contractual services	1,747,921	2,166,994
Travel	142,752	209,869
Commodities	38,287	68,243
Printing	34,499	93,983
Equipment	59,601	287,605
Electronic data processing	60,263,289	60,284,131
Telecommunications services	1,527,962	2,452,860
Operation of automotive equipment	67,200	44,726
For General and Regulatory Shared Services Center	816,576	3,195,559
Refunds	-	6,836,541
Total expenditures	125,606,084	132,881,718
Lapsed balances	$ 51,108,116	$ 30,738,182
Paper and Printing Revolving - 308		
Appropriations (net after transfers)	$ -	$ 2,522,100
Expenditures:		
Personal services	-	29,122
Contribution to SERS	-	3,358
Contribution to social security	-	2,115
Group insurance	-	9,575
Contractual services	-	35,108
Electronic data processing	-	9,347
Total expenditures	-	88,625
Lapsed balances	$ -	$ 2,433,475

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year	
	2008	2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Communications Revolving - 312		
Appropriations (net after transfers)	$ 155,393,300	$ 164,852,000
Expenditures:		
Personal services	11,363,813	10,634,452
Contribution to SERS	1,869,819	1,222,131
Contribution to social security	844,581	797,847
Group insurance	2,350,625	2,237,044
Contractual services	3,369,288	3,918,220
Travel	180,489	138,042
Commodities	67,992	98,105
Printing	23,813	55,269
Equipment	121,193	100,988
Electronic data processing	2,036,954	3,229,139
Telecommunications services	76,726,011	80,991,016
Operation of automotive equipment	131,930	126,709
For General and Regulatory Shared Services Center	1,227,080	1,412,610
Education Technology	17,724,759	17,810,521
Refunds	4,352,782	3,936,649
Total expenditures	122,391,129	126,708,742
Lapsed balances	$ 33,002,171	$ 38,143,258
Facilities Management Revolving - 314		
Appropriations (net after transfers)	$ 240,973,100	$ 258,082,400
Expenditures:		
Personal services	19,478,545	18,250,294
Contribution to SERS	3,233,826	2,109,596
Contribution to social security	1,430,987	1,346,347
Group insurance	4,298,851	4,099,564
Contractual services	167,873,037	163,207,673
Travel	68,826	58,379
Commodities	419,235	408,316
Printing	8,925	2,904
Equipment	17,860	54,202
Electronic data processing	646,131	216,605
Telecommunications services	216,935	235,359
Operation of automotive equipment	110,025	99,748
Lump sums	1,294,035	1,380,301
For General and Regulatory Shared Services Center	398,561	202,718
Total expenditures	199,495,779	191,672,006
Lapsed balances	$ 41,477,321	$ 66,410,394

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

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

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Efficiency Initiatives Revolving - 315		
Appropriations (net after transfers)	$ 700,000	$ 6,500,000
Expenditures:		
Efficiency initiatives	219,567	5,397,055
Total expenditures	219,567	5,397,055
Lapsed balances	$ 480,433	$ 1,102,945
Professional Services - 317		
Appropriations (net after transfers)	$ 15,076,600	$ 13,984,700
Expenditures:		
Personal services	5,220,679	4,355,455
Contribution to SERS	874,931	504,813
Contribution to social security	385,616	327,853
Group insurance	1,062,772	925,096
Contractual services	1,357,508	1,584,656
Travel	112,121	66,539
Commodities	5,395	3,523
Printing	6,970	3,810
Equipment	16,434	5,909
Electronic data processing	84,885	74,816
Telecommunications services	70,544	60,827
Operation of automotive equipment	3,106	-
For General and Regulatory Shared Services Center	3,798	20,793
Internal audit consolidation	1,376,978	1,013,959
Total expenditures	10,581,737	8,948,049
Lapsed balances	$ 4,494,863	$ 5,036,651

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Workers' Compensation Revolving - 332		
Appropriations (net after transfers)	$ 127,924,000	$ 122,968,700
Expenditures:		
Personal services	1,099,367	1,416,685
Contribution to SERS	182,147	163,449
Contribution to social security	82,038	105,629
Group insurance	242,692	299,342
Contractual services	57,759	43,232
Travel	14,991	14,992
Commodities	2,805	8,507
Printing	-	1,526
Equipment	401	-
Electronic data processing	10,900	10,548
Telecommunications services	18,982	19,000
Workers' compensation claims	117,460,494	91,238,750
Admin. expenses and payment of temporary disability	257,874	197,064
Total expenditures	119,430,450	93,518,724
Lapsed balances	$ 8,493,550	$ 29,449,976
Minority and Female Business Enterprise - 352		
Appropriations (net after transfers)	$ 50,000	$ 50,000
Expenditures:	-	-
Total expenditures	-	-
Lapsed balances	$ 50,000	$ 50,000
Group Insurance Premium - 457		
Appropriations (net after transfers)	$ 91,644,300	$ 86,207,400
Expenditures:		
Life insurance coverage	78,687,647	76,175,094
Cost containment program	77,884	282,200
Total expenditures	78,765,531	76,457,294
Lapsed balances	$ 12,878,769	$ 9,750,106

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year 2008	Fiscal Year 2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
State Employees' Deferred Compensation Plan - 755		
Appropriations (net after transfers)	$ 1,698,300	$ 1,698,300
Expenditures:		
Administration	1,204,715	1,182,071
Total expenditures	1,204,715	1,182,071
Lapsed balances	$ 493,585	$ 516,229
State Surplus Property Revolving - 903		
Appropriations (net after transfers)	$ 4,132,225	$ 3,050,000
Expenditures:		
Personal services	-	983,869
Contribution to SERS	-	113,445
Contribution to social security	-	72,658
Group insurance	-	217,223
Contractual services	-	566,092
Travel	-	24,142
Commodities	-	10,099
Printing	-	673
Equipment	-	253,310
Telecommunications services	-	17,916
Record processing/I-Cycle program	2,055,980	114,907
Operation of automotive equipment	-	113,823
For General and Regulatory Shared Services Center	-	71,134
Refunds	-	2,323
Total expenditures	2,055,980	2,561,614
Lapsed balances	$ 2,076,245	$ 488,386
Health Insurance Reserve - 907		
Appropriations (net after transfers)	$ 14,556,100	$ 15,195,900
Expenditures:		
Personal services	121,576	155,218
Contribution to SERS	20,136	17,889
Contribution to social security	9,044	11,629
Contractual services	-	749
Telecommunications services	1,095	771
Cost containment	-	155,700
For General and Regulatory Shared Services Center	145,190	131,955
Health care coverage	9,470,247	8,686,740
Total expenditures	9,767,288	9,160,651
Lapsed balances	$ 4,788,812	$ 6,035,249

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 2

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

	Fiscal Year	
	2008	2007
	P.A. 95-0348 and P.A. 95-11	P.A. 94-0798 and P.A. 95-0144
Grand Total, All Appropriated funds		
Appropriations (net after transfers)	$ 968,766,734	$ 997,126,900
Total expenditures	796,251,183	791,795,297
Total lapsed balances	$ 172,515,551	$ 205,331,603
State Officers' Payroll		
Appropriations (through Comptroller's Office)	$ 370,400	$ 348,900
Expenditures:		
For the Director	-	86,924
For Assistant Directors	116,917	165,876
Total expenditures	116,917	252,800
Lapsed balances	$ 253,483	$ 96,100

Schedule 3

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Balance June 30, 2007	Additions	Deletions	Net Transfers	Balance June 30, 2008
Department-wide Capital Assets					
Land and land improvements	$ 42	$ -	$ -	$ -	$ 42
Building and building improvements	5,010	339	-	(314)	5,035
Equipment	2,562	54	-	(206)	2,410
Total General Fixed Asset Account Group	7,614	393	-	(520)	7,487
State Garage Revolving Fund - 0303					
Equipment	4,079	847	-	(738)	4,188
Total State Garage Revolving Fund - 0303	4,079	847	-	(738)	4,188
Statistical Services Revolving Fund - 0304					
Equipment	69,590	10,368	(3,051)	7,925	84,832
Total Statistical Services Revolving Fund - 0304	69,590	10,368	(3,051)	7,925	84,832
Paper and Printing Revolving Fund - 0308					
Equipment	15	-	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	-	15
Communications Revolving Fund - 0312					
Equipment	104,128	7,649	(1,915)	3,303	113,165
Leases: Buildings and Building Improvements	696	-	-	-	696
Total Communications Revolving Fund - 0312	104,824	7,649	(1,915)	-	113,861
Facilities Management Revolving Fund-0314					
Land and land improvements	38,364	-	-	-	38,364
Site Improvements	3,889	-	-	-	3,889
Buildings and building improvements	381,698	573	-	4,775	387,046
Leases: Buildings and building improvements	50,202	-	-	-	50,202
Equipment	679	35	-	113	827
Works of art	974	-	-	-	974
Total Facilities Management Revolving Fund-0314	475,806	608	-	4,888	481,302
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 661,928	$ 19,865	$ (4,966)	$ 14,858	$ 691,685

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

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

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

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

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 4

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
General Revenue - 001		
Miscellaneous	$ 42,986	$ 13,591
Repay State-upward mobility	104,004	108,273
Sale of land and structures	3,752,500	-
Prior year refunds	4,817	13,945
Private organizations or individuals	-	-
Other	-	770
Total - Fund 001	$ 3,904,307	$ 136,579
Road - 011		
Prior year refunds	$ 96,927	$ -
Local Government Health Insurance Reserve - 193		
Insurance premiums	$ 60,214,257	$ 63,369,228
Third party reimbursement	644,571	807,065
Federal Medicare Part D	160,153	205,976
Total - Fund 193	$ 61,018,981	$ 64,382,269
Flexible Spending Account - 202		
Payroll deductions	$ 24,266,199	$ 21,308,424
State Garage Revolving - 303		
Charges to user agencies	$ 46,142,180	$ 35,083,617
Statistical Services Revolving - 304		
Charges to user agencies	$ 121,524,664	$ 127,869,062
Paper and Printing Revolving - 308		
Charges to user agencies	$ 1,629	$ 140,773
Communications Revolving - 312		
Charges to user agencies	$ 121,650,832	$ 117,277,708
Facilities Management Revolving - 314		
Rental income	$ 211,946,762	$ 184,971,527
Efficiency Initiatives Revolving - 315		
Other Illinois state agencies	$ -	$ 20,935
Senior Citizen and Disabled Persons Program - 316		
Senior citizens / Prescription drug discount fees	$ 8,185	$ 5,020
Professional Services - 317		
Miscellaneous	$ 391	$ 882
Prior year refunds	-	1,703
Total - Fund 317	$ 391	$ 2,585
State Police Vehicle Maintenance - 328		
State property sales	$ 49,756	$ 124,906

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF CASH RECEIPTS
For Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Workers' Compensation Revolving - 332		
Receipts due to subrogation of workers' compensation claims	$ 14,883,571	$ 1,174,028
Group Insurance Premium - 457		
Direct payments of insurance premiums by employees	$ 703,961	$ 922,946
Optional life deductions	46,689,949	46,037,178
Carrier refunds	9,277,265	1,774,267
Employer reimbursement for basic life coverage	8,863,858	8,103,575
Transfers in from other funds	18,000,000	21,000,000
Prior year refund	74	70
Total - Fund 457	$ 83,535,107	$ 77,838,036
Community College Health Insurance Security - 577		
Transfers in from other funds	$ 4,740,200	$ 3,701,728
Federal Medicare Part D	1,783,224	1,775,346
Member contributions	953,040	868,684
Total - Fund 577	$ 7,476,464	$ 6,345,758
State Employees' Deferred Compensation Plan - 755		
Benefits receipts	$ 3,462,876	$ 3,718,711
Annual asset charge and investment exchange	1,088,261	1,247,578
Payroll deductions	175,314,626	163,461,225
Other	358	79
Total - Fund 755	$ 179,866,121	$ 168,427,593
State Surplus Property Revolving - 903		
Sales of surplus property	$ 2,176,161	$ 2,967,256
Health Insurance Reserve - 907		
Reimbursement of insurance premiums from federal trusts, other funds, and employers	$ 157,293,279	$ 157,938,394
Direct payments of insurance premiums by employees	5,391,360	5,469,997
Refunds from insurance carriers	22,219,853	22,805,549
Optional health deductions	197,168,145	181,737,644
Health facilities	174,748,069	166,072,366
Transfers in from other funds	11,349,200	11,349,200
Federal Medicare Part D	33,182,069	36,471,952
Prior year refund	-	753
Total - Fund 907	$ 601,351,975	$ 581,845,855
GRAND TOTAL, ALL FUNDS	$ 1,479,900,212	$ 1,389,921,931

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2008

	General Revenue 001	Road 011	Local Government Health Insurance Reserve 193	Flexible Spending Account 202	State Garage Revolving 303	Statistical Services Revolving 304
Cash receipts per Department records	$ 3,904,307	$ 96,927	$ 61,018,981	$ 24,266,199	$ 46,142,180	$ 121,524,664
Add:						
Deposits in transit at beginning of period	896	-	461,436	5,595	32,143	10,071
Miscellaneous	-	-	-	-	-	-
IOC holds from GRF (current year)	-	-	-	-	14,976	212,595
Adjustments	-	-	-	-	-	97
Refunds	2,782	-	-	-	2,434	4,218
Deduct:						
Deposits in transit at end of period	3,872	-	564,974	3,745	5,195	14
Miscellaneous/Adjustments	-	-	-	-	-	1,494
IOC holds from GRF (prior year)	-	-	-	-	1,789	-
Deposits into the State Treasury	$ 3,904,113	$ 96,927	$ 60,915,443	$ 24,268,049	$ 46,184,749	$ 121,750,137

Schedule 5

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2008

	Paper and Printing Revolving 308	Communications Revolving 312	Facilities Management Revolving 314	Senior Citizen and Disabled Persons Program 316	Professional Services 317	State Police Vehicle Maintenance 328
Cash receipts per Department records	$ 1,629	$ 121,650,832	$ 211,946,762	$ 8,185	$ 391	$ 49,756
Add:						
Deposits in transit at beginning of period	-	249,617	-	-	-	-
Miscellaneous	-	-	184	-	-	-
IOC holds from GRF (current year)	-	157,655	8,116	-	-	-
Adjustments	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Deduct:						
Deposits in transit at end of period	-	196,239	59,811	2,065	-	-
Miscellaneous/Adjustments	-	-	-	-	-	-
IOC holds from GRF (prior year)	-	784	-	-	-	-
Deposits into the State Treasury	$ 1,629	$ 121,861,081	$ 211,895,251	$ 6,120	$ 391	$ 49,756

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Schedule 5

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER
For Fiscal Year Ended June 30, 2008

	Workers' Compensation Revolving 332	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	TOTAL
Cash receipts per Department records	$ 14,883,571	$ 83,535,107	$ 7,476,464	$ 179,866,121	$ 2,176,161	$ 601,351,975	$ 1,479,900,212
Add:							
Deposits in transit at beginning of period	127,379	102,403	-	2,635	36,157	1,078,902	2,107,234
Miscellaneous	-	20	-	-	-	-	204
IOC holds from GRF (current year)	-	-	-	-	-	-	393,342
Adjustments	-	-	-	-	-	-	97
Refunds	-	-	-	-	-	-	9,434
Deduct:							
Deposits in transit at end of period	2,243	107,133	61,924	23,635	90,110	2,162,159	3,283,119
Miscellaneous/Adjustments	-	-	-	-	-	-	1,494
IOC holds from GRF (prior year)	-	-	-	-	-	-	2,573
Deposits into the State Treasury	$ 15,008,707	$ 83,530,397	$ 7,414,540	$ 179,845,121	$ 2,122,208	$ 600,268,718	$ 1,479,123,337

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For Fiscal Year Ended June 30, 2008

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures greater than $500,000 and 15% between fiscal years 2007 and 2008 as presented in the "Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances – Appropriated Funds" (Schedule 2) are detailed below:

General Revenue – 001

The General Revenue Fund experienced a decrease in expenditures of $22,648,284 (21.7%).

Contractual services decreased $6,743,990 (32.6%) primarily due to decreased payments to the Facilities Management Revolving Fund for Department funded buildings. A significant decrease in appropriations for these payments has resulted in a large payable balance due to the Facilities Management Revolving Fund.

During fiscal year 2007, Public Act 095-0144, a supplemental appropriation provided for "The deposit into the Worker's Compensation Revolving Fund for payment of Worker's Compensation Act claims and contractual services in connection with said payments." This was not appropriated in fiscal year 2008 resulting in a decrease of $11,398,100 (100.0%).

General and Regulatory Shared Services Center decreased $1,447,804 (61.9%) due to expenditures associated with the Administrative and Regulatory Shared Services Center as created by Executive Order 2006-06. The initial appropriation for the Shared Service Center was during fiscal year 2007 and included increased expenditures for program implementation.

Pilot program to increase access to broadband services decreased by $956,108 (100.0%). Executive Order 2005-9 established a program to increase access to broadband services for rural and low-income areas. Fiscal year 2007 was the first year receiving appropriations for this project. This project received no appropriations for fiscal year 2008.

State Garage Revolving – 303

Operation of automotive equipment increased $4,075,380 (16.4%) due to increased fuel prices for both gas and diesel and an increase in gallons of diesel purchased (approximately 600,000 more gallons) in fiscal year 2008.

Statistical Service Revolving – 304

Contribution to SERS increased $2,273,174 (47.6%). This increase was due to a difference in rate calculations between fiscal year 2007 and fiscal year 2008 and an overall increase in personal services expenditures. In fiscal year 2007 the rate calculation was 11.5% and it was 16.6% in fiscal year 2008.

A $924,898 (37.7%) decrease in Telecommunications services is due to a delay in payment of fiscal year 2008 Communications Revolving Fund invoices due to cash flow issues.

A decrease of $2,378,983 (74.4%) for General and Regulatory Shared Services Center is for expenditures associated with the Administrative and Regulatory Shared Services Center as created by Executive Order 2006-06. The initial appropriation for the Shared Service Center was during fiscal year 2007 and included increased expenditures for program implementation.

A decrease of $6,836,541 (100.0%) for Refunds is due to the Federal overpayments calculated for fiscal years 2004 and 2005 that were repaid in fiscal year 2007. No repayments were made in fiscal year 2008.

Communications Revolving – 312

Contribution to SERS increased $647,688 (53.0%). This increase was due to a difference in rate calculations between fiscal year 2007 and fiscal year 2008 and an overall increase in personal services expenditures. In fiscal year 2007 the rate calculation was 11.5% and it was 16.6% in fiscal year 2008.

Electronic data processing expenditures decreased $1,192,185 (36.9%) between fiscal year 2007 and fiscal year 2008. During fiscal year 2007, there were significant costs related to the conversion to a new Communications Revolving Fund billing system referred to as EMS 11.

Facilities Management Revolving – 314

Contribution to SERS increased $1,124,230 (53.3%). This increase was due to a difference in rate calculations between fiscal year 2007 and fiscal year 2008 and an overall increase in personal services expenditures. In fiscal year 2007 the rate calculation was 11.5% and it was 16.6% in fiscal year 2008.

Efficiency Initiatives Revolving – 315

Efficiency initiatives decreased $5,177,488 (95.9%). In fiscal year 2007, a one time payment of $5,000,000 was made to Facilities Management Revolving Fund. No such payment was made during fiscal year 2008.

Professional Services – 317

Personal services increased $865,224 (19.9%) due to Labor Relations staff headcount and related payroll costs moved from General Revenue Fund to Professional Services Fund in fiscal year 2008.

Workers' Compensation Revolving – 332

Workers' compensation claims increased $26,221,744 (28.7%) due to settlement procedures implemented during fiscal year 2008 which controls both the amount to be paid as well as the date the claim is to be paid. These procedures led to approximately 5,500 more medical bills reviewed and paid during fiscal year 2008 than in fiscal year 2007.

State Surplus Property Revolving – 903

The Department shifted the appropriation structure between fiscal year 2007 and fiscal year 2008 for the State Surplus Property Revolving Fund. In fiscal year 2007, the Fund functioned within dedicated appropriation lines. In fiscal year 2008, the Fund began functioning within a lump sum appropriation. This resulted in a 100% expenditure decrease for all previously appropriated line items and created a $1,941,073 (1,689.3%) expenditure increase at the lump sum level.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS

For Fiscal Year Ended June 30, 2008

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than $100,000 and 15% between fiscal years 2007 and 2008 as presented in the "Comparative Schedule of Cash Receipts" are detailed below:

General Revenue – 001

Sale of land and structures increased by $3,752,500 (100.0%). This increase is from the sale of the surplus real property formerly used as Corrections Valley View Illinois Youth Center in fiscal year 2008. No sales of land and structures occurred in fiscal year 2007.

Local Government Health Insurance Reserve Fund – 193

Third party reimbursements decreased $162,494 (20.1%) as a result of decrease in enrollment from 2007 to 2008 and corresponding decrease in claims processed under the program, thus creating fewer third party reimbursements to the State.

State Garage Revolving Fund – 303

An increase of $11,058,563 (31.5%) in the charges to user agencies was the result of increased fuel revenue from higher fuel prices (both diesel and gas) from prior year and increase in gallons (approximately 600,000 more gallons) of diesel sold in fiscal year 2008. The increase also resulted from a decrease in accounts receivable/due from others balance as result of timing of agency payments.

Paper and Printing Revolving – 308

A decrease of $139,144 (98.8%) in the charges to user agencies was because this fund is no longer revolving due to inactivity. The program was phased out of operations in fiscal year 2007. The fund sold remaining inventory in early fiscal year 2007 and receipts in fiscal year 2007 and fiscal year 2008 represent collections of existing outstanding receivables at 6/30/06 and continue to decrease.

Workers' Compensation Revolving – 332

Receipts due to subrogation of workers' compensation claims increased $13,709,543 (1,167.7%) primarily as a result of a one-time deposit of $11,398,100 from the General Revenue Fund pursuant to a supplemental appropriation in fiscal year 2007 lapse.

Group Insurance Premium – 457

Direct payments of insurance premiums by employees decreased $218,985 (23.7%) because of a rate decrease in fiscal year 2008 for 40-44 and 50+ age groups. Additionally, the mix changes year-to-year of individuals direct billed and life billings vary based on whether the individuals have optional life coverage which is higher.

An increase of $7,502,998 (422.9%) in carrier refunds represents the amount which premiums outweighed carrier liability and administrative charges for fiscal year 2007 refunded and received by the State in fiscal year 2008.

Community College Health Insurance Security – 577

Transfers in from other funds increased $1,038,472 (28.1%). In the current year the certification of projected contributions to the Community College Health Insurance Security Fund for State fiscal year 2008 included short-falls from 1999 through 2005 totaling $1,022,595. These short-falls were not included in the calculation of the amount to be transferred from the General Revenue Fund prior to fiscal year 2008.

State Surplus Property Revolving – 903

The sales of surplus property decrease of $791,095 (26.7%) was due to reduced vehicle sales. In fiscal year 2008, there were fewer vehicle replacements and fewer auctioned vehicles. The decrease was also the result of decreased personal property available for sale as agencies are extending useful lives to avoid new purchases and reutilizations were higher as agencies drew from inventory to avoid/delay purchases.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For Fiscal Year Ended June 30, 2008

The State of Illinois, Department of Central Management Services' (Department) explanations for significant lapse period spending greater than $500,000 and 15% as presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances By Fund" (Schedule 1) for fiscal year 2008 are detailed below.

State Garage Revolving – 303

Approximately 19% of total expenditures in the State Garage Revolving Fund were paid during the lapse period during fiscal year 2008. This is the result of cash flow issues occurring within the fund.

Group Insurance Premium – 457

The Group Insurance Premium Fund makes 12 monthly premium payments to its life insurance carrier. However, these payments are made two months behind therefore 2 of the 12 payments were paid during the lapse period during fiscal year 2008.

Schedule 6

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ANALYSIS OF ACCOUNTS RECEIVABLE
For Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Revenue 001	State Garage Revolving 303	Communications Revolving 312	Facilities Management Revolving 314	Professional Services Revolving 317	Workers' Compensation Revolving 332	State Employees' Deferred Compensation Plan 755	State Surplus Property Revolving 903	Group Insurance 1457
Accounts receivable - Intergovernmental and other	$ -	$ 73	$ 1,021	$ -	$ -	$ -	$ -	$ 29	$ -
Accounts receivable - other	593	16	1,624	48	16	28	1,138	92	4,463
Total accounts receivable	593	89	2,645	48	16	28	1,138	121	4,463
Allowance for doubtful accounts	19	-	80	-	-	-	-	82	-
Net accounts receivable	$ 574	$ 89	$ 2,565	$ 48	$ 16	$ 28	$ 1,138	$ 39	$ 4,463

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

The Department utilizes the Comptroller's offset system for non-State agency receivables.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY FUNCTIONS AND PLANNING PROGRAM

For Fiscal Year Ended June 30, 2008

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.

Maureen O'Donnell served as Acting Director effective March 10, 2007 and James P. Sledge is currently serving as Director effective August 25, 2008.

The Department is organized in nine major division/bureaus:

- Benefits
- Communication and Computer Services
- Information Services
- Business Enterprise Program
- Personnel
- Property Management
- Strategic Sourcing and Procurement
- Shared Services
- 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, 2008, 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 quarterly reporting of agency performance information. This process results in an agency-wide strategic plan that outlines the proprieties, initiatives and objectives of each of the eight Bureaus.

The Department submits this strategic plan annually to the Governor's Office of Management and Budget (GOMB). In addition to the strategic priorities and the initiatives and objectives included to support these priorities, the Department also provides its key 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 progress toward goals, performance metric data and budget information.

Reports are submitted through GOMB's on-line system.

The Department's bureaus are responsible for developing metrics that measure inputs, outputs, customer services and efficiency in conjunction with benchmark data. At the completion of each fiscal year, the Department submits Service Efforts and Accomplishments (SEA) information on six programs to the Comptroller's Public Accountability Project. These programs are Employee Benefits, Business Enterprise Program, Communications and Computer Services, Property Management, Personnel and Procurement. The information includes a narrative, program mission, goals and input, output and performance data.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AVERAGE NUMBER OF EMPL0YEES

For the Fiscal Years Ended June 30, 2008 and 2007

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

	2008	2007
Administrative Operations	145	150
Communications and Computer Services	710	752
Personnel	104	105
Benefits	90	82
Strategic Sourcing & Procurement	198	204
Property Management	319	313
Information Services	74	71
Business Enterprise Programs for Minorities, Females and Persons with Disabilities	10	5
Total	1,650	1,682

Note: Approximately 16 non-appropriated full-time equivalent employees were excluded from the 2007 total. There were 15 non-appropriated full-time equivalent employees included in the 2008 total.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

EMERGENCY PURCHASES

For Fiscal Year Ended June 30, 2008

Description	Amount
Repairs to Kenneth Hall Regional Office Building in East St. Louis. On the second floor balcony a masonry parapet has become loose and has become a safety issue as well as a water leak that requires immediate attention.	$ 53,496
Cellular services contract to cover Region 7 while the solicitation of a new contract is finished. This emergency procurement will allow time for the award of a statewide cellular contract.	90,600
Capital improvements for the State's central computing facility. The request is for modification to the water chiller systems, additional 3 phase power on the data center floor, and HVAC system repairs.	520,100
To address performance issues related to DHS application implementations. Additional memory was needed to curtail power outages that were caused by the lack of memory.	55,730
Repair or replacement of electrical system components to ensure continued and uninterrupted laboratory testing in the Illinois Department of Public Health Chicago lab.	1,127,000
Support for the backbone of the Illinois State Lottery through the extension of modems and Timplex DTM maintenance.	406,889
For the proper evaluation and review of solicitation, protest period, award and execution of a new contract for legal research.	130,000
Procurement of cellular services for push to talk feature due to the fact that the new state wide cellular contract had not been executed.	716,306
Procurement of cellular services for Region 7 due to the fact that the new state wide cellular contract had not been executed.	100,043
Procurement of cellular services for Region 5 due to the fact that the new state wide cellular contract had not been executed.	17,979

Description	Amount
Procurement of cellular services for Regions 1-4 & 6 due to the fact that the new state wide cellular contract had not been executed.	$ 3,216,780
To allow sufficient time for proper evaluation and review of protest of a legal resources contract.	64,715
Contract will allow the State to continue to purchase CISCO equipment, software and services while a master contract is procured and executed.	2,703,318
Maintenance of existing UPS systems statewide and anticipates required upgrades at existing sites. Maintaining systems that supply power during power abnormalities is vital to protecting the 24/7 availability of the network.	217,954
The immediate expenditure for on-going Illinois Lottery network backbone maintenance. The state needs extra time to establish a long term contract due to issues with the prospective sale of the Illinois lottery gaming network.	380,072
Insurance coverage renewal for Facilities Nuclear Energy Liability and Master Facility Worker at the Sheffield site (a low level radioactivity disposal facility) due to unsuccessful identification of alternate means of coverage.	49,750
The emergency procurement of cellular services for Regions 1-4 & 6 due to the fact that the new state wide cellular contract had not been executed.	2,289,303
Contract will allow the State to continue to purchase CISCO equipment, software and services while a master contract is procured and executed.	3,753,019
New egress services under the RFP could not be installed in time to remove existing services.	114,000
Replacement of a large portion of the Elgin garage roof that was torn off during a storm.	224,500

Description	Amount	
Maintenance of existing UPS systems statewide and anticipates required upgrades at existing sites. Maintaining systems that supply power during power abnormalities is vital to protecting the 24/7 availability of the network.	$ 329,002	
Procurement of janitorial services for the Illinois State Police Central Headquarter's facility on a short term basis in order to allow time for a competitive bid to be issued and awarded.	81,152	
Procurement of cellular services for Regions 1-4 & 6 due to the fact that the new state wide cellular contract had not been executed.	3,666,348	*
Procurement of cellular services for Region 5 due to the fact that the new state wide cellular contract had not been executed.	17,793	*
Cellular services contract to cover region 7 while the solicitation of a new contract is finished. This emergency procurement will allow time for the award of a statewide cellular contract.	114,343	*
Procurement of cellular services for push to talk feature due to the fact that the new state wide cellular contract had not been executed.	600,570	*
	$ 21,040,762	

* The affidavits for the emergency purchases were filed in fiscal year 2008; however, the services and related expenditures occurred in fiscal year 2009.

MEMORANDUM OF UNDERSTANDING

For the Fiscal Year Ended June 30, 2008
(Unaudited)

During fiscal year 2008, the Department entered into the following memorandum of understanding.

Parties	Description
Illinois Department of Transportation	Pursuant to Public Act 89-001 and 89-0022, and subsequent acts related thereto, payment of auto liability and indemnification claims which involve drivers who are employed by the Department of Transportation, the Illinois State Police, and the Office of the Secretary of State.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

DEBT COLLECTION BOARD

For the Fiscal Year Ended June 30, 2008

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

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

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

As of June 30, 2008, the Debt Collection Board has only three agencies reporting accounts receivable.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

ADMINISTRATIVE AND REGULATORY SHARED SERVICES CENTER (ARSSC)
Located at the Department of Revenue

For Fiscal Year Ended June 30, 2008

Executive Order 2006-6, issued March 31, 2006, ordered the creation of a Division of Shared Services within the Department of Revenue to serve designated "administrative" agencies. The Shared Services Division created at Revenue was called the Administrative and Regulatory Shared Services Center (ARSSC) and combined certain functions of three "administrative" agencies: the Department of Central Management Services (DCMS), Department of Financial and Professional Regulation (DFPR), and Department of Revenue (DOR).

The stated purpose of the Division of Shared Services was to consolidate certain common administrative functions, such as human resources, personnel, payroll, timekeeping, procurement, and financial processes, currently being performed by individual agencies, to improve the ability of all State agencies to share management knowledge and capitalize on synergies and economies of scale.

The first function consolidated in the ARSSC was the human resources operations, which began in October 2007 with the signing of an interagency agreement between DOR, DCMS, and DFPR. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on August 15, 2008. The total budgeted headcount of the ARSSC at June 30, 2008 was 138 positions.

In fiscal year 2007, the three agencies were appropriated $21.9 million for costs and expenses related to or in support of the ARSSC Shared Services Center; $18.8 million was appropriated in fiscal year 2008. Exhibit 1 summarizes the appropriations and expenditures for the three agencies participating in the ARSSC Shared Services Center in fiscal years 2007 and 2008.

Exhibit 1
ARSSC SHARED SERVICES APPROPRIATIONS AND EXPENDITURES
Fiscal Years 2007 and 2008

	Fiscal Year 2007		**Fiscal Year 2008**	
	Appropriations	**Expenditures**	**Appropriations**	**Expenditures**
DOR	$8,508,600	$8,187,828	$7,757,543	$7,656,590
DCMS	$9,523,400	$7,990,639	$7,891,907	$3,911,794
DFPR	$3,855,600	$3,724,072	$3,152,500	$2,943,857
TOTALS	**$21,887,600**	**$19,902,539**	**$18,801,950**	**$14,512,241**

Source: OAG from Comptroller data

As part of the development of the Shared Services Program, the Governor's Office of Management and Budget (GOMB) entered into contracts with several firms to perform consulting and professional services to facilitate the reorganization of common functions into Shared Services Centers, as well as provide staffing and organizational analyses.

The amount paid out by the State for these contracts totaled over $9 million over fiscal years 2006, 2007 and 2008. The costs of these contracts were allocated among many of the State agencies designated to participate in the various Shared Services Programs. DCMS paid $124,500 to Deloitte in fiscal year 2006 and $389,917 to Diamond Cluster in fiscal year 2007. DCMS did not pay any amounts to consulting and professional services vendors related to the Shared Services Programs during fiscal year 2008.

As part of the Auditor General's review of the Shared Services Program statewide, they sent a survey to all agencies that received an appropriation for Shared Services operations in fiscal years 2007 and/or 2008. They also surveyed the Shared Service Centers and asked similar questions of them.

One of the goals of the Shared Services Program was to realize cost savings through consolidation of common functions of several agencies into one location. In its response to our survey, the ARSSC reported savings of $258,197 in fiscal year 2008. These are unaudited figures. The ARSSC did not report any savings in fiscal years 2006 or 2007. The savings reported for fiscal year 2008 were attributed to the elimination of 6 staff positions and their associated support costs. The ARSSC detailed the savings by agency as follows: Revenue -- $25,165; DFPR -- $88,682; and CMS -- $144,350.

In response to the survey auditors sent to the user agencies, DCMS reported there were no documented savings in fiscal year 2008, but noted that the Center "had indicated that it intends to abolish a net of 2 vacant positions transferred from CMS. More detail on cost reductions can be obtained from the Center."

DCMS reported incurring implementation costs totaling from $301,054 to $709,412 during fiscal years 2006, 2007, and 2008. DCMS reported their implementation costs as a range, in the absence of a cost allocation methodology at the time their response to the survey was prepared. The implementation costs reported include payroll and related costs, travel, moving, equipment and furniture acquisitions, temporary employees, telecommunications, and contractual services.

As part of the Auditor General's compliance examinations conducted on agencies for the period ending June 30, 2008, they reviewed expenditures paid from appropriations for Shared Services at selected agencies during fiscal year 2008. At each of the three agencies covered by the ARSSC, expenditure transactions paid from the agency's Shared Services appropriation were sampled to determine whether they were related to the Shared Services Program.

At DCMS, we performed detail testing of 15 payroll vouchers, totaling $183,253, and 50 expenditure vouchers, totaling $499,724, and noted exceptions regarding expenditures for personnel services, travel, and goods or other services that were paid from this appropriation but were not related to the Shared Services Program. Please refer to Finding Code No. 08-24 on page 64 for more information.

Our review this year focused on expenditures from the Shared Services Program appropriations and the costs of program implementation to date. While some agencies surveyed reported savings, it was premature to examine asserted savings and programmatic goals achieved at this time.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

SERVICE EFFORTS AND ACCOMPLISHMENTS

For Fiscal Year Ended June 30, 2008
(Unaudited)

(Dollars in Thousands)

	Fiscal Year2007		**Fiscal Year2008**	
Program	**Expenditures**	**Headcount**	**Expenditures**	**Headcount**
Communications and Computer Services	$ 261,465.6	754.0	$ 251,446.2	715.0
Employee Benefits and Risk Management	226,605.1	83.0	241,446.4	75.0
Property Management	219,031.3	313.0	214,592.4	319.0
Procurement	41,738.6	204.0	48,083.2	199.0
Other/Non Programs	22,859.5	140.0	17,948.6	133.0
Personnel	12,473.9	117.0	13,633.8	116.0
Media Services	7,241.0	71.0	8,198.4	75.0
Business Enterprise Program	380.3	4.0	902.2	9.0
Agency Totals	**$ 791,795.3**	**1,686.0**	**$ 796,251.2**	**1,641.0**

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

The Business Enterprise Program certifies businesses that are owned and operated by minorities, women, and persons with disabilities, and assists in certifying businesses in order to bid for state contracts. The Department continues to advance efforts to expand opportunities for businesses owned by women, minorities, and persons with disabilities. In fiscal year 2008, the Business Enterprise Program implemented the Recognition Certification Application Process. This streamlined process allows eligible vendors to submit a shorter application form, making the certification process more efficient. The Department also encourages large State contracts to include subcontracting opportunities for BEP-certified firms.

Communications and Computer Services manage the planning and delivery of statewide information technology and telecommunications services. It operates central computing facilities, maintains common computer applications and manages the Illinois Century Network (ICN), which provides broadband network connectivity to educational institutions and state government. CMS continues to pursue IT consolidation efforts to drive down operating costs and improve service delivery.

Benefits administers group insurance programs for all active and retired state employees, retired teachers, retired community college employees, and employees of local government units, the State's 457 deferred compensation program, the pre-tax flexible spending and commuter savings programs for state employees and the State's risk management programs, including workers' compensation, auto liability, representation and indemnification and insurance procurement.

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

Property Management manages and maintains state owned properties, oversees the lease or purchase of needed space, coordinates the disposition of surplus real and personal property, administers state and federal surplus property programs, coordinates recycling programs and administers special events. As the state's coordinator for the Law Enforcement Support Office (LESO), CMS secures military equipment for use by Illinois law enforcement agencies. In fiscal year 2008, CMS continued to upgrade its online surplus property system, iBid, to provide local governments with access to the system, and improve service to buyers of property sold over the Internet. In fiscal year 2008, 12 local governments sold surplus property via iBid. Since it's inception in 2003, iBid has sold more than 8,118 items and generated more than $1.8 million in on-line sales for the State of Illinois.

Strategic Sourcing and Procurement is focused on reducing the cost of state government while alleviating the burdens Illinois businesses have faced in doing business with the state. Through a center-led approach to procurement and standardizing the procurement process for equipment, commodities and services across state agencies, this program has reduced the total cost of the provision of these goods and services. This program is also responsible for managing the state's fleet operations. CMS received recognition from a national publication by ranking Illinois among the top 50 Public Sector Alternative Fueled Fleets in 2008. This past year our procurement team bid and awarded a number of contracts to expand the statewide use of environmentally friendly vehicles.

Business Enterprise Program

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

Program Goals: Objectives:

1. Promote the participation of BEP prime and subcontractor goals for RFP's over $500,000.
   a. Seek achievement of BEP participation goals.
   b. Ensure that good faith efforts are made by the prime to achieve BEP participation goals prior to any waiver.
   c. Continue to enhance internal CMS management controls to achieve BEP participation goals.
2. Monitor the efforts of agencies towards their achievement of BEP prime and subcontracting goals for all State contracts.
   a. Improve the monitoring system for compliance of BEP participation goals.
   b. Work closely with all state agencies on monthly progress of BEP participation goals.
   c. Recommend additional and/or remedial efforts by agencies when BEP participation goals are or appear to be below reasonable expectations.

Source of Funds: General Revenue Fund, Minority and Female Business Enterprise Fund ***Statutory Authority:*** 30 ILCS 575

	Fiscal Year 2006 Actual	***Fiscal Year 2007 Actual***	***Fiscal Year 2008 Target/Projected***	***Fiscal Year 2008 Actual***	***Fiscal Year 2009 Target/Projected***
Input Indicators					
* Total expenditures - all sources (in thousands)	$420.3	$380.3	$950.7	$902.2	$1,305.7
* Total expenditures - state appropriated funds (in thousands)	$420.3	$380.3	$950.7	$902.2	$1,305.7
* Average monthly full-time equivalents	6.0	4.0	13.0	9.0	13.0
Output Indicators					
* Number of outreach events attended	69.0	72.0	90.0	64.0	70.0
* Number of BEP applications received	1,248	809.0	1,500	1,859	1,900
* Number of BEP certifications approved (a)	984.0	648.0	N/A	1,417	N/A
* Number of BEP certifications denied (a)	233.0	161.0	N/A	362.0	N/A
* Number of BEP (Minority, Women, Disabled Business Enterprise) subcontracting firms (b)	N/A	62.0	68.0	N/A	N/A
Outcome Indicators					
* BEP participation contract value (c)	$.0	$69,003.7	$75,904.1	N/A	N/A

Footnotes

(a) Only actual figures are reported.

(b) Data not available until 2009.

(c) Measure being re-evaluated

Communications and Computer Services

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

Program Goals: Objectives:

1. Provide appropriate technological infrastructure, tools, services, and resources to meet user needs.
   a. Maintain data processing and communications infrastructure availability of 99.0% or greater.
   b. Develop and achieve timeliness and performance standards in each major service area.
   c. Support state agencies' and enterprise-wide IT initiatives.
2. Collaborate with agencies to implement technology standards.
   a. Identify functional areas where the adoption of program standards would be beneficial.
3. Promote opportunities for state employees to become aware of how technology may improve their jobs.
   a. Develop classes, seminars and presentations to promote technology awareness among employees in non-technical positions.
4. Prepare technology assessments for each CMS program.
   a. Aid and support CMS Bureaus in their program assessments.
5. Establish benchmarks, measures and service expectations.
   a. Meet with internal and external stakeholders about targets/expectations, and will report on service targets/expectations.
   b. Attend conferences to better understand benchmark options; requests benchmarks from professional associations or secures benchmarks from professional association journal articles or web sites.
6. Manage resources and services efficiently to minimize costs.
   a. Ensure that the state only pays reasonable prices for goods and services that it needs and for which it is responsible.
   b. Ensure that the rates state government pays and the prices CMS charges for services are appropriate.
7. Improve the communication level and quality of information on programs and services provided and accomplishments achieved by CMS.
   a. Hold periodic meetings with agency stakeholders regarding available program service offerings.
8. Fortify training options in state government.
   a. Provide quality technical training opportunities for state employees.

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

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

	Fiscal Year 2006 Actual	*Fiscal Year 2007 Actual*	*Fiscal Year 2008 Target/Projected*	*Fiscal Year 2008 Actual*	*Fiscal Year 2009 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$232,432.3	$261,465.6	$337,834.7	$251,446.2	$332,143.4
* Total expenditures - state appropriated funds (in thousands)	$232,432.3	$261,465.6	$337,834.7	$251,446.2	$332,143.4
* Average monthly full-time equivalents	758.0	754.0	859.0	715.0	836.0
Output Indicators					
* Number of network data circuits managed	7,900	8,048	8,100	8,170	8,250
* Telecommunications Voice Orders (TSRs) processed/month	6,200	1,206	1,200	4,708	4,700
* Megabytes of Direct Access Storage Device (DASD) billed/month	11,766,000	22,160,222	25,484,300	24,271,438	25,000,000
Outcome Indicators					
* Percent mainframe transactions completed within 1 second	97.78 %	98 %	98 %	98.4 %	98.4 %
* Percent mainframe system availability	99.9 %	99.99 %	99 %	99.9 %	99.9 %
External Benchmarks					
* Mainframe transactions completed within 2 seconds (per Gartner Group Research)	99.8 %	98 %	98 %	98.4 %	98.4 %
Efficiency/Cost-Effectiveness Indicators					
* Cost per megabyte of mainframe storage (a)	$0.04	$0.03	N/A	N/A	$0.03

Footnotes

(a) No purchases in fiscal year 2008.

Employee Benefits & Risk Management

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

Program Goals: Objectives:

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

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

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

	Fiscal Year 2006 Actual	***Fiscal Year 2007 Actual***	***Fiscal Year 2008 Target/Projected***	***Fiscal Year 2008 Actual***	***Fiscal Year 2009 Target/Projected***
Input Indicators					
* Total expenditures - all sources (in thousands) (a)	$225,187.2	$226,605.1	$268,343.3	$241,446.4	$260,360.4
* Total expenditures - state appropriated funds (in thousands)	$225,187.2	$226,605.1	$268,343.3	$241,446.4	$260,360.4
* Average monthly full-time equivalents	93.0	83.0	92.0	75.0	87.0
Output Indicators					
* Number of disputes resolved	2,116	1,695	2,000	1,612	1,750
* Number flexible spending account participants (MCAP & DCAP)	7,705	10,602	12,000	11,937	12,000
* Number of payroll deduction discrepancies received	11,695	8,127	9,000	7,530	8,000
* Number of premium refund requests received	2,336	2,470	2,500	2,190	2,250
* Number of SERS Financial Incentive Program Participants	78.0	119.0	130.0	132.0	145.0
* Number of new SERS Financial Incentive Program Participants	78.0	51.0	50.0	44.0	50.0
* Number of COBRA notifications mailed	16,438	15,818	16,000	15,436	16,000
* Number of Medicare Coordination of Benefits cases received	3,392	10,255	12,000	10,142	11,000
* Deferred compensation - total dollars deferred (in millions)	$152.2	$163.7	$175.0	$175.3	$176.0
* Number of deferred compensation participants	52,157	53,001	54,000	53,406	54,000
* Number of new deferred compensation participants	2,678	2,470	3,000	2,674	2,750
* Number of Workers' Compensation injuries	6,823	6,782	7,000	6,565	6,500
* Number of independent medical evaluations performed	199.0	241.0	240.0	283.0	325.0
* Number of injured employees returned to work at modified duty	2,755	2,782	2,800	2,771	3,000
* Number of motor vehicle liability claims	1,611	1,687	1,700	1,709	1,700
* Number of non-litigated vehicle liability claims closed	1,699	1,734	1,750	1,541	1,550
Outcome Indicators					
* Percent of disputes resolved within 30 days of notification	93.3 %	97 %	95 %	96.65 %	95 %
* Percent of payroll deduction discrepancies resolved within 60 days of Benefits notification	87 %	89 %	90 %	94.93 %	95 %
* Percent of premium refunds processed within 30 days of receipt. (b)	92.25 %	75 %	85 %	73.6 %	85 %
* Percent of COBRA eligible participants notified within 30 days	84 %	83 %	87 %	86.66 %	90 %
* Percent of Medicare COB cases completed within 30 days	90 %	97.3 %	95 %	98.89 %	97 %
* Annual change in Worker's Compensation spending	28.08 %	19 %	15 %	14.59 %	14 %

Employee Benefits & Risk Management (Concluded)	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Target/Projected	Fiscal Year 2008 Actual	Fiscal Year 2009 Target/Projected
* Savings resulted form Workers' Compensation Physicians PPO Network (in millions) (c)	$3.7	$2.1	$2.0	$2.5	$2.5
* Percent of medical cost containment savings to total medical program cost.	22.94 %	33.53 %	30 %	43.92 %	45 %
* Percent of workers compensation claims paid within 90 days (d)	31.28 %	78.64 %	80 %	42.08 %	80 %
* Percent of workers compensation claimants with a satisfied/very satisfied rating of the early intervention program	93 %	94 %	94 %	95 %	95 %
* Percent of vehicle liability claimants contacted within 5 calendar days	95.28 %	98.48 %	97 %	99.59 %	97 %
* Average number of days to close a vehicle liability case (bodily injury and property damage	76.8	48.9	65.0	48.0	50.0
* Percent of indemnity expenses and awards within a 20 business day period	96.7 %	92.42 %	90 %	100 %	97 %
External Benchmarks					
* Number of deferred compensation investments exceeding benchmark - 1 year rolling return (Prior to fiscal year 2006, there were 12 total investments. Since fiscal year 2006, there are 14 total investments.)	7.0	10.0	14.0	7.0	15.0
Efficiency/Cost-Effectiveness Indicators					
* Average annual administrative cost per deferred compensation participant (state program) (in dollars)	$23.24	$22.87	$23.00	$22.53	$20.00

Footnotes

(a) Fiscal year 2008 does not include $9,994,187.00 of spend from DHFS appropriations for the Workers' Compensation Program.

(b) Constrained resources resulted in decreased service levels.

(c) The passage of the State of Illinois' first fee schedule for Workers' Compensation claims signigicantly impacted the savings shown by the use of the PPO Network as costs were first reduced in accordance with that schedule prior to any showing of savings under the PPO Network. These savings reflect only those savings directly related to the use of a PPO Physician and do not include any savings generated through the use of any hospital or ancillary services within the Network

(d) Payments deferred into fiscal year 2009 due to instability of deposits. Medical bill payments delayed in order to ensure sufficient funds were available to meet settlement, award, total temporary disability and survivor benefit payments.

Personnel

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

Program Goals: Objectives:

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

Source of Funds: General Revenue Fund ***Statutory Authority:*** 20 ILCS 415

	Fiscal Year 2006 Actual	*Fiscal Year 2007 Actual*	*Fiscal Year 2008 Target/Projected*	*Fiscal Year 2008 Actual*	*Fiscal Year 2009 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$13,298.9	$12,473.9	$13,397.6	$13,633.8	$15,850.9
* Total expenditures - state appropriated funds (in thousands)	$13,298.9	$12,473.9	$13,397.6	$13,633.8	$15,850.9
* Average monthly full-time equivalents	131.0	117.0	127.0	116.0	132.0
Output Indicators					
* Number of job descriptions (104s) processed	8,792	6,879	8,700	6,670	6,700
* Number or Rutan reviews processed	3,436	1,282	3,400	1,340	1,300
* Number of people trained	1,743	2,431	1,700	1,660	1,700
* Number of participants at Diversity Enrichment job fairs	22,478	29,053	22,000	10,760	22,000
* Number of Diversity Enrichment Program Events	N/A	75.0	60.0	47.0	60.0
* Number of Packets Distributed at Diversity Enrichment Program Job Fairs	N/A	10,776	4,400	6,651	4,400
* Number of veterans counseled	491.0	580.0	490.0	626.0	490.0
* Number of automated exams given	63,342	68,430	63,000	87,663	63,000
* Number of job applications received	68,774	70,934	65,000	123,106	65,000
* Number of Upward Mobility Program participants certified and credentialed	874.0	865.0	870.0	857.0	870.0
* Number of TRAEX exams graded	50,413	45,648	50,000	51,198	50,000
* Number of Upward Mobility Program participants appointed to UMP positions	283.0	266.0	280.0	325.0	280.0
* Number of people enrolled in Upward Mobility Program	4,100	4,234	4,100	3,978	4,100
* Number of transactions processed	149,403	137,732	149,000	114,046	120,000
* Number of grievances resolved	N/A	61.0	N/A	40.0	40.0
* Average number of grievances pending (a)	N/A	N/A	N/A	65.5	N/A
Outcome Indicators					
* Average Number of Days for Personnel to Review and Approve Job Descriptions	N/A	43.4	N/A	74.9	60.0
* Percent of Full-Time Permanent State Employees in Code Agencies that Represent a Minority Group	N/A	58.2 %	N/A	58.13 %	58.2 %

Footnotes

(a) Only actual figures are reported.

Property Management

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

Program Goals: Objectives:

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

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

Statutory Authority: 20 ilcs 405/405-300

	Fiscal Year 2006 Actual	*Fiscal Year 2007 Actual*	*Fiscal Year 2008 Target/Projected*	*Fiscal Year 2008 Actual*	*Fiscal Year 2009 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$207,725.3	$219,031.3	$257,141.0	$214,592.4	$240,061.3
* Total expenditures - state appropriated funds (in thousands)	$207,725.3	$219,031.3	$257,141.0	$214,592.4	$240,061.3
* Average monthly full-time equivalents	315.0	313.0	353.0	319.0	353.0
Output Indicators					
* Number of facilities participating in I-Cycle Program	251.0	252.0	265.0	254.0	260.0
* Number of equipment items transferred out of State Surplus Warehouse	2,616	1,826	2,050	1,951	2,150
* Number of items sold via I-Bid	3,700	1,509	N/A	2,027	2,250
* Number of Registered bidders for I-Bid Program	10,469	1,153	N/A	4,688	6,200
Outcome Indicators					
* Percent of leases in holdover status	38 %	31 %	23 %	26 %	18 %
* Percent of work orders completed within 20 working days (a)	85.23 %	70.3 %	90 %	65 %	N/A
Efficiency/Cost-Effectiveness Indicators					
* JRTC building operating expenses ($/sq. ft.) (in dollars)	$9.43	$6.88	N/A	$7.80	$8.60
* MABB building operating expenses ($/sq. ft.) (in dollars)	$8.95	$7.30	N/A	$7.37	$7.29

Footnotes

(a) Measure being re-evaluated.

Strategic Sourcing and Procurement

Mission Statement: To reduce the cost of state government through a center-led procurement approach, while alleviating the burden Illinois businesses have faced in doing business with the state. The Procurement program is also responsible for state fleet operations and maintenance, fuel management, and vehicle leasing for all state agencies, as well as providing timely mail service for state government.

Program Goals: Objectives:

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

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

Statutory Authority: 30 ILCS 500, 20 ILCS 405

	Fiscal Year 2006 Actual	Fiscal Year 2007 Actual	Fiscal Year 2008 Target/Projected	Fiscal Year 2008 Actual	Fiscal Year 2009 Target/Projected
Input Indicators					
* Total expenditures - all sources (in thousands)	$40,402.5	$41,738.6	$52,062.2	$48,083.2	$54,735.3
* Total expenditures - state appropriated funds (in thousands)	$40,402.5	$41,738.6	$52,062.2	$48,083.2	$54,735.3
* Average monthly full-time equivalents	209.0	204.0	228.0	199.0	232.0
Output Indicators					
* Gallons of gasohol sold	1,030,376	957,389	950,000	971,230	1,000,000
* Fleet Consumption- Biodiesel (gallons)	N/A	N/A	N/A	2,978,812	3,100,000
* Fleet Consumption- E-85 (gallons)	N/A	N/A	N/A	163,948	175,000
* Total state garage billings (in millions)	$26.2	$27.7	$28.2	$28.0	$25.5
Outcome Indicators					
* Total contract dollars awarded to small businesses through Small Business Set-Aside Program (a)	$38,129,478.00	$56,968,868.00	N/A	N/A	$52,000,000.00
* Mechanic productivity rate	104.3 %	103.9 %	104 %	102.9 %	104 %
* Percent savings to state agencies- DOV mechanical labor rate per hour vs. industry average for passenger vehicles.	19 %	22 %	21.4 %	23.5 %	25.3 %
* Percent of vehicles purchased meeting federal requirements when FFV vehicles are available (EPACT) (b)	N/A	291 %	150 %	97 %	90 %
* Total contract dollars generated from diverse business subcontracting goals (in thousands)	$5,726.8	$67,154.4	$40,000.0	$27,990.9	$55,622.0
* Average score of Supplier Relationship Management survey results	N/A	7.4	7.5	7.3	7.4
Efficiency/Cost-Effectiveness Indicators					
* DOV mechanical labor rate per hour (in dollars)	$65.00	$65.00	$70.00	$65.00	$65.00
External Benchmarks					
* Industry average mechanical labor rate per hour (in dollars)	N/A	$83.00	$85.00	$85.00	$87.00

Footnotes

(a) Data not available until 2009.

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