



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

MANAGEMENT AND PROGRAM AUDIT

**ILLINOIS DEPARTMENT OF
COMMERCE AND ECONOMIC OPPORTUNITY —
ADMINISTRATION OF ITS
ECONOMIC DEVELOPMENT PROGRAMS**

• SUPPLEMENTAL INDEX •

FEBRUARY 2006

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AUDITOR GENERAL

Supplemental Appendix of Programs

This is the supplement appendix of programs to the management and program audit of the Department of Commerce and Economic Opportunity's (DCEO) administration of its economic development programs. This Supplemental Appendix contains more data on each of DCEO's eleven program bureaus. Data include a mission statement for the bureau; goals and objectives; an organization chart for the area; a discussion or exhibit of expenditures and headcount; a discussion or exhibit of numbers of grants, loans, and assistance provided; a list of economic development programs within each bureau including a brief description of each program; discussions on the bureau's policies and procedures; its monitoring and reporting; results of our testing; its periodic reviews of its programs; and a list and discussion of the performance measures used for the bureau. Performance measures are indicators used to help assess how well programs have realized their objectives.

This information was compiled based on our review of DCEO documents and based on interviews with staff of the various bureaus. The names of the bureaus and the page number where each section begins are shown below:

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Illinois FIRST

Illinois FIRST, which stands for the Illinois Fund for Infrastructure, Roads, Schools, and Transit, is a \$12 billion public works program created in 1999. DCEO has been one of the lead agencies administering grants awarded through Illinois FIRST. According to DCEO’s 2002 annual report (the last available report), the Illinois FIRST unit executes grant agreements and also monitors grants to protect the interests of taxpayers and ensure that funds are spent as intended. Organizationally, the Illinois FIRST unit lies within the Office of Legislative Affairs at DCEO. Exhibit A-2 shows the organizational structure for the Illinois FIRST Program.

Exhibit A-1 ILLINOIS FIRST EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$275.1	25.1
2003	\$310.4	29.4
2004	\$245.1	24.7
2005	\$2.0	20.5
Source: DCEO data summarized by OAG.		

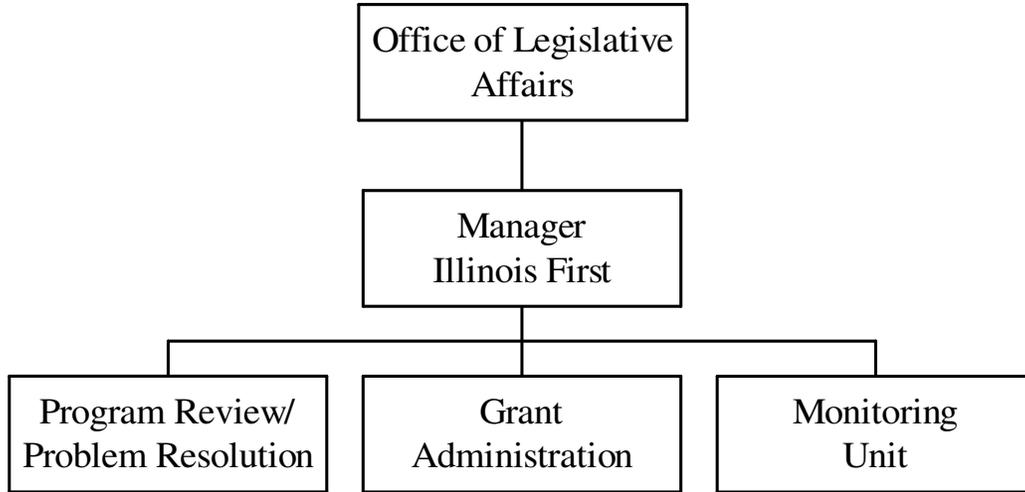
According to DCEO officials, for Fiscal Year 2005, there was no budget for Illinois FIRST so projects were on hold. In Fiscal Year 2006, DCEO has focused on agreements that have been partially paid out but were waiting for the rest of the money and also on projects where there was a signed agreement in place but no funding has yet been provided.

As shown in Exhibit A-1, headcount has remained relatively stable with expenditures ranging from \$310.4 million in FY03 to \$245.1 million in FY04. However, during the same time period, the number of grant agreements signed and returned has decreased from a high of 1,791 in Fiscal Year 2002 to 1,078 in Fiscal Year 2003 and 299 in Fiscal Year 2004. During the same time the number of grantees monitored through desk and on-site reviews was 1,021, 636, and 673, respectively. Illinois FIRST grants were frozen in Fiscal Year 2005 when only \$2.0 million was expended and for purposes other than grants.

DCEO provided a list of grants with payments in either FY03 or FY04. The list included 1,417 grants totaling \$672 million with \$504 million of payments during FY03 and FY04. The largest grant was for \$21 million to the Cook County Forest Preserve District for infrastructure improvements with \$9.8 million of the grant amount expended in FY03 and FY04. The grants administered by DCEO were for a wide variety of purposes including:

- Infrastructure improvements at colleges, health facilities, museums, etc.;
- Land purchases;
- School construction;
- Park District improvements;
- Fire Department equipment;
- Water and sewer projects; and
- Construction of township and local government buildings.

Exhibit A-2
**ORGANIZATIONAL CHART
ILLINOIS FIRST PROGRAM**



Source: OAG Summary of DCEO Organizational Chart.

Mission Statement

According to the 2004 Comptroller's Public Accountability Report, the mission statement for Illinois FIRST is to "Enhance the quality of life for Illinois citizens by improving the social and physical infrastructure in Illinois communities."

Goals and Objectives

According to the Comptroller's 2004 Public Accountability Report, the Illinois FIRST program goals and objectives included the following:

1. To increase the efficiency and timeliness of the Illinois FIRST grant review process.
 - a. To obligate 89 percent of signed grant agreements, properly executed by the grantees, within 15 working days of receipt for the period ending 6/30/04.
 - b. Mail 95 percent of grants receiving final administrative release approval to grantee within five calendar days of receiving final approval during the period ending 6/30/04.
 - c. Mail 90 percent of surveys to grant contact within 5 calendar days of the project being assigned to a grant manager during the period ending 6/30/04.
2. Monitor Illinois FIRST grants to assure grantees' compliance with the requirements of their grant agreements.

- a. Upon computerized notification that a grantee is delinquent in filing applicable quarterly status and expense reports, 95 percent of grantees will be notified of delinquent status within 15 calendar days during the period ending 6/30/04.
- b. Perform on-site or desk monitoring of 650 grantees (selected using random stratified sampling techniques) to assure their compliance with the requirements of their grant agreement(s) by 6/30/04.

Programs

Unlike other bureaus at DCEO, Illinois FIRST is not comprised of various programs. Illinois FIRST is the program. According to DCEO officials, DCEO is responsible for processing the grants and does not have authority over who receives the grants.

Policies and Procedures

The only procedures for the Illinois FIRST Program are related to monitoring grantees.

Monitoring and Reporting

Illinois FIRST officials said they perform desk reviews and on-site visits. They look at warrants, invoices, etc. and determine if the project was completed, such as whether or not a building was built. If there are any problems, they send the case to the Legal Department or General Counsel for follow up.

OAG Testing

In our testing we reviewed 10 Illinois FIRST grants totaling \$76.8 million. Of the 10 grants, DCEO did not require programmatic reports or perform site visits for 2 completed projects. As a result, we found \$3.8 million of the funds provided were not monitored at the program level. In addition, although programmatic reports were required, site visits were not performed for two additional completed projects totaling \$14.1 million. Although DCEO did not receive timely monitoring reports from 7 of the 10 grantees, follow-up was conducted for those that did not submit programmatic reports by their required due dates.

Periodic Review

The unit responsible for Illinois FIRST had not performed any efficiency reviews and had not established written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

Illinois FIRST has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures. Although the number of projects obligated is declining, the performance measures generally got worse for 2004. The only measure which showed improvement was the number of grantees monitored.

Exhibit A-3 ILLINOIS FIRST PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Percentage of grant agreements obligated within 15 working days of receipt from grantee properly executed by grantee	76.2%
2. Percentage of projects sent to grantee within five calendar days of receiving administrative approvals	57.5%
3. Percentage of grantees notified within 15 calendar days (of system alert) to correct report delinquencies	78.5%
4. Percentage of surveys sent within five calendar days of being assigned to a Grant Manager	69.9%
5. Number of grant agreements mailed	272
6. Number of grant agreements signed and returned	299
7. Number of grant agreements obligated	293
8. Number of grantees monitored (desk and on-site)	673
Source: Comptroller's 2004 Public Accountability Report.	

Exhibit A-4 ILLINOIS FIRST PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	8	8	8	
Consistency				
Measures removed compared to previous year	0	0	0	
Measures added compared to previous year	0	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	3 (0%)	0	0	0
# of targets the same (<i>% reached</i>)	2 (50%)	5 (60%)	4 (0%)	4
# of targets lowered (<i>% reached</i>)	0	3 (67%)	4 (100%)	4
# of measures with no targets from either the current or previous year	3	0	0	
Targets reached				
Targets reached	2	5	4	
Average % above target	+5.9%	+14.2%	+64.6%	
Targets not reached				
Targets not reached	6	3	4	
Average % below target	-15.6%	-19.1%	-23.4%	
¹ Excludes input measures (total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

No performance measures specific to Illinois FIRST were included in quarterly reports.

Community Development

DCEO’s Bureau of Community Development administers millions of dollars annually in federal and State funds allocated toward programs designed to improve the quality of life in Illinois. Bureau staff work with local units of government, as well as a statewide network of Community Action Agencies (CAAs), not-for-profit organizations, and businesses, to provide services ranging from assistance to homeless shelters to infrastructure improvements needed to attract or retain businesses and their jobs.

As shown in Exhibit A-5, expenditures were fairly consistent from 2002 to 2004 ranging from \$313 million to \$320 million. Headcount declined from 134.9 FTEs in Fiscal Year 2002 to 96.6 in Fiscal Year 2003 before rising slightly to 102.1 in Fiscal Year 2004. In 2005, expenditures and headcount dropped sharply.

Two programs, the Low Income Home Energy Assistance Program (LIHEAP), and Illinois Home Weatherization Assistance Program (IHWAP) were transferred to the Department of Healthcare and Family Services effective July 1, 2004. The Community Development organizational structure is shown in Exhibit A-7.

Exhibit A-5 COMMUNITY DEVELOPMENT EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$313.2	134.9
2003	\$320.0	96.6
2004	\$317.6	102.1
2005	\$75.7	48.9

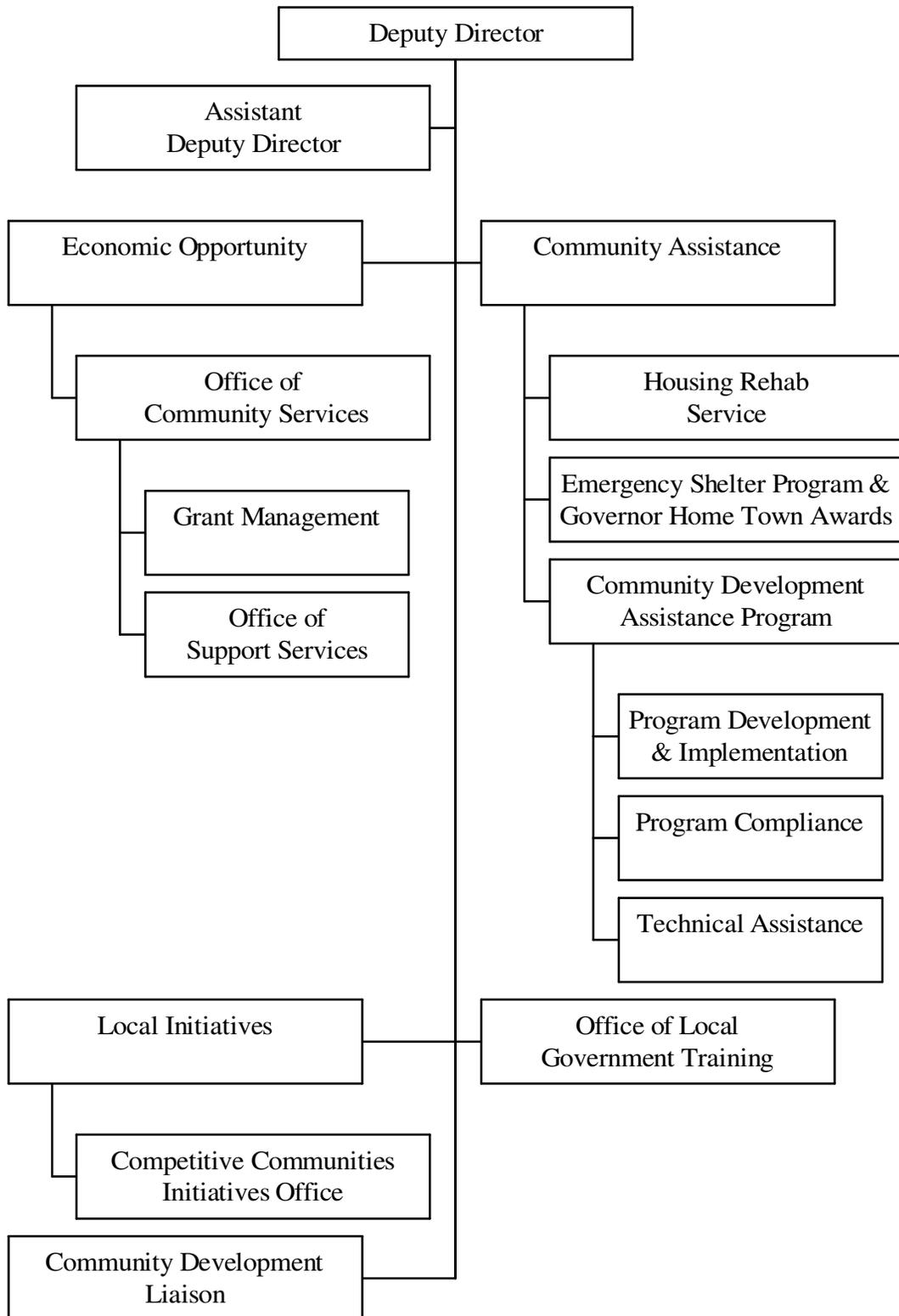
Source: DCEO data summarized by OAG.

Exhibit A-6 shows the number and dollar amount of grants issued through the Bureau of Community Development in Fiscal Years 2003 and 2004. The expenditures in Exhibit A-5 differ markedly from the grant totals in Exhibit A-6.

Exhibit A-6 BUREAU OF COMMUNITY DEVELOPMENT GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
CDAP Public Facilities Construction & Design Engineering Program	93	\$23,599,217	87	\$21,559,375
CDAP Housing Rehabilitation	48	\$16,500,000	27	\$8,250,000
CDAP Planning Assistance	30	\$700,000	34	\$775,000
CDAP Public Facilities Set-aside	2	\$185,440	13	\$1,158,994
Emergency Shelters Grant Program	75	\$2,301,150	74	\$2,434,614
Section 8 Rental Assistance	158	\$863,239	158	\$839,271
Community Services Block Grants	43	\$30,127,763	41	\$27,430,175
IHWAP	37	\$12,643,124	37	\$13,336,538
LIHEAP	<u>81</u>	<u>\$104,836,507</u>	<u>81</u>	<u>\$109,341,961</u>
Total	<u>567</u>	<u>\$191,756,440</u>	<u>552</u>	<u>\$185,125,928</u>

Source: OAG analysis of DCEO grants.

Exhibit A-7
**ORGANIZATIONAL CHART
COMMUNITY DEVELOPMENT**



Source: OAG Summary of DCEO Organizational Chart.

Mission Statement

The mission statement for the Bureau of Community Development is: “To improve the physical and social infrastructure in Illinois communities by providing financing assistance, technical assistance and supporting programs that encourage and support community betterment.”

Goals and Objectives

According to the Comptroller’s 2004 Public Accountability Report, the Bureau of Community Development’s program goals and objectives included the following:

1. Improve the physical infrastructure within local communities.
 - a. Improve water and sewer service for a minimum of 85,000 residents in local communities demonstrating health and safety compliance issues by 6/30/04.
 - b. Improve the quality of 7,500 housing units through the Illinois Home Weatherization Assistance Program (IHWAP) by 6/30/04.
 - c. Provide rental assistance through the Section 8 program to 519 clients through 6/30/04.
 - d. Improve 780 substandard housing units occupied by low-to-moderate income persons by 6/30/04.
 - e. Improve heating systems to 1,800 households by repairing/retrofitting/replacing furnaces by 6/30/04.
2. Improve the social infrastructure within local communities.
 - a. Improve the quality of life for a minimum of 60,000 homeless and very low-income families by 6/30/04.
 - b. Provide 36.6 percent (275,000) of the eligible households with energy assistance by 6/30/04.
 - c. Encourage volunteerism in local communities resulting in 70 communities being selected to receive a Governor's Home Town Award by 6/30/04.
 - d. Improve the quality of life of 125 low-income families by increasing the number of jobs created by 6/30/04.
 - e. Provide emergency reconnection services for 18,000 households by 6/30/04.
 - f. Provide quality of life services to 275,000 families by 6/30/04.

3. Improve the capacity of local communities to meet their community and economic development objectives.
 - a. Improve the economic competitiveness of 10 communities by providing technical assistance designed to improve the economic stature of the communities by 6/30/04.
 - b. Complete 16 financial technical assistance projects for local governments by 6/30/04.
 - c. Maintain the number of businesses assisted by the Community Development Assistance Program (CDAP) by providing financial assistance on behalf of business planning to locate or expand by 6/30/04.

Programs

Community Services Block Grant Program

The State receives approximately \$24 million annually in Community Services Block Grant (CSBG) funding to provide employment, education, housing, and emergency services to the eligible population. CSBG currently supports 36 community action agencies which fund antipoverty activities to carry out locally designed services based upon community needs assessments in areas such as:

- Education,
- Employment,
- Health services,
- Food,
- Housing, and
- Other programs designed to increase self-sufficiency.

Selection Process

DCEO annually allocates 90 percent of the CSBG funds to the 36 community action agencies serving the State's 102 counties. Allocation is based on each agency's jurisdictional share of the State's poverty population. The State utilizes 5 percent for discretionary purposes, the majority of which goes to the community action agencies and their support organizations, and 5 percent for administration.

Community Development Assistance Program (CDAP)

The Community Development Assistance Program (CDAP) provides assistance to Illinois communities for economic and community development with an emphasis on helping persons of low to moderate income. Only units of local government (i.e., cities, villages, towns, townships, and counties) may apply for funding.

Municipalities must be 50,000 or less in population and must not be located in an urban county that receives CDAP “entitlement” funds directly. As shown in Exhibit A-8, CDAP is comprised of several different programs which are discussed briefly below.

Exhibit A-8 CDAP FUNDING AVAILABILITY 2004 Program Year	
<u>Program Category</u>	<u>Funding Level</u>
Economic Development	\$8,000,000
Public Facilities Construction & Design Engineering	19,111,621
Planning Assistance	500,000
Housing Rehabilitation	7,500,000
Housing Rehabilitation for Physically Disabled Persons	750,000
Public Facilities Set-aside – Emergencies	750,000
State Reserve for Technical Assistance	378,511
State Administration	<u>857,023</u>
Total	<u>\$37,847,155</u>
Source: DCEO information summarized by OAG.	

CDAP Economic Development

Under this program, grants are available to local governments to assist for-profit and not-for-profit firms carry out economic development projects. Only projects which create and/or retain permanent jobs in the industrial and commercial sectors will be funded. Projects should attract sizable private investment, have solid commitments to create or retain permanent jobs, and demonstrate financial feasibility. Funds can also be used for improvements to public infrastructure that directly support a specific project. Funds are available on an as-needed basis throughout the year until all allocated funds have been distributed. The maximum grant award is \$750,000. This program is administered by the Bureau of Business Development.

CDAP Public Facilities Construction & Design Engineering Program

Under this program, grants are available to local governments needing to improve public infrastructure and eliminate conditions detrimental to public health, safety and public welfare. Grants may not exceed \$400,000 for construction projects and \$300,000 for design-only projects. Also, for construction contracts, CDAP funds may not exceed 75 percent of the project costs. Applications are judged competitively.

CDAP Housing Rehabilitation

Under this program, grants are available to local governments for housing rehabilitation projects. Grants may not exceed \$400,000 and CDAP funds may not exceed 75 percent of the project costs. Grants up to \$100,000 are also available to retrofit properties for occupancy by persons with physical impairments. This supplemental program is called the Mobility and Accessibility Rehabilitation Supplement. A total of \$8.25 million was allocated for the 2004 program year. Applications are judged competitively.

CDAP Planning Assistance

Local governments can apply for grants for a variety of planning activities such as studies, analysis, data gathering, and preparation of specific plans. The objective of this program is to encourage and support planning as a proactive response to the opportunities and challenges that face small communities in Illinois. The maximum grant amount is \$25,000 and there is no matching requirement. Applications are judged competitively.

CDAP Public Facilities Set-aside

Under this program, grants are available to local governments for projects that are emergency in nature. Grants may not exceed \$100,000 and CDAP funds may not exceed 75 percent of the total project cost. Applications are accepted on an on-going, as-needed basis. DCEO has historically made \$750,000 available for this program.

CDAP Selection Process

The selection process is similar for the various CDAP programs. CDAP staff review the applications and give funding recommendations to the Division Manager, Deputy Director, and Director. Once agency approvals are obtained, recommendations are sent to the Governor for approval.

Competitive Communities Initiative Program

The purpose of the Competitive Communities Initiative Program is to foster the economic growth of communities by providing assistance to the communities. Communities participating in the program receive help from DCEO staff in developing their self assessment and strategic plan. This is not a loan or grant program.

Selection Process

Interested communities must submit an application to DCEO for consideration. Successful applicants will demonstrate that they have involved a range of community leaders, developed links with community resources, and encouraged broad-based support and participation during the assessment and written implementation plan. DCEO also reserves the right to select a community based on need, inclusive application, degree of organization, and potential for success.

Emergency Shelters Grant Program

The Emergency Shelters Grant Program is designed to improve the quality of existing emergency shelters for the homeless. The program is also designed to help make available additional emergency shelters, to help meet the cost of operating emergency shelters, and to provide certain essential social services to homeless individuals. The State receives federal funds and makes sub-grants to units of local government and not-for-profit organizations. The maximum grant award is \$75,000.

Selection Process

Funds are awarded on a competitive basis through an RFP process. Each application is reviewed utilizing established funding criteria as outlined in the federal legislation and the grant application. Applications are reviewed and a funding recommendation made by the program manager and submitted to the Division Manager, Deputy Director, and Director, prior to submission to the Governor.

Governor's Home Town Awards Program

The Governor's Home Town Awards Program recognizes a community for improvement efforts which depend upon the voluntary commitment of community residents and organizations. Awards are given for projects that have made outstanding contributions to the community's overall development and quality of life, and must have a heavy involvement from community volunteers. Awards are presented in eight categories based on population.

A team of impartial volunteer judges reviews all projects and selects finalists to receive site visits. Upon completion of all site visits, the winning projects are selected.

Section 8 Rental Assistance Program

This program provides rental assistance to low-income individuals through housing vouchers. There is no solicitation process as this is a maintenance program. Very low-income individuals in receipt of DCEO housing choice vouchers seek privately owned rental units for residency. Grantees are selected based upon the tenant's choice of rental unit.

Low Income Home Energy Assistance Program (LIHEAP) and Illinois Home Weatherization Assistance Program (IHWAP)

According to the most recent Public Accountability Report submitted to the Comptroller, both of these programs were transferred to the Department of Healthcare and Family Service effective July 1, 2004.

Policies and Procedures

The Bureau of Community Development has policies and procedures related to CDAP operations, various CDAP programs, competitive communities application and program guidelines, and Community Services Block Grant manuals.

Monitoring and Reporting

The following monitoring and reporting requirements have been established for each program area:

Community Services Block Grant Program

DCEO conducts a full on-site review of each Community Action Agency at least once during each three-year period. Follow-up reviews are conducted as needed. A formal monitoring instrument is used to conduct field samples, reviews, and tests. Information gathered during monitoring is compiled into a letter of findings, determinations, and corrective actions. The grantee is required to formally respond to the findings. The administrative code requires monthly and quarterly reports from the grantee.

Community Development Assistance Program (CDAP)

CDAP staff conduct monitoring visits to assure that projects are progressing according to plan and that overall administration is conducted in compliance with the requirements of the program. Staff may schedule monitoring visits with the grantee at any time during the project to review program performance. A grant monitoring checklist is used for the visit. Planning Assistance and Design Engineering grants do not receive on-site monitoring visits. The grantee completes a checklist and submits it to the assigned CDAP grant manager. DCEO has a detailed guide entitled “Standard Operating Procedures for CDAP Monitoring.”

Emergency Shelters Grant Program

DCEO selects 25 percent of all grant recipients for monitoring, which includes first time sub-recipients and sub-recipients with previous problems. Quarterly reports are required as well as a financial closeout package.

OAG Testing

In our testing we reviewed 12 Community Development grants totaling over \$3.8 million. DCEO did not require routine monitoring reports at the program level for 4 of the 12 projects tested. In addition, DCEO did not conduct site visits for four completed projects in our sample. For the remaining projects, one recipient did not submit programmatic reports in a timely manner. We could not find any documentation suggesting DCEO followed up on the late reports.

Periodic Review

In 2003, a performance review of the Community Development Block Grant Program was conducted. In March 2004, the HUD Office of Community Planning and Development issued a program monitoring report of the Community Development Block Grant Program. The Community Development Bureau does have federal requirements which include components on periodic review of program efficiency and effectiveness.

Performance Measures

The Bureau of Community Development has performance measures included among those reported to the Comptroller for the Public Accountability Report. It also has measures reported on the quarterly DCEO/Governor's Office of Management and Budget reports. On the following pages is a listing of those measures and an exhibit which analyzes the Public Accountability measures.

Exhibit A-9
**COMMUNITY DEVELOPMENT PERFORMANCE MEASURES
 FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT**

1. Homes rehabilitated - Community Development Assistance Program (CDAP)	313
2. Jobs created - Community Services Block Grant (CSBG)	178
3. Dollar change in water and sewer user charges as a result of utility rate studies conducted - Local Government Management (LGM) (in thousands)	\$91.8
4. Household heating systems repaired/replaced	1,914
5. Awards made - Governor's Home Town Awards	0.0
6. Water and sewer grants awarded – CDAP	127
7. Grants awarded on behalf of businesses – CDAP	12
8. Persons served by improved water and sewer service - CDAP	102,573
9. Homeless clients served - Emergency Shelter Grants	60,211
10. Applications reviewed - Governor's Home Town Awards	68
11. Applications taken - Low Income Home Energy Assistance Program (LIHEAP)	336,550
12. Households reconnected (Emergency Service Payments) - LIHEAP	60,049
13. Households assisted - LIHEAP (unduplicated count)	292,098
14. Units weatherized - Illinois Home Weatherization Assistance Program (IHWAP)	6,983
15. Communities moved to next stage of development- Competitive Communities Initiative	7
16. Local government financial technical assistance projects completed - LGM	7
17. Number of housing grants awarded – CDAP	27
18. Number of persons served (housing) – CDAP	790
19. Number of clients served - Section 8	589
20. Average benefit per household – LIHEAP	\$481.83
21. Average cost per household – LIHEAP	\$534.83
22. Average benefit per household – IHWAP	\$4,568.54
23. Average cost per household – IHWAP	\$486.84
24. Cost per job created – CSBG	\$13,528.00
25. Average cost per person to improve water/sewer service - CDAP	\$229.04
26. Average cost per house to rehabilitate to Section 8 standards - CDAP	\$26,357.83

Source: Comptroller's 2004 Public Accountability Report.

Exhibit A-10 COMMUNITY DEVELOPMENT PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	27	26	26	
Consistency				
Measures removed compared to previous year	6	1	0	
Measures added compared to previous year	0	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	4 (50%)	8 (13%)	7 (43%)	3
# of targets the same (<i>% reached</i>)	11 (64%)	14 (64%)	9 (56%)	10
# of targets lowered (<i>% reached</i>)	11(100%)	4 (25%)	10 (70%)	9
# of measures with no targets from either the current or previous year	1	0	0	
Total targets reached				
Total targets reached	20	11	15	
Average % above target	+26.4%	+23.6%	+30.7%	
Total targets not reached				
Total targets not reached	7	15	11	
Average % below target	-16.2%	-18.8%	-34.1%	
¹ Excludes input measures (total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor’s Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included no performance measures for Community Development. In FY05 one measure was included in the quarterly reports which was also a 2004 Public Accountability Report measure. One separate measure was also included:

- Number of Families/Households receiving Quality of Life Services

Business Development

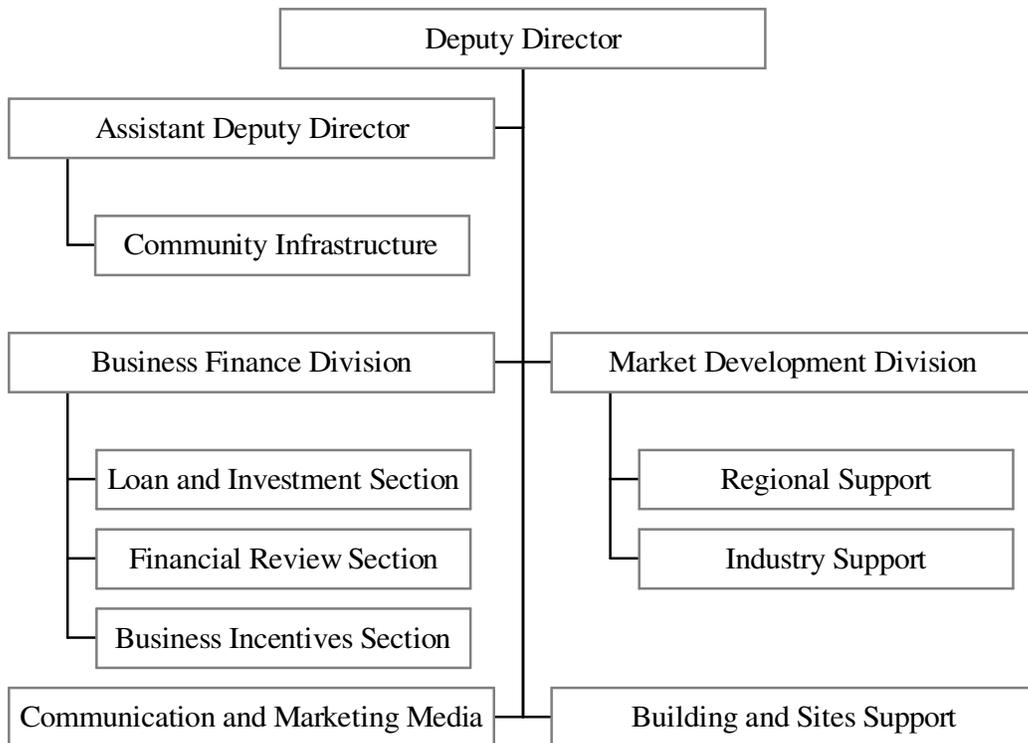
DCEO’s Bureau of Business Development works to create private sector jobs and expand economic opportunities by helping firms, communities and regions become more competitive in the national and global economy. As shown in Exhibit A-11, the Bureau’s headcount decreased from 123.9 FTEs in 2002 to 81.2 FTEs in 2005. Expenditures decreased from \$54.9 million in 2002 to \$32.8 million in 2004 before rebounding to \$44.0 million in 2005. The organizational structure for the bureau is illustrated in Exhibit A-12.

Exhibit A-13 shows the number and dollar amount of grants issued through the bureau in FY03 and FY04. A large portion of funds were provided through the Large Business Development program, although this amount dropped from \$11,275,000 in FY03 to \$3,235,000 in FY04.

Exhibit A-11 BUSINESS DEVELOPMENT EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$54.9	123.9
2003	\$53.7	105.1
2004	\$32.8	93.6
2005	\$44.0	81.2

Source: DCEO data summarized by OAG.

Exhibit A-12
**ORGANIZATIONAL CHART
BUSINESS DEVELOPMENT**

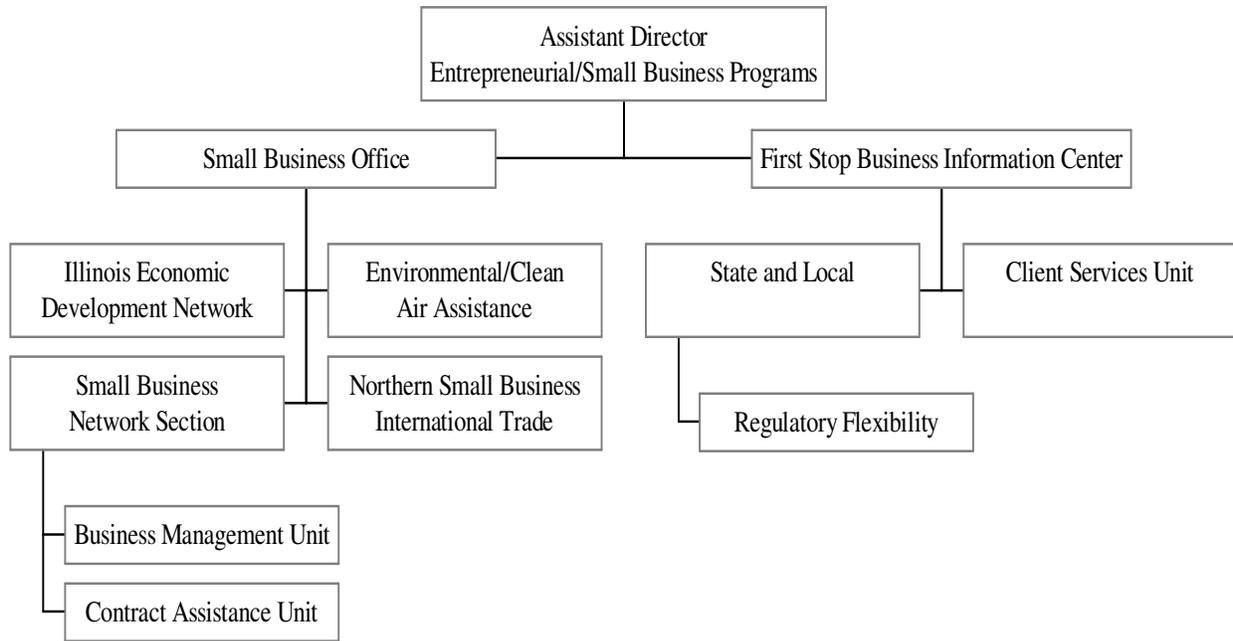


Source: OAG Summary of DCEO Organizational Chart.

Exhibit A-13 BUREAU OF BUSINESS DEVELOPMENT GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
<i>Business Programs</i>				
Large Business Development Program	21	\$11,275,000	6	\$3,235,000
CDAP/Economic Development	5	\$2,658,085	14	\$8,072,391
Business Development Public Infrastructure Program	6	\$2,590,000	5	\$830,000
Workforce, Technology, and Economic Development Fund	-	-	11	\$1,448,000
Corporate Headquarters Relocation Program	-	-	1	\$1,442,354
Miscellaneous State Grants	2	\$53,000	11	\$761,000
Linked Development Grant Program	-	-	2	\$150,000
<i>Small Business Programs</i>				
Small Business Development Centers	36	\$2,911,000	35	\$2,893,010
International Trade Centers	6	\$1,111,000	6	\$978,000
Procurement Technical Assistance Centers	10	\$713,200	10	\$723,084
Entrepreneurship Centers	2	\$440,684	20	\$2,801,083
NAFTA Opportunity Centers	<u>2</u>	<u>\$210,500</u>	<u>2</u>	<u>\$206,290</u>
Total	<u>90</u>	<u>\$21,962,469</u>	<u>123</u>	<u>\$23,540,212</u>
Source: OAG analysis of DCEO grants.				

According to DCEO officials, the Small Business Office is now separate from the Bureau of Business Development and headed by the Assistant Director of Entrepreneurial and Small Business Programs. Exhibit A-14 illustrates the organizational structure for the Small Business Office.

Exhibit A-14
**ORGANIZATIONAL CHART
 SMALL BUSINESS**



Source: OAG Summary of DCEO Organizational Chart.

Mission Statement

The mission statement for the Bureau of Business Development is: “To assist existing businesses and businesses new to Illinois to be competitive in the global economy by providing advocacy, business assistance, training, and access to information and financial resources in support of business-to-business linkages and market expansion.”

Goals and Objectives

According to the Comptroller’s 2004 Public Accountability Report, the Bureau of Business Development’s program goals and objectives included the following:

1. To retain current producers and suppliers in Illinois.
 - a. Businesses assisted (exclusive of small businesses) through the efforts of the Market Development Division (MDD) staff will retain 10,000 jobs by 6/30/04.
 - b. Maintain the number of jobs retained by small businesses assisted through the Small Business Development Center (SBDC) Network by 6/30/04.
2. To expand and attract producers and suppliers in Illinois.

- a. Businesses assisted (exclusive of small businesses) through the efforts of the Market Development staff will create 8,000 jobs by 6/30/04.
 - b. Maintain the number of jobs created by small businesses assisted through the Small Business Development Center Network by 6/30/04.
 - c. The number of new business starts assisted through the Small Business Development Center Network will be 240 by 6/30/04.
3. Provide access to capital (state and private sector financing) for business growth and expansion.
 - a. Stimulate \$1.5 billion of private financing investment for new and expanding businesses through efforts of the market development staff by 6/30/04.
 - b. Capital accessed and financing secured for small businesses in Illinois through the Small Business Development Center Network will be \$80 million by 6/30/04.

Business Development Programs

Large Business Development Program (LBDP)

The Large Business Development Program (LBDP) provides low-interest loans or grants for expansion or retention projects undertaken by eligible large businesses (i.e., more than 500 employees) that meet program criteria and demonstrate the greatest potential in the creation and retention of jobs.

Funds available through the program can be used for typical business activities such as financing for the purchase of land and buildings, construction or renovation of fixed assets, site preparation, and the purchase of machinery and equipment. Funds are targeted to major economic development opportunities that will result in substantial private investment and the creation and retention of 300 or more jobs. The maximum loan amount under the program is \$2,000,000 and the maximum grant amount is \$500,000. These maximums can be waived at the discretion of the Director. Assistance cannot exceed more than 25 percent of the total project cost.

Selection Process

To be eligible, a company must be mature and stable, have a well-defined market, and employ over 500 persons. A large business includes any for-profit business, organized as a sole proprietorship, partnership, corporation, joint venture, association, or cooperative. The business project must be an out-of-state firm locating in Illinois or an expansion or retention of an existing firm, not an area relocation of an existing Illinois business.

DCEO will conduct a thorough financial and technical review of each application. The review will ensure that DCEO's funds are awarded to large businesses which demonstrate a need for funds, best meet the program objectives, have well-designed projects, and create or retain a significant number of jobs. For any application meeting evaluation criteria, DCEO staff is

required to conduct a field visit to verify information in the application. The final decision to commit program funds is made by the Director.

Community Development Assistance Program (CDAP) - Economic Development Component

The program provides funds to assist Illinois communities meet their greatest economic and community needs, with an emphasis on helping low to moderate income persons. Under this component, the maximum grant is \$750,000 and the jobs to dollar ratio is not over \$15,000 per job. Only projects that create or retain permanent jobs in the industrial and commercial sectors will be funded. Projects should attract sizable private investment, have solid commitments to create or retain permanent jobs, and demonstrate financial feasibility. The ratio of non-CDAP funds to CDAP funds invested in the project must be at least one to one.

Major eligible activities include economic development, public facilities construction, design engineering, housing rehabilitation, planning, and emergency public facilities.

Selection Process

Grants are available to units of local government (i.e., cities, villages, townships and counties) to assist for-profit and not-for-profit firms carry out economic development projects. Municipalities are required to be 50,000 or less in population and not located in an urban county that receives entitlement funds.

Applications are accepted on an as needed basis throughout the year until all allocated funds have been distributed. The program's screening and review process is designed to ensure CDAP funds are awarded to communities that demonstrate the need for financial assistance and have a well-designed project. Each application is evaluated using the following four categories: project benefit, benefit to low-to-moderate income persons, CDAP dollars to jobs ratio, and resource leveraging. All recommendations are forwarded to the Director who makes final funding decisions.

Business Development Public Infrastructure Program

The program provides sources of affordable financing to Illinois communities for developing the infrastructure needed to address health and safety needs and promote economic growth. More specifically, low-interest loans or grants are provided to eligible local governments for public improvements that meet program criteria and demonstrate the greatest potential in the creation and retention of jobs. Approved infrastructure projects are usually financed as loans. Grants are available on a limited basis.

Program funds may be used for the following public infrastructure improvements among others: local roads and streets, access roads, bridges, sidewalks, waste disposal systems, water and sewer line extensions, and water distribution and purification facilities. There is no maximum amount of infrastructure funds that may be invested in any one project. However, at least one private sector job must be created or retained for every \$10,000 awarded by DCEO. Typically, DCEO will limit assistance to \$500,000 or less.

Selection Process

Eligible applicants include any general purpose local government. Applications are accepted on an ongoing basis. The actual number and types of awards are subject to funding availability and the amount requested.

DCEO conducts a thorough financial and technical review of each application including the project impact such as the number of permanent full-time equivalent jobs that will be created or retained. The review process ensures that infrastructure funds are awarded to communities which demonstrate the need for funds, have well-designed projects, and clearly demonstrate the potential for creating or retaining a sizable number of private sector jobs.

Workforce, Technology, and Economic Development Fund

The Workforce, Technology, and Economic Development Fund was created as a special fund in the State Treasury under the Civil Administrative Code of Illinois (20 ILCS 605/605-420). The Code states that DCEO may accept gifts, grants, awards, matching contributions, interest income, appropriations, and cost sharings for any of the following purposes:

- 1) To assist economically disadvantaged and other youth to make a successful transition from school to work;
- 2) To assist other individuals targeted for services through education, training, and workforce development programs to obtain employment-related skills and obtain employment;
- 3) To identify, develop, commercialize or promote technology within the State; and
- 4) To promote economic development within the State.

According to DCEO officials, the fund was “seeded” by a \$3,000,000 grant received from Motorola in 2002. There were 14 total grants awarded from this fund, with 11 grants totaling \$1,448,000 being administered by the Bureau of Business Development. All of these 11 grants were awarded in Fiscal Year 2004. According to DCEO officials, this fund has been zeroed out and is therefore no longer active.

Corporate Headquarters Relocation Program

The Corporate Headquarters Relocation Program encourages large, multinational corporations interested in relocating their international headquarters from outside of Illinois to a location within Illinois. The relocation should create a substantial public benefit and foster economic growth and development within the State. The relocation should also use incentives, not available through existing incentive programs, which encourage long-term commitments by businesses and industries to come to Illinois.

Eligible businesses may receive reimbursement for not greater than 50 percent of its documented relocation costs. The maximum annual reimbursement amount cannot exceed 50 percent of the total amount withheld from employee wages at the corporate headquarters. The

maximum amount to be reimbursed is the lesser of 10 years of payments or 50 percent of the company's relocation costs whichever comes first.

Selection Process

In order to be eligible for the program, the company must 1) have annual worldwide sales of at least \$25,000,000,000, 2) maintain its corporate headquarters in a state other than Illinois, and 3) create at least 250 full-time jobs at the project site.

If a company selects Illinois, a formal application must be prepared requesting the approval for reimbursement through the program. The application is reviewed to ensure all requirements are met and then an agreement is sent for approval and sign-off. Funding recommendations are prepared by the program manager, submitted to the Assistant Deputy Director, and then to the Director for sign-off. According to statute, applications must be submitted to the Department no later than July 1, 2004 which effectively closes the program to future applications.

Miscellaneous State Grants

Miscellaneous grants are grants provided to governmental and not-for-profit agencies to assist with specific projects pertaining to their entity or area. These grants are used mostly for line item appropriations contained in the DCEO budget. Allowable expenditures are usually specified in the appropriation language including operational expenditures, equipment, land acquisition, or building construction.

Selection Process

Grantees are generally specified in the appropriation language although some grants may be made at the discretion of the Director. Grantees named in the appropriation language must be legal entities such as local governments, state universities, not-for-profit organizations, and Illinois businesses. Grant proposals are reviewed by program staff and management as assigned from the appropriation code or at the Director's designation.

Linked Development

Linked development provides grants to community redevelopment or business development projects in the areas of the State demonstrating depressed conditions. DCEO officials stated that linked development is not a program but rather a line-item appropriation with no new funds being appropriated since Fiscal Year 2002.

Selection Process

Eligible areas include any area of the State if the census tract, city, or county is a part of a depressed area. A depressed area may be demonstrated through high unemployment rates, high poverty rates, low per capita income, low job growth rates, or another objective measure of distress.

Funds are available on as needed basis through a noncompetitive process until all funds are obligated with no application deadline. Applicants are required to complete an application package, which is reviewed and evaluated by DCEO staff. DCEO staff use a project review checklist to review each application. This checklist includes a section entitled project evaluation, which examines among others the project need, commitment to job creation and retention, ability to carry out the project, and on-site visits.

Economic Development for a Growing Economy (EDGE) Tax Credit Program

The EDGE tax credit program is a targeted tax incentive program that provides tax credits for businesses creating new full-time jobs, retaining existing full-time jobs, and making capital investments in Illinois. The program is designed to help areas of Illinois that are in direct competition with other states for jobs and development. The amount of tax credit is calculated on a case-by-case basis, which could be as high as the amount of tax receipts collected from income taxes paid by employees of the firm as pertaining to the project.

Key parameters of the program include: 1) tax credits are available for up to a total of 10 years for each project, 2) each annual tax credit amount can be carried forward for five years (although they cannot be larger than the firm's state income tax liability), and 3) each firm receiving tax credits must maintain the jobs created and retained along with the capital investment concurrent with the credit period.

Selection Process

Eligible applicants include for-profit business projects that result in 1) the creation of at least 25 jobs and the investment of \$5 million, or 2) the creation of 50 jobs and the investment of \$2.5 million, or 3) involves an investment in a sufficient amount to employ at least 25 new employees provided the project is located within or serves a distressed area or hires low income workers (the Director may waive thresholds). The greater the impact on the economy, the lower the amount of job creations and investments necessary for the Director to approve the application.

As of January 1, 2005, the program was expanded to include companies with 100 or fewer employees and a viable relocation option outside of the State. The applicant's project must involve an investment of at least \$1 million and employ at least five new full-time employees within Illinois.

Applications are accepted at any time during the year. If a company selects Illinois, a formal application must be prepared requesting the approval for tax credits through the program. The application is reviewed to ensure all requirements are met and then an agreement is sent for approval and sign-off. Funding recommendations are prepared by the program manager, submitted to the Deputy Director, and then to the Director for sign-off.

Enterprise Zone Program

The program stimulates growth, retention, and neighborhood revitalization of the State's depressed areas by means of relaxed government controls and tax incentives in those areas. The

program offers a number of state and local tax incentives to businesses that make investments to create or retain jobs in any of the certified enterprise zones located throughout the state.

Businesses choosing to locate or expand in an enterprise zone may be eligible for the following incentives among others: 1) an exemption on the retailers' occupation tax for building materials and 2) an exemption on the state utility tax for electricity and natural gas. In addition to the state incentives offered by the program, each zone offers distinctive local incentives to enhance business development projects such as waivers of business licensing and permit fees and special local financing programs.

Selection Process

An area proposed for addition to an enterprise zone must be contiguous and result in a zone not more than 12 square miles in total area (unless other units of government are involved). In addition, the proposed addition must meet one of the two qualifying methods.

Option One: The proposed addition must provide an immediate substantial utility or benefit to the established zone or its residents or businesses. Specific commitments, plans, and timetables must be provided.

Option Two: The area qualifies as depressed under any of the tests of poverty, low income, unemployment, and population loss.

Applicants are required to complete and submit standardized applications to the program manager for review no later than December 31 of the preceding calendar year. Applicants are also required to provide the following information among others: public hearing notice, amending ordinances making a boundary change, information on the economic characteristics of the proposed addition, and documentation and statistics demonstrating the proposed addition meets one of the eligibility criteria. After the review is complete, proper certification is prepared for the Director along with notification letters that are signed by the program manager.

High Impact Business Program

The program provides tax incentives for unique opportunities to assist in the development, growth, and expansion of large businesses that will result in significant job creation or retention and private investment.

Incentives include investment tax credits, State sales tax exemptions on building materials, State sales tax exemptions on utilities, and expanded State sales tax exemptions on purchases of personal property used or consumed in the manufacturing or assembly process or in the operation of a pollution control facility.

Selection Process

The designation as a high impact business is contingent on the business undertaking a large scale investment and development project. In order to be eligible, companies must:

- Make a \$12 million investment in qualified property causing the creation of 500 full-time equivalent jobs at a designated location in Illinois,
- Make a \$30 million investment in service causing the retention of 1,500 full-time jobs at a designated location in Illinois,
- Submit a written statement to DCEO stating that without the tax credits or exemptions, the investments would not be placed in service and the jobs created or retained would not occur.

Applications may be submitted at any time during the year. Businesses located within enterprise zones are not eligible for this program.

Participation Loan Program

The program provides economic development assistance through banks and other financial intermediaries to Illinois small businesses. The Department may participate in loans up to 25 percent of the total eligible amount of a project but not less than \$10,000 or more than \$750,000. The financial intermediary will be required to retain at least 50 percent of the amount of the loan.

Selection Process

Applications are accepted throughout the year until program funds are exhausted. The Business Finance Division reviews applications and analysis from the financial intermediary and recommends terms for purchase. Loan requests are then submitted to the Financial Review Committee consisting of an internal project summary form, a programmatic and a financial review memorandum, and a copy of any pertinent lender analysis forms. After receipt of the Director's signature on the internal project summary form, an approval or denial letter is prepared. This letter is prepared for the signature of the Financial Review Committee Chairperson.

Indirect Equity Investment Program

The program provides DCEO with the ability to purchase a participation in a financial intermediary qualified investment for the purpose of assisting young, high risk, technology based firms, including business start-ups. DCEO may finance no more than the lesser of 33 1/3 percent of the total amount of any single project or \$250,000 for any single project unless such limitations are waived by the Director.

Selection Process

Applications are accepted throughout the year until program funds are exhausted. The Business Finance Division reviews applications and analysis from the financial intermediary and recommends terms for purchase. Loan requests are then submitted to the Financial Review Committee consisting of an internal project summary form, a programmatic and a financial review memorandum, and a copy of any pertinent lender analysis forms. After receipt of the Director's signature on the internal project summary form, an approval or denial letter is

prepared. This letter is prepared for the signature of the Financial Review Committee Chairperson.

Tax Increment Financing (TIF) Program

Tax increment financing is a municipal financing technique used to renovate declining areas or redevelop blighted areas while improving the tax base. The program allows a municipality to acquire and prepare property for redevelopment and make needed public (and some private) improvements. In a TIF district, dollars for improvements are generated by businesses attracted by the TIF benefits. More specifically, money for infrastructure improvements and other incentives comes from the growth in property tax revenues.

Selection Process

Once a TIF district has been created, DCEO must receive a copy of the local notice. After receiving this notice, a TIF compliance checklist is completed and then a letter is issued to the city acknowledging receipt of the notice.

Small Business Office Programs

Illinois Small Business Development Center Network

The program provides comprehensive business assistance, training, information, advocacy, and access to critical resources to help Illinois small business and entrepreneurs enhance their competitiveness and ability to succeed in a rapidly changing, global economy.

The Illinois Small Business Development Center Network Centers provide several types of services to small businesses in Illinois. Delivery of assistance is accomplished through the Small Business Development Centers (SBDC), Procurement Technical Assistance Centers (PTAC), and International Trade Centers (ITC)/NAFTA Opportunity Centers (NOC). The Small Business Office provides grants to various centers and the centers provide services to individual businesses.

Selection Process

Requests for Proposals are updated and released every three years for distribution to all current network centers and upon request, to other non-profit business organizations and institutions of higher education. Although the proposal covers up to three years, the budget and performance objectives are submitted for a 12-month period. Proposals must include a 100 percent matching contribution for the funds requested, 50 percent of which must be in cash. The minimum funding request for each center program is \$50,000.

In March 2004, RFPs were requested from educational institutions and non-profit business development organizations interested in operating a SBDC, PTAC, or ITC. Evaluation criteria stated that DCEO shall give greater consideration for those proposals which demonstrate the following among others:

- A concentrated effort providing counseling to existing small businesses;
- Adherence and compliance with all RFP guidelines and requirements; and
- High quality center locations that are easily accessible, identifiable, and in a convenient business-like setting.

The proposal review process consists of three phases used to evaluate proposals including initial, in-depth, and final reviews. Reviewers utilize a review instrument identifying items to be reviewed and scoring process. Staff recommendations are submitted to the small business office's manager for review, approval, and processing.

Small Business Development Centers (SBDC)

SBDCs provide technical and management assistance through one-on-one counseling and group training sessions to Illinois business owners and entrepreneurs. The Centers also provide the following services among others:

- Assistance with the development of business and marketing plans.
- Assistance with financial analysis and planning.
- Access to business education and training opportunities.

These services are offered locally through centers located at community colleges, universities, chambers of commerce, and business development organizations throughout the State.

International Trade Centers (ITCs)/NAFTA Opportunity Centers (NOCs)

International Trade Centers and NAFTA Opportunity Centers provide assistance to small businesses interested in exporting their product to international markets. ITCs/NOCs help identify specific foreign markets in which a company's product or service has the greatest demand, provides guidance in meeting export criteria and foreign government requirements, and assists in obtaining visas, licenses, copyrights, and patents.

Six ITCs are located throughout the State, two of which are also NOCs. The NORBIC (North Business & Industrial Council) NOC is located in Chicago and covers eight counties. The Bradley University NOC is located in Peoria and covers the remaining counties in the State. The following represents a list of ITCs and NOCs:

- Black Hawk College ITC
- College of DuPage ITC
- NORBIC ITC / NORBIC NOC
- Bradley University ITC / Bradley University NOC

- University of Illinois ITC
- Southern Illinois University-Edwardsville ITC

Illinois Procurement Technical Assistance Centers (PTACs)

PTACs provide detailed, comprehensive technical assistance to Illinois companies interested in selling their goods or services to local, state, or federal government agencies. Assistance is provided through network centers offering the following services among others:

- General procurement counseling,
- Bid specifications,
- Bid packages review, and
- Information about contract administration.

Services are offered through PTACs located at community colleges, universities, chambers of commerce, and business development organizations.

Entrepreneurship Centers

Entrepreneurship centers are new regional hubs for coordinating all small business development, entrepreneurship training, and entrepreneurship development activity in Illinois. The network, comprised of SBDCs, PTACs, ITCs, and NOCs, was established to build on to the Small Business Development Center Network while focusing on businesses with high growth potential. According to DCEO officials, in order to receive assistance, a business's growth potential is targeted to be at least 50 employees.

Each entrepreneurship center is run in partnership with an identified organization or educational institution. According to DCEO officials, the centers provide grants up to \$5,000 per award and access to venture capital and angel funding. Officials added that grants are used for marketing or planning such as hiring someone to develop a business plan or hiring a marketing firm to market an idea. Grants must be matched by grantees.

Small Business Environmental Assistance Program

The program provides free confidential information and compliance assistance to help small businesses comply with environmental regulations. The Small Business Office operates a toll-free help line available for environmental-related questions, conducts hands-on workshops and seminars on environmental issues, and develops easy-to-read fact sheets and guides. Companies may access information via the internet including permit applications, fact sheets, and other environmental resources.

Policies and Procedures

Business Development had policies and procedures for its many programs which included procedure manuals , program information, RFP and a financial review instrument.

Monitoring and Reporting

According to DCEO officials, monitoring requirements are built into grant agreements such as the inclusion of dates when specific requirements are required to be met. In addition, program managers monitor through documents gathered, site visits, and required reports. The Small Business Office uses a software program for collecting data on information such as activity per client and financing acquired. Centers enter the data, which is accessible by DCEO through a network linking all of the centers together.

The following monitoring and reporting requirements have been established for each program area:

Large Business Development Program

Grants and loans are monitored through a quarterly reporting system and on-site reviews as needed. Each borrower or grantee is sent a copy of the quarterly report on job creation, job retention, and leverage to complete. Once the recipient has made its investment and leverage commitments are met, only job creation and job retention are required to be reported. After three years, if a company achieves acceptable job creation and leverage expenditure levels, no further reports are required. On-site monitoring is conducted by DCEO's grant monitoring unit staff upon request of the Assistant Deputy Director or Manager of the Business Finance Division.

Business Development Public Infrastructure Program

The program is monitored through an annual reporting system and on-site reviews as needed. Each borrower or grantee is sent a copy of the report on job creation/retention and leverage for their completion. Once the grantee/borrower meets leverage commitments, only job creation and retention must be reported. If a company achieves acceptable job creation and retention for three years, no further reports are required. On-site monitoring of the program is conducted upon request by the Assistant Deputy Director.

Economic Development for a Growing Economy (EDGE) Tax Credit Program

DCEO provided a program report on job creation/retention and capital improvement expenditures. This report requires businesses to provide the tax agreement's number of jobs created and retained as well as the actual number of jobs created and retained from the last day of the taxable year. If a company has not met the agreement's requirements, a written explanation must be attached to explain why, the steps being taken to correct it, and a target date when requirements will be met.

Enterprise Zone Program

Enterprise zones are required to fill out standard quarterly reports listing the name of each business with the corresponding investment, jobs created, and jobs retained. These reports are then compiled into an annual report on the program's effectiveness, which is sent to the Governor and General Assembly by October 1 of every year. The report is comprised of the initial and current population, employment, per capita income, number of business establishments and dollar value of new construction and improvements for each enterprise zone.

Participation Loan Program

The financial intermediary shall submit the recipient's annual financial statement to DCEO. The financial intermediary shall provide a "Lender Transaction Report" on an annual basis outlining the current status of the DCEO loan. The lender must submit a pro-rata portion of any payments received from the borrower to DCEO. The borrower must submit annual job reports directly to DCEO.

Indirect Equity Investment Program

The financial intermediary shall submit the recipient's annual financial statement to DCEO. The financial intermediary shall provide a "Financial Intermediary Transaction Report" on an annual basis outlining the current status of the DCEO investment. The financial intermediary must submit a pro-rata portion of any payments received from the recipient company to DCEO. The recipient company must submit annual job reports directly to DCEO.

Illinois Small Business Development Center Network

Illinois SBDC Network reviews are performed on a random basis throughout the year. To ensure acceptable results, each SBDC, PTAC, ITC, and NOC should be prepared for these planned visits. The two types of reviews include on-site fiscal monitoring and on-site programmatic monitoring. An on-site review instrument was provided, for monitoring the progress and evaluating the effectiveness of the SBDC network operations including corrective actions, monitoring process, and cash management.

In March 2004, revisions were made to the financial review instrument enabling network coordinators to make more thorough reviews of the center's fiscal operations. One revision to the process included adding steps to test among others cash disbursements, indirect costs, and in-kind contributions to actual comparisons.

Small Business Development Center (SBDC)

Each center must comply with the following submission deadlines:

- Quarterly Narrative Report. The narrative is to be clear, concise, and highlight significant program activities for the prior period. Quarterly reports are due on the fifth business day of the month following the quarter.

- Request for counseling client forms. All individual counseling sessions shall be documented on the Illinois Client Tracking System.
- Economic Impact Report. Signed verification on economic impact results must be maintained in Network center's client files.
- Success Story. Each Network center is responsible for developing success stories as they occur.

An outline, assessment guide, and timeline were provided regarding SBDC site visits. The checklist must be discussed with center staff and the outline must be used as a review guide. If significant findings are found, the center's Director must be notified and a follow-up letter completed. Any significant or repeated findings are to be reported to the SBDC network office management.

Procurement Technical Assistance Centers (PTACs)

PTACs shall report the following information to the DCEO Illinois SBDC Network:

- The number and type of clients assisted.
- The type of assistance provided to program clients.
- The number of government agency prime and sub-contracts awarded to clients.
- The number of full and part-time jobs actually created and/or retained as a result of assistance provided by the program.
- Client success stories attributed to assistance provided by the PTAC.
- The number of bids submitted by clients.
- The number of active clients.

PTACs are also required to submit quarterly reports including the following information: an evaluation of the center's effectiveness and a listing of participation or sponsorship of seminars, conferences, and training sessions. Each PTAC must maintain a system of files with complete information on counseling cases and training functions.

International Trade Center (ITC)/NAFTA Opportunity Center (NOC)

Each center must comply with the following submission deadlines:

- Quarterly Narrative Report. The narrative is to be clear, concise, and highlight significant program activities for the prior period. Quarterly reports are due on the fifth business day of the month following the quarter.

- Request for counseling client forms. All individual counseling sessions shall be documented on the Illinois Client Tracking System.
- Economic Impact Report. Signed verification on economic impact results must be maintained in Network center's client files.
- Success Story. Each Network center is responsible for developing success stories as they occur.

No relevant monitoring and reporting requirements were identified for the following programs: 1) CDAP Economic Development Component, 2) Workforce, Technology, and Economic Development Fund, 3) Corporate Headquarters Relocation Program, 4) Miscellaneous State Grants, 5) Linked Development, 6) High Impact Business Program, 7) Tax Increment Financing Program, and 8) Entrepreneurship Centers.

OAG Testing

In our testing we reviewed 11 grants for the Bureau of Business Development, which totaled over \$2.3 million. We found four projects that did not require the submission of any programmatic monitoring reports and one project that did require reports but none were due at the time of our testing. For the remaining six projects, DCEO did not receive all required monitoring reports. In addition, we could not find any documentation suggesting DCEO followed up on missing monitoring reports for any of the projects. When we asked DCEO about the missing reports, DCEO stated that four of the six project files did not contain reports due to a loss of data and that a recovery process was underway.

Periodic Review

The Illinois Enterprise Zone Act (20 ILCS 655) requires DCEO to submit an annual report evaluating the program's effectiveness to the Governor and General Assembly on October 1 of each year. This report includes the following information: initial and current population, employment, per capita income, number of business establishments and dollar value of new construction and improvements for each enterprise zone. However the Business Development Bureau has not established any additional written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

Business Development has performance measures included among those reported to the Comptroller for the Public Accountability Report. It also has measures reported on the quarterly DCEO/GOMB reports. On the following pages is a listing of those measures and an exhibit which analyzes the Public Accountability measures.

Exhibit A-15
**BUSINESS DEVELOPMENT PERFORMANCE MEASURES
 FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT**

1. Jobs created through Market Development Division (MDD)	6,231
2. Jobs retained through MDD	12,257
3. Private investment stimulated (in millions)	\$1,128.2
4. Public investment (in millions)	\$107.7
5. Procurement Technical Assistance Center (PTAC) contracts secured (in millions)	\$504.2
6. PTAC jobs created/retained	1,646
7. Small Business Development Center (SBDC) business expansions assisted	178.0
8. SBDC capital accessed (in million)	\$85.5
9. SBDC jobs created/retained	6,255
10. SBDC new businesses started	321.0
11. Percent of businesses assisted by FIRST Stop which reported time/dollar savings	91.4%
12. Amount of financing secured through Business Finance Division (in millions)	\$41.2
13. Illinois' ranking of top states for new/expanded facilities	4.0
14. Sites and buildings inquiries	633.0
15. SBDC number of clients trained	18,863
16. PTAC businesses (clients) counseled	1,524
17. SBDC businesses (clients) counseled	12,340
18. Environmental Assistance small businesses served	1,527
19. First Stop clients assisted	19,602
20. Businesses assisted by Business Finance Division	226.0
21. Win Rate (conversion ratio)	77.9%
22. Private investment leveraged for each dollar of public investment	\$10.00
23. Average hours per SBDC counseling case (national average: five hours)	5.5

Source: Comptroller's 2004 Public Accountability Report.

Exhibit A-16 BUSINESS DEVELOPMENT PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	24	24	23	
Consistency				
Measures removed compared to previous year	2	0	1	
Measures added compared to previous year	0	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	14 (29%)	7 (71%)	11 (64%)	12
# of targets the same (<i>% reached</i>)	2 (50%)	4 (50%)	8 (38%)	6
# of targets lowered (<i>% reached</i>)	8 (50%)	13 (46%)	4 (25%)	5
# of measures with no targets from either the current or previous year	0	0	0	
Targets reached				
Average % above target	+26.9%	+32.3%	+35.0%	
Targets not reached				
Average % below target	-24.5%	-24.4%	-18.3%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included one measure which was also a Public Accountability Report measure, Win Rate. It included two other measures plus a jobs created and retained measure which includes Business jobs. In FY05 one new measure was reported:

- New Businesses Started

Except for Win Rate, none of the other measures were reported as a Public Accountability Report measure.

Technology & Industrial Competitiveness

DCEO’s Bureau of Technology & Industrial Competitiveness is charged with helping ensure that, as technologies change, the skills of all Illinois workers keep pace. In addition, the bureau works to ensure that Illinois companies benefit from technological advancements, adopting new technologies to improve productivity and competitiveness.

As shown to the right in Exhibit A-17, expenditures decreased by more than \$16 million from Fiscal Year 2002 to 2004 before increasing in 2005. Headcount has also declined from 56.0 FTEs in 2002 to 42.6 FTEs in 2005. Exhibit A-19 shows the organizational structure of the Bureau of Technology & Industrial Competitiveness. Exhibit A-18 shows the number and dollar amount of grants issued by program for the Bureau of Technology & Industrial Competitiveness in Fiscal Years 2003 and 2004.

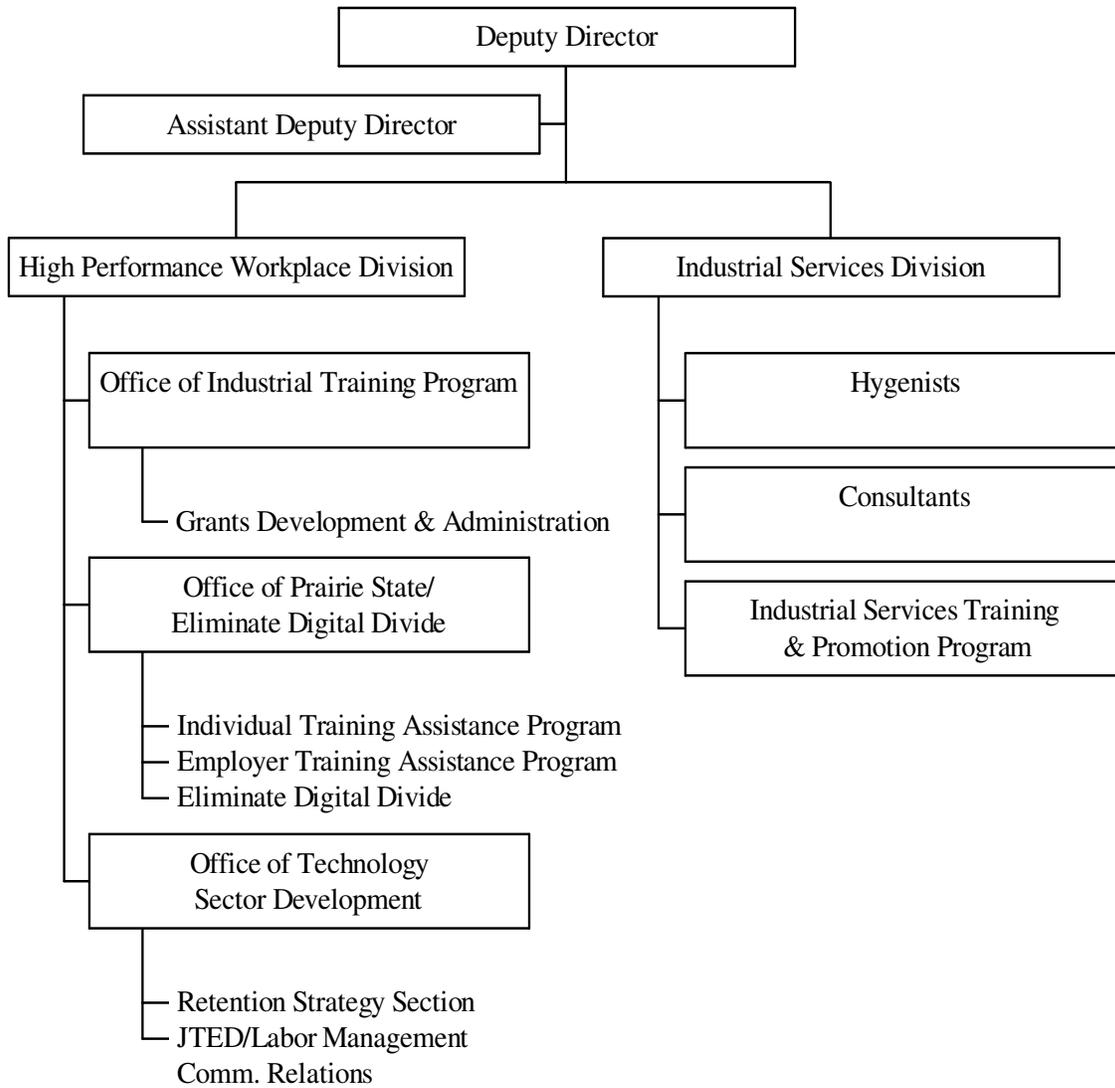
Exhibit A-17 TECHNOLOGY & INDUSTRIAL COMPETITIVENESS EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$61.4	56.0
2003	\$51.4	49.4
2004	\$44.8	51.0
2005	\$50.4	42.6

Source: DCEO data summarized by OAG.

Exhibit A-18 BUREAU OF TECHNOLOGY & INDUSTRIAL COMPETITIVENESS GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
Employer Training Investment Program				
Large Company Component	94	\$21,611,500	72	\$14,675,895
Small/Mid Sized Multi-Company Component	-	-	25	\$2,922,277
Small/Mid-Sized Single Company Component	-	-	110	\$1,881,935
Digital Divide Program	81	\$3,044,699	118	\$4,483,229
High Technology School to Work Program	7	\$979,463	17	\$961,870
Manufacturing Extension Partnership of Illinois	1	\$539,200	2	\$2,000,000
Illinois Technology Enterprise Centers	8	\$2,069,922	10	\$1,892,356
Other Grants	-	-	22	\$4,402,278
Total	191	\$28,244,784	376	\$33,219,840

Source: OAG analysis of DCEO grants.

Exhibit A-19
ORGANIZATIONAL CHART
TECHNOLOGY & INDUSTRIAL COMPETITIVENESS



Source: OAG Summary of DCEO Organizational Chart.

Mission Statement

The mission for the Bureau of Technology & Industrial Competitiveness is to help position Illinois’ businesses and entrepreneurs to succeed in a changing economy by: developing the skills of their workers; promoting safe and healthy workplaces; creating a cooperative labor-management environment; assisting in the commercialization of new technologies; and providing access to modernizing technologies and practices.

Goals and Objectives

According to the Comptroller's 2004 Public Accountability Report, program goals and objectives for the Bureau of Technology and Industrial Competitiveness included the following:

1. To improve the skills of the existing workforce.
 - a. Create and/or retain 69,000 jobs by providing training for workers under the Employer Training Investment Program (ETIP) by 6/30/04.
 - b. Maintain services by providing ETIP training at a cost per trainee of \$313 by 6/30/04.
 - c. Increase services to provide retention in employment (90 days consecutive or 150 days non-consecutive) for 500 workers under the JTED (Job Training for Economic Development) program by 6/30/04.
2. To improve the health and safety of Illinois firms.
 - a. Maintain services by providing training in health and safety methods for 2000 workers by 6/30/04.
3. To improve Illinois' infrastructure devoted to the commercialization of new technologies.
 - a. Provide technical assistance to 379 technology-related entrepreneurs, start-ups or small businesses through the Illinois Technology Enterprise Centers (ITEC'S) by 6/30/04.
 - b. To create 550 new jobs through the Illinois Technology Enterprise Centers (ITECs) by 6/30/04.

Programs

The Digital Divide Program

The goal of the Digital Divide Program is to increase access to computers, telecommunications technologies, and related training for populations residing in low-income communities. Under this program, the Department is authorized to make grants to plan, establish, administer, and expand Community Technology Centers and to support technology access programs. Grant funds can be used to provide training services and to purchase equipment, software, and other networking capabilities.

The intended recipients of these grants are Community Technology Centers, which include schools, libraries, park districts, institutions of higher education, nonprofit organizations, and public hospitals. The applicant must serve a community in which not less than 40 percent of students are eligible for a free or reduced price lunch under the national school lunch program.

Selection Process

Grants are issued once a year through a Request for Applications process. The maximum grant award for each fiscal year is \$50,000. A review team evaluates the applications and prepares a funding recommendation. The Deputy Director reviews the funding recommendation and meets with the DCEO Director who approves the grant awards.

High Technology School-to-Work Program

The High Technology School-to-Work Program provides grants to employers and groups from high technology industries and schools. The goal of the Program is to increase the number of students who enter occupations or educational programs requiring advanced skills in the areas of science, mathematics, and advanced technology. Students participating in School-to-Work projects will acquire skills that will prepare them to transition from school to high skilled, high paying jobs.

The Program's intended recipients are students who have the aptitude to excel in technology-oriented occupations. Historically, women and minority populations have not been fully represented in many high-technology occupations. This program encourages proposals that respond to this need by targeting women and minorities for additional outreach and participation.

Selection Process

As a means of ensuring that businesses play a central role in the identification of skill requirements and curricula design, the Department will only accept proposals from private sector employers, or employer-based intermediary organizations (industry associations and chambers of commerce). Grants are issued once a year through an Request for Applications process. In Fiscal Year 2003, the average grant award was \$140,000; however, the maximum grant award for Fiscal Year 2005 was \$100,000. A review team evaluates the applications and prepares a funding recommendation. The Deputy Director reviews the funding recommendation and meets with the DCEO Director who approves the grant awards.

Employer Training Investment Program- Small to Mid-Sized Company Component

The goal of the program is to invest in companies that are expanding, modernizing, introducing more efficient technologies/processes, or whose employees are threatened with layoff. This program was formerly administered by the Prairie State 2000 Authority.

Individual companies (with less than 250 full-time employees) undertaking customized on-site training programs may apply for an ETIP/SMCC grant if they are: expanding the business enterprise in Illinois, expanding into new markets, introducing more efficient technologies/continuous improvement systems, expanding exports in Illinois, and providing additional training to employees who will be threatened with layoff. Grants can also be awarded to intermediary organizations that serve small to medium-sized Illinois companies with less than 250 full-time employees. Intermediary organizations may include Illinois-based business and industry organizations, strategic business partnerships, institutions of higher education, and labor organizations.

Selection Process

Applications are accepted throughout the year and are due on the 1st Friday of each month with funding decisions made on the 4th Friday of each month. Program staff reviews applications and a funding recommendation is developed. The DCEO Director approves the grants after meeting with the Deputy Director and Senior Manager. Grants are awarded that may cover up to 50 percent of approved training costs.

Employer Training Investment Program- Large Company Component

The goal of the program is to provide up to 50 percent in matching funds for training projects of full-time Illinois workers, which include but are not limited to one or more of the following:

- Training programs in response to new or changing technology being introduced in the workplace;
- Job linked training that offers special skills for career advancement;
- Training necessary to implement total quality management;
- Training on new machinery or equipment;
- Training of employees of companies that are expanding into new markets or expanding exports from Illinois; and
- Basic or remedial training of employees as a prerequisite for other vocational or technical skills training or as a condition for sustained employment.

Illinois based business with 250 or more employees are eligible to apply. Also eligible are entities sponsoring multi-company employee training opportunities including business associations, strategic business partnerships, institutions of secondary or higher education, large manufacturers for their supplier network companies and labor organizations, when those projects address common training needs identified by participating companies.

Selection Process

Applications are accepted any time throughout the year. The DCEO Director approves all grants. Awards are in the form of a 50 percent matching grant.

Illinois Technology Enterprise Centers (ITEC) Program

ITEC is essentially a business assistance program, targeted specifically at technology-based entrepreneurs and small businesses. There are currently eight centers located around the State. Each is affiliated with technology generating institutions (although their services are not limited to those institutions). Some of the centers make small (around \$25,000) investments in qualified companies but generally the assistance is not in the form of cash.

Each ITEC is expected to have a program mission focused on stimulating development of advanced technology enterprises by transforming innovation into enterprises. According to the

Department, the statutory goals of the Illinois Technology Enterprise Centers are “to assist entrepreneurs, innovators, and start-up firms in high-growth, high technology sectors in furthering the technical or managerial skills of owners; aid the ventures in locating financing; and help new companies with product development and marketing in support of new venture formation within the State.”

Manufacturing Extension Partnership of Illinois (MEPI) Program

The Manufacturing Extension Partnership of Illinois’ mission is to improve the competitiveness of small and mid-sized Illinois manufacturers. The two centers and their affiliated support organizations help manufacturers with productivity, technology modernization, and enhanced business practices. The MEPI is part of a broader economic development program of assistance for small businesses administered by the Department. It is also affiliated with a national network of manufacturing extension centers.

Selection Process

There are two primary centers for Illinois; these are also federally designated centers. One is the Chicago Manufacturing Center and one is the Illinois Manufacturing Extension Center in Peoria. In 2004, each received a \$1 million grant from DCEO. MEPI is essentially a subsidized consulting program, targeted specifically at small and medium-sized manufacturers with 500 or fewer employees. The value of the assistance varies from project to project, but does not involve outright cash assistance. The various types of assistance are listed below:

- Assessments/Diagnostics & Benchmarking
- Best Manufacturing Practices
- Quality Assurance Practices
- Modernization & Process Improvement
- Energy/Environment/Health and Safety Consultation
- Information Technology Management
- Business Management Assistance/Coaching
- Workforce Development
- Information/Referral Network Services
- Technology Access/Transfer
- Company, Market & Product Development

Job Training and Economic Development (JTED) Grant Program

The grantees of the JTED Program fall under two categories, titled “Industry Linked Training for Low Wage/Low Skilled Workers” (Category I) and “Industry Linked Training for Unemployed Disadvantaged Persons” (Category II). The program’s goal for Category I recipients is to establish or expand partnerships between community-based providers and employers to train existing low-skill, low wage employees and new hired disadvantaged persons. The goal for Category II recipients is to establish or expand partnerships between community-based providers, economic development organizations, and local employers to develop training programs for unemployed disadvantaged persons.

Eligible respondents for either category must be a not-for-profit organization with a local board of directors that directly provides job-training services. The not-for-profit organization must have a history of serving low wage/low skilled workers and/or disadvantaged individuals. Such organizations are referred to as community-based providers.

Selection Process

Applications are submitted through an annual Request for Applications process and evaluated by an internal review team. Allocations for grantees vary from year to year and are based on a performance contracting system over a two-year period. Payment is based on four negotiated points:

- The number of participant who enroll in training,
- The number of participants who complete the midpoint of training,
- The number who complete training, and
- The number of participants receiving a wage increase or increase in benefits within 150 days of completion of training OR the number of participants who retain their jobs for at least 90 consecutive days after completing training.

Illinois On-Site Safety & Health Consultation Program

The goal of the Program is to assist small Illinois employers identify and correct safety and health hazards in their workplaces and implement effective safety and health management programs. Additionally, the program helps employers comply with OSHA regulations (avoid costly fines) and reduce the costs of workman's compensation claims and insurance premiums.

Intended recipients of the program are small Illinois private sector employers (250 at each site/500 corporate-wide). To be eligible, employers must meet the size requirement, request visits, and agree to correct any hazards identified as serious prior to the visit.

Policies and Procedures

The Bureau of Technology & Industrial Competitiveness had policies and procedures for JTED, Grantee Reporting Instructions for MEPI and Digital Divide Program and grant application for ETIP.

Monitoring and Reporting

The following monitoring and reporting requirements have been established for each program area:

Digital Divide Program

No monitoring procedures could be located for the program other than a statement that says the program manager selects a sample of grants to be reviewed by the DCEO monitoring

unit. However, a number of reporting requirements exist. Each grant agreement entails four quarterly expense and status reports and a final report. A description of each required report is described below:

Quarterly Program Narrative Report

The report consists of a brief narrative regarding the status of the work compared to the description in the grantee's scope of work statement. Additionally, grantees are asked to highlight any problems or issues that may have occurred that will interfere with their ability to complete the scope of work.

Service Levels Report

A report is to be submitted quarterly that shows the number of youth and adults receiving various computer access services. Figures are reported on a cumulative basis (total # served from the starting date of the grant).

Program Expenditure Report

A report is required each quarter showing the grantee's cumulative expenditures by line item, compared to its approved budget.

Final Project Report

Grantees are to submit a report within 45 days of the end of the grant period that describes the grantee's implementation of all activities in the Scope of Work, includes a final Service Levels Report, and includes a final Program Expenditure Report.

Employer Training Investment Program- Small to Mid-Sized Company Component

If a business is awarded grant funds, the submission of a mid-term follow-up report is required. In addition, the Department requires a written report from a company official describing the results of the retraining program, signed Certification of Expenditure of Grant Funds, one complete alphabetical list of the names and social security numbers of individuals who received training, detailed invoices received from any checks paid to external vendors for training services provided during the grant period, and a completed customer survey.

Employer Training Investment Program- Large Company Component

The Department conducts at least one on-site monitoring visit to verify that the grantee's financial management system is structured for accurate, current and complete disclosure of the financial results of the grant program. The visit also verifies employee wage records, training rosters, and invoices and receipts associated with the approved training.

In order to receive reimbursement or payment for training costs, the grantee is required to provide evidence to the Department of having completed training by filing a monthly

Recognition of Cost Certification. The grantee must also develop a system to document costs, maintain class rosters, invoice vouchers and other reports to document the use of State grant funds. Additionally, the grantee must submit, within 60 days following the end of the grant period, a descriptive evaluation of the results of the training experience. This evaluation also indicates if any interest was earned on grant funds and what approved training costs those funds were used to pay.

Manufacturing Extension Partnership of Illinois (MEPI) Program

The program has established the same reporting requirements as described above for the Digital Divide Program.

Job Training and Economic Development (JTED) Grant Program

Periodic on-site monitoring visits are conducted during the course of the grant period. The monitors will verify that each training participant has his or her own training file that contains a minimum of: case notes, training attendance sheets signed by the participant, proof of eligibility, and proof of employment when appropriate. In addition, Department monitors schedule each visit in advance.

The program also has established a set of reporting requirements. Within 45 days after the end of each calendar quarter, the grantee is to provide a written description of achievements as compared to the planned scope of work and a summary of total participation. A final written evaluative report summarizing grant achievements, accompanied by all deliverable products as specified in the grant agreement, is required within 60 days of the end of the grant period.

Illinois Technology Enterprise Centers (ITEC) Program

No monitoring and reporting information was provided for this program.

High Technology School-to-Work Program

All funded projects are required to provide quarterly outcome and financial reports. A final report is also required at the end of the project that includes a roster of students for the purpose of tracking long-term outcomes including:

- the number of students who successfully complete secondary school or post-secondary school and transition to high-paying technology-oriented jobs, and
- the number of students who pursue advanced educational programs in the areas of science, mathematics, and advanced technology.

OAG Testing

In our testing we reviewed 12 grants for the Bureau of Technology & Industrial Competitiveness, which totaled over \$9.3 million. DCEO did not receive all required monitoring reports from 5 of 12 grantees in our sample. We also found three additional projects which contained monitoring reports that were not submitted in a timely manner. Therefore, nearly 67

percent (8 of 12) of the projects tested either did not submit required monitoring reports or submit them in a timely manner. For these projects, we could not find any documentation suggesting that DCEO took action to obtain late reports in 5 of the 8 cases. In addition, DCEO did not conduct site visits for four completed projects.

Periodic Review

DCEO conducts annual performance reviews of the Illinois On-site Safety & Health Consultation Program. The two reviews are known as the Illinois On-site Consultation Annual Performance Review (CAPR) and the Region V Annual Consultation Evaluation Report (RACER). However, the Illinois On-Site Safety & Health Consultation Program is just one of eight programs under the Technology & Industrial Competitiveness Bureau. The bureau has not established any additional written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

Technology & Industrial Competitiveness has performance measures included among those reported to the Comptroller for the Public Accountability Report. Following is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-20 TECHNOLOGY & INDUSTRIAL COMPETITIVENESS PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Number of Job Training for Economic Development (JTED) trainees retaining (for 90 consecutive or 150 non-consecutive days) employment	606
2. Technology business start-ups	145
3. Jobs created- Illinois Technology Enterprise Centers (ITEC's)	545
4. Number of jobs created and retained through the Employer Training Investment Program (ETIP)	78,466
5. Number trained in health & safety issues	4,066
6. Number of consultation services (workshop or firm-specific) provided to small and medium-sized manufacturers	535
7. Number of clients served through ITEC's	1,846
8. Industrial Training Program (ITP) cost per trainee (Expenditures/Trainee)	\$248.26
9. Industrial services firms assisted	6
Source: Comptroller's 2004 Public Accountability Report.	

Exhibit A-21 TECHNOLOGY & INDUSTRIAL COMPETITIVENESS PERFORMANCE MEASURE ANALYSIS - PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	10	9	9	
Consistency				
Measures removed compared to previous year	0	1	4	
Measures added compared to previous year	2	0	4	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	5 (60%)	0	3 (67%)	3
# of targets the same (<i>% reached</i>)	3 (67%)	2 (100%)	1 (100%)	5
# of targets lowered (<i>% reached</i>)	0	3 (33%)	1 (100%)	1
# of measures with no targets from either the current or previous year	2	4	4	
Summary				
Targets reached	5	3	6	
Average % above target	+225.5%	+280.3%	+93.8%	
Targets not reached	3	3	3	
Average % below target	-23.3%	-18.0%	-12.2%	
¹ Excludes input measures (total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor’s Office of Management and Budget Quarterly Reports

No performance measures specific to Technology & Industrial Competitiveness are included in quarterly reports.

Workforce Development

DCEO’s Bureau of Workforce Development encourages statewide economic development by cultivating a well-trained workforce. To accomplish this goal, DCEO identifies youth, adults and dislocated workers who are eligible for assistance under the Workforce Investment Act of 1998 (WIA), assesses their employability skills, and provides training as appropriate for identified sectors of growing employment demand. The Department also provides follow-up services leading to employment retention in high-wage and high-skilled jobs.

As shown to the right, in Exhibit A-22, headcount has risen from 72.1 FTEs in 2003 to 102.5 FTEs in 2005. Expenditures increased in

Exhibit A-22 BUREAU OF WORKFORCE DEVELOPMENT EXPENDITURES AND HEADCOUNT Fiscal Years 2003 – 2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$157.2	72.4
2003	\$188.6	72.1
2004	\$199.6	88.2
2005	\$156.9	102.5

Source: DCEO data summarized by OAG.

Exhibit A-23 BUREAU OF WORKFORCE DEVELOPMENT GRANTS		
Federal Fiscal Year	# Grants	\$ Grants
2003	172	\$147,459,822
2004	68	\$121,134,122

Source: OAG analysis of DCEO grants.

2004 before declining to \$156.9 million in 2005. The organizational structure for the Bureau of Workforce Development is shown in Exhibit A-24.

Exhibit A-23 shows the number and dollar amount of grants issued through the Bureau of Workforce Development in federal Fiscal Years 2003 and 2004. The City of Chicago received the largest grants (\$43.3 million in FFY03 and \$35.1 million in FFY04).

Mission Statement

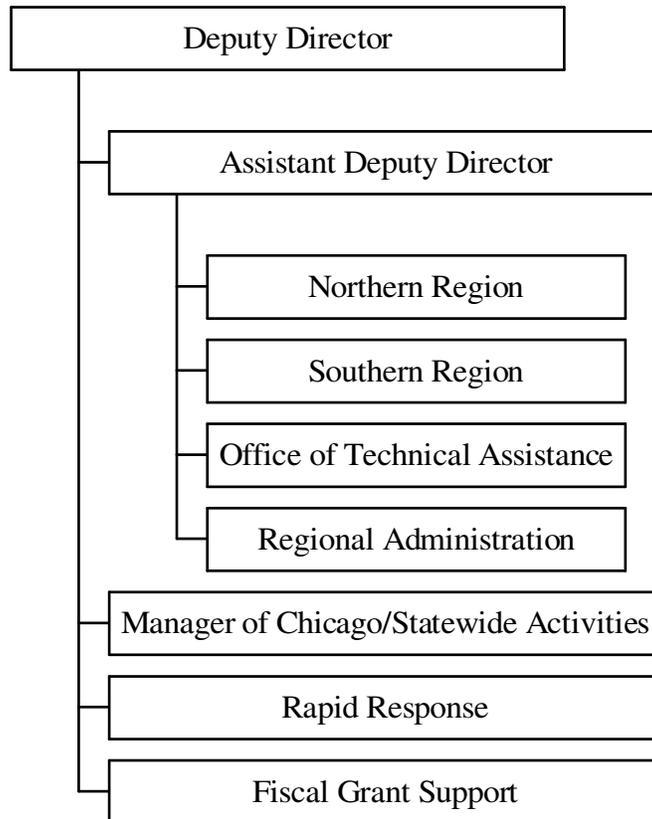
The mission of the Bureau of Workforce Development is to encourage statewide economic development by providing leadership to strengthen local and regional partnerships, engaging employers to meet their workforce needs, and expanding employment and training opportunities to allow individuals to achieve financial independence and improve their quality of life.

Goals and Objectives

According to the Comptroller’s 2004 Public Accountability Report, the Bureau of Workforce Development’s program goals included the following (the report also indicates specific objectives for each goal):

1. Increase the retention in employment of participants in Title I Adult, Dislocated Worker, and Youth programs.
2. Increase the earnings of Adult program and maintain the earnings of Dislocated Worker program participants.
3. Increase the occupational skill of participants in the Title I Adult, Dislocated Worker, and Youth programs.
4. Increase the satisfaction of participant and employer customers with the services received under Title I.
5. Increase the employment of participants in Title I Adult, Dislocated Worker, and Youth programs.
6. Provide oversight to the WIA Title I program in Illinois.

Exhibit A-24
**ORGANIZATIONAL CHART
WORKFORCE DEVELOPMENT**



Source: OAG Summary of DCEO Organizational Chart.

Programs

The Bureau of Workforce Development administers the Workforce Investment Act. The Workforce Investment Act combines federally-funded job training programs in Illinois into a "workforce development" system where individuals can find a job or train for a new career. Services are provided through the state's one-stop delivery system – the Illinois Employment & Training Center network. The various components of the Workforce Investment Act are discussed below.

Workforce Investment Act (WIA)

The Workforce Investment Act creates a comprehensive education and training system that is a cooperative effort of the business community, state and local agencies, educational institutions, labor, and community based organization. Under the Workforce Investment Act, a broad range of employment and training related services is made available to individuals, including job seekers, dislocated workers, youth, incumbent workers, new entrants to the workforce, veterans, older workers, and persons with disabilities, as well as to employers who are seeking to hire trained staff. The three basic levels of employment and training services available to eligible individuals include:

Core Services

All adults, age 18 years or older, are eligible for core services. Services under this category include job search and placement assistance, labor market information (which identifies job vacancies; skills needed for in-demand jobs; and local regional, and national employment trends), initial assessment of skills and needs, information about the costs for local training providers, and follow-up services to help customers keep their jobs once they are placed.

Intensive Services

Eligible adults under this category include individuals who have been unable to find work through core services, or need additional training to reach self-sufficiency. Services include comprehensive assessments, development of individual employment plans, group and individual counseling, case management, short-term prevocational services, out-of-area job search assistance or relocation assistance, and internships.

Training Services

Those who meet eligibility requirements for intensive services but are unable to find employment through its services are eligible for training services. They include occupational skills training, on-the-job training, cooperative education and private sector training programs, job readiness training, adult education and literacy activities, and customized employer training.

WIA Youth Program

To be eligible, a person must be between the ages of 14 and 21, have low income, and have a substantial barrier to employment such as: deficient in basic literacy skills, school dropout, homeless, a runaway or a foster child, pregnant or parenting, an offender, or be an

individual who requires additional assistance to complete an educational program, or to secure and hold employment.

WIA Dislocated Worker Program

Eligibility requirements include receiving a layoff notice or being laid off due to a company closure or mass layoff. Workers may also be eligible under the program if they are currently unemployed and are unlikely to return to their prior occupation due to economic conditions in that industry.

WIA Rapid Response/Trade Adjustment Assistance

The WIA requires the provision of Rapid Response activity by the state or an entity designated by the state, in the case of a permanent closure or mass layoff at a plant, facility, or enterprise, or a natural or other disaster, that results in mass job dislocation, in order to assist dislocated workers in obtaining reemployment as soon as possible.

According to DCEO officials, the Dislocated Worker funding stream pays for the Rapid Response Unit. When a company announces a layoff or closure, the unit goes in, along with the Department of Employment Security, to talk to all the workers to inform them of the opportunities they have under the federal law. Additionally, the unit can give administrative grants for dislocated workers.

WIA Allocation of Funds

The State is divided into 26 Local Workforce Investment Areas. Department officials say that money is allocated to the areas by the feds based on a formula. By law, 85 percent of the Adult and Youth funds and 60 percent of the Dislocated Worker funds are passed through to the local areas. Fifteen percent from each fund is allocated to Statewide activities including administration. The remaining 25 percent of the Dislocated Worker funds is allocated for Rapid Response. Exhibit A-25 shows the amounts allocated to each of the program areas in program year 2003.

Exhibit A-25 WIA PROGRAM YEAR 2003 LOCATIONS (dollars in millions)						
WIA allocation:	Adult	Youth	Dislocated Workers	Statewide Activities	Rapid Response	Total
to Illinois	\$43.5	\$47.8	\$63.9			\$155.3 ¹
within Illinois	\$37.0	\$40.6	\$38.4	\$23.3	\$16.0	\$155.3

¹ Total does not add due to rounding.

Source: DCEO data summarized by OAG.

Policies and Procedures

The Bureau of Workforce Development had a policies and procedures manual, a programmatic monitoring guide, a financial management technical assistance guide, fiscal monitoring procedures, and a performance management guide.

Monitoring and Reporting

The Workforce Investment Act requires the State monitoring system to: provide for annual on-site monitoring reviews of local areas' compliance with the Department of Labor's uniform administrative requirements (WIA section 184 (a) (4)); ensure that established policies to achieve program quality and outcomes meet WIA regulations, including the provision of services by One-Stop Centers, eligible providers of training services, and eligible providers of youth activities; enable the Governor to determine if subrecipients and contractors have demonstrated substantial compliance with WIA requirements; and enable the Governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies.

According to DCEO officials, financial, program compliance, performance measurement, and EEO (Equal Employment Opportunity) monitors visit each of the program areas. Currently, the Department has just four program compliance staff. Officials claimed the monitors do an in-depth review at each location and may stay anywhere from a few days to a few weeks. Additionally, a peer review of the results is completed and sent up the chain for higher review. The officials reported that all of these documents are maintained and available for review.

Reporting

Local Workforce Investment Boards are required to submit quarterly financial reports to the Governor that include information identifying all program and activity costs by category in accordance with GAAP and by year of the appropriation involved. The Department must also complete a Financial Status Report (FSR) no later than 45 days after the end of the report quarter and 90 days after the expiration of fund availability or when all funds are expended, whichever comes first. It has to report accrued expenditures separately for each source of funds cumulatively from the inception of each grant. Therefore, it is required to establish a subrecipient reporting system that allows costs to be incorporated at all levels of the system into the FSRs. Additionally, the Department must submit an Annual Performance Progress Report that shows the cumulative program year expenditures for each of the WIA funding streams. The report requires the State to list activities for which 10 percent or more of the funds were spent.

According to DCEO officials, the Department has weekly management reports and has weekly reports on program compliance and performance issues that are sent to the Governor. Additionally, weekly and monthly grant tracking reports exist that show how each area is meeting its obligations and spending its funds.

OAG Testing

In our testing we reviewed 11 grants for the Bureau of Workforce Development, which totaled over \$22.2 million. We found that 10 of 11 grants (91%) did not require monitoring

reports at the program level. A closeout report was the only report required for these grantees. The grant agreements did require that “The grantee shall submit programmatic and expenditure reports as required pursuant to written direction issued by the Department...” However, no documentation existed to support that further direction was provided by DCEO.

Periodic Review

The Illinois Workforce Investment Board Act (20 ILCS 3975/4.5b) requires the Workforce Investment Board to annually submit a report to the General Assembly on the progress of the State in achieving State performance measures under the WIA of 1998, including information on the levels of performance achieved by the State with respect to core indicators of performance and the customer satisfaction indicator under the Act. These reports have been completed and provide an evaluation of the major programs within Workforce Development.

Workforce Development’s annual report for Fiscal Year 2003 reports on program performance and evaluates program performance measures. The report also includes federally required information on workforce investment activities and the cost effectiveness of these activities. Additionally, the report discusses other evaluations conducted of workforce investment activities.

Performance Measures

Workforce Development has performance measures included among those reported to the Comptroller for the Public Accountability Report. The Workforce Development function was new to DCEO in Fiscal Year 2004. Measures reported are DCEO for 2004 but from the Department of Employment Security for prior years. On the following pages is a listing of 2004 measures and an exhibit which analyzes those measures.

Exhibit A-26
**WORKFORCE DEVELOPMENT PERFORMANCE MEASURES
 FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT**

1. Youth registrants	13,228
2. Adult registrants	14,242
3. Dislocated worker registrants	15,879
4. Older youth employment retention rate	82.9%
5. Adult earnings change (in dollars)	\$3,817.94
6. Dislocated worker earnings retention rate	85.2%
7. Adult credential attainment rate	62.43%
8. Dislocated worker credential attainment rate	65.22%
9. Younger youth skill attainment rate	82.38%
10. Participant customer satisfaction rate	71.37%
11. Employer customer satisfaction rate	72.62%
12. Adult entered employment rate	71.47%
13. Dislocated worker entered employment rate	83.91%
14. Older youth entered employment rate	68.47%
15. Adult employment retention rate	83.96%
16. Dislocated worker employment retention rate	91.39%

Source: Comptroller's 2004 Public Accountability Report.

Exhibit A-27 WORKFORCE DEVELOPMENT PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	16	16	16	
Consistency				
Measures removed compared to previous year	0	0	0	
Measures added compared to previous year	0	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	13 (100%)	16 (100%)	16 (88%)	9
# of targets the same (<i>% reached</i>)	1 (100%)	0	0	6
# of targets lowered (<i>% reached</i>)	2 (50%)	0	0	1
# of measures with no targets from either the current or previous year	0	0	0	
Summary				
Targets reached	15	16	14	
Average % above target	+48.0%	+40.2%	+7.2%	
Targets not reached	1	0	2	
Average % below target	-4.6%	N/A	-0.9%	
¹ Excludes input measures (total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor’s Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included three measures which were also Public Accountability Report measures. Those were the employment retention rates for adults, dislocated workers, and youth. Because Workforce Development Functions had been at Employment Security, no measures were included prior to Fiscal Year 2004.

Tourism

DCEO’s Bureau of Tourism is the State’s chief tourism promoter, working to position Illinois as a top location for visitors from throughout the country.

As shown in Exhibit A-28, the bureau’s headcount increased from 26.5 FTEs in 2002 to 35.5 FTEs in 2005. Expenditures increased slightly from \$43.3 million in 2002 to \$46.0 million in 2005. The organizational structure for the bureau is illustrated in Exhibit A-30.

Exhibit A-29 shows the number and dollar amount of grants issued through the Bureau of Tourism in Fiscal Years 2003 and 2004. The largest component of the funding is for the Local Tourism and Convention Bureau Program, with approximately \$12 million in grants awarded in both Fiscal Years 2003 and 2004.

Exhibit A-28 BUREAU OF TOURISM EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$43.3	26.5
2003	\$43.5	35.5
2004	\$46.4	36.3
2005	\$46.0	35.5

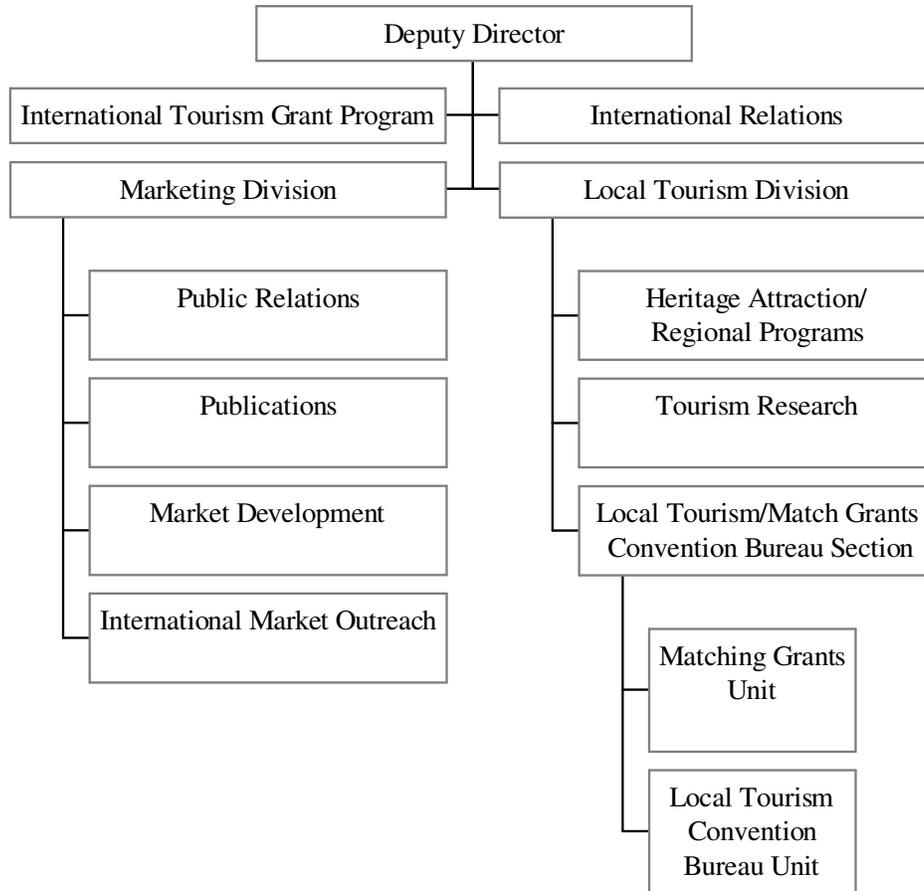
Source: DCEO data summarized by OAG.

Exhibit A-29 BUREAU OF TOURISM GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
Local Tourism and Convention Bureau Program	39	\$12,453,012	39	\$11,806,848
International Tourism Grant Program	13	6,222,900	9	3,741,453
Special Tourism Grant Program	12	6,102,385	16	1,560,545
Marketing Partnership Program	93	1,340,220	81	1,776,962
Tourism Attraction Development Program	13	916,126	18	1,932,461
Regional Tourism Development Program	6	720,000	6	691,200
Tourism Private Sector Program	5	585,395	11	600,053
Heritage Tourism Program	<u>19</u>	<u>547,133</u>	<u>4</u>	<u>305,725</u>
Total	<u>200</u>	<u>\$28,887,170¹</u>	<u>184</u>	<u>\$22,415,247</u>

¹ Total does not add due to rounding.

Source: OAG analysis of DCEO grants.

Exhibit A-30
ORGANIZATIONAL CHART
BUREAU OF TOURISM



Source: OAG Summary of DCEO Organizational Chart.

Mission Statement

The mission statement for the Bureau of Tourism is: “To increase tourism visitation and expenditure to and within the State of Illinois.”

Goals and Objectives

According to the Comptroller’s 2004 Public Accountability Report, the Bureau of Tourism’s program goals and objectives included the following:

1. Promote Illinois as a travel destination for domestic travelers.
 - a. Maintain at 10 percent the percentage of visitors influenced by the advertising campaign to travel to and within the State of Illinois by 6/30/04.

- b. Maintain the total number of customer inquiries generated by the advertising campaign by 6/30/04.
2. Strengthen the Illinois Tourism industry through collaborative partnerships.
 - a. Maintain at \$21.4 million the amount of local/private sector funds generated for tourism projects by 6/30/04
3. To maximize overseas awareness of Illinois as a travel destination.
 - a. To maintain the number of foreign visitors to Illinois at 1.5 million by 6/30/04.

Programs

Local Tourism and Convention Bureau Program

The Local Tourism and Convention Bureau (LTCB) Grant program was established in 1985 to increase hotel/motel occupancy and travel into and throughout the State of Illinois. The program provides grants to 39 Illinois certified local tourism and convention bureaus to conduct promotional and marketing activities through local initiatives, to impact the economic growth of the trade industry, and to better integrate local programs with the State.

Selection Process

Bureaus eligible to receive funds are defined as the following: 1) bureaus in legal existence as of January 1, 1985 which are either a unit of local government or an incorporated not-for-profit organization, 2) affiliated with one or more municipality or county, and 3) employ one full-time paid executive employee that devotes at least 35 hours per week to the development and growth of tourism in a bureau's region.

Grants for the LTCB program are somewhat automatic since grantees have already met certain criteria for certification. However, certified bureaus must still complete an application for funding each year. Upon receipt of applications from certified bureaus, DCEO reviews the applications and: 1) grants the full amount requested, or 2) asks for additional information to clarify or document the information contained in the application, and/or 3) reduces the amount of funds requested.

Marketing Partnership Program

The Tourism Marketing Partnership Program provides financial assistance to not-for-profit organizations, counties, municipalities, and local promotion groups for the promotion and marketing of tourism attractions and events. The program may provide a matching grant up to 40 percent, 50 percent, or 60 percent with the balance of the project cost financed by local or private funds. The maximum grant amount for any one grantee in a fiscal year is \$50,000 unless a project is a cooperative marketing opportunity across multiple jurisdictions. Eligible projects and activities include: travel related brochures, placement of advertising, billboards, and website development.

Selection Process

To qualify, an applicant must be: 1) an Illinois based not-for-profit corporation or organization, or 2) a local county unit of government. State and federal government agencies are not eligible. Applications are accepted on an ongoing basis throughout the year until all appropriated funds have been awarded.

DCEO's internal review committee will conduct an evaluation of each application using the listed criteria. Each criteria will be rated from 1 through 10, with a possible 100 points. An application must receive a minimum of 40 points to be considered eligible for funding. The review committee will forward all eligible applications and recommendations to the DCEO Director for final determination.

Tourism Attraction Development Program

The Tourism Attraction Development Program was established in order to assist the tourism industry in Illinois to access working capital for projects that generate tourism. Funds can be used for a variety of activities necessary to improve an existing tourist attraction or for the development of new attractions. Grants shall not exceed \$1,000,000 and shall not exceed 50 percent of the actual expenditures for the development or improvement of a tourism attraction.

Selection Process

To qualify, an applicant must be: 1) an Illinois based not-for-profit corporation or organization, 2) a municipal, township, or county unit of government, or 3) a for-profit business developing a new tourism attraction in Illinois. Applications are accepted on an ongoing basis throughout the year until all appropriated funds have been awarded.

DCEO's internal review committee will conduct an evaluation of each application using the criteria and rating process discussed previously under the Marketing Partnership Program selection process section.

Tourism Private Sector Grant Program

The Tourism Private Sector Grant Program provides grants to Illinois not-for-profit organizations, for-profit entities, counties, and municipalities to position Illinois to attract and host new or improved national and international conventions, trade shows, and sporting events. The program was created to fund events that generate significantly increased economic impact for the State of Illinois. Applications are accepted on an ongoing basis throughout the year until all appropriated funds have been awarded.

Selection Process

The application is reviewed by the Bureau's Internal Review Committee, which consists of all the Bureau's tourism grant program managers and a grant monitor. The approval is based upon whether the project has met program criteria as well as the event impacting the economy. Funding recommendations are presented to the Bureau's Assistant Deputy and Deputy Directors who then recommend the grant to be awarded to the DCEO Director.

Heritage Tourism Program

In 1996, a proposal to establish the Heritage Tourism Program was devised by the Bureau of Tourism, the Main Street Program, and the Historic Preservation Agency. The purpose was to package the heritage of rural areas and assist in the development of tourism in those areas.

Selection Process

For the program's first phase, the Interagency Heritage Tourism Steering Committee (including among others the Bureau of Tourism, the Illinois Department of Transportation, the Illinois Department of Natural Resources, the Main Street Program, and the Historic Preservation Agency) and a consultant reviewed the Request for Proposals sent by the potential heritage project coordinators and selected seven sites for the program.

Regional Tourism Development Program

The Regional Tourism Development Program assists with multi-county tourism for marketing and developing major, sustainable, new tourism products with the strongest potential to increase economic impact of tourism throughout the State. There are currently six Regional Tourism Development Organizations in the State. Each of the organizations received funding of \$115,200 in Fiscal Year 2004.

Selection Process

In order to be considered for funding, an applicant must be recognized by DCEO as a certified Illinois Regional Tourism Development Organization (RTDO.) When more than one RTDO seeks certification for the same regional service area, DCEO's internal review committee shall conduct an evaluation of each application using the criteria and rating process discussed previously under the Marketing Partnership Program selection process section.

International Tourism Grant Program

The International Tourism Grant Program (ITGP) provides financial assistance to certified local tourism and convention bureaus. The goal of the program is to develop, coordinate, and promote international tourism to the service area. The ITGP can provide up to 50 percent of eligible costs associated with developing or expanding international marketing efforts. Applications must be received by May 1 to be considered for awards made on July 1.

Selection Process

An internal review committee conducts an evaluation of each application and makes recommendations based on: 1) the area's ability to attract international visitors, 2) whether the selected international markets reflects the State's identified best markets, 3) whether the promotion is reasonable for the area, and 4) whether the selected international markets are appropriate for the tour product. The committee will make recommendations for grant funding for approval or rejection to the DCEO Director.

Special Tourism Grant Program

This program financially supports projects that do not fall within the guidelines of the established tourism grant programs. Money from the statewide promotion line item is allocated toward these projects to support tourism in Illinois. Allowable expenditures include but are not limited to promotional costs affiliated with hosting events, advertising, and production costs.

Selection Process

Special tourism grants are commitments defined by legislation and/or the Executive Office. The program's expenditures may vary based on legislation and/or the Executive Office.

Policies and Procedures

The Tourism Bureau provided policies and procedures for its programs including a workbook of local tourism grant programs, certification requirements, and various required forms.

Monitoring and Reporting

The following monitoring and reporting requirements have been established for each program area:

Local Tourism and Convention Bureau Program

The Administrative Code (14 Ill. Admin Code, Part 550, Section 550.10-.50) provides:

- 1) reporting requirements for grant recipients including financial and programmatic reports, and
- 2) monitoring requirements including periodic on-site visits throughout the period covered under the grant agreement. DCEO also provided sample reports and grant monitoring forms.

Marketing Partnership Program

DCEO has a policy requiring grantees to report on the status of projects by April 1 that have not been completed by that date. In Fiscal Year 2004, a tracking form is also required for submission to determine the effectiveness of the program.

Tourism Attraction Development Program

DCEO has a policy requiring grantees to submit quarterly reports beginning with the first quarter following the grant award. A risk analysis form is also required to determine the risk associated with a grantee and whether an independent audit report, on-site or desk monitoring review, or judgmental sample may be necessary. DCEO also has a grant monitoring form that can be used.

Heritage Tourism Program

A grant monitoring form is included with sections such as internal desk review, on-site review, report requirements, and audit requirements.

Regional Tourism Development Program

The Administrative Code (14 Ill. Admin Code, Part 515, Section 515.120) requires grantees to be responsible for securing a compliance audit for any grant award exceeding \$300,000. Additionally, an audit may be required when certain risk conditions exist.

International Tourism Grant Program

DCEO has a policy requiring grantees to submit quarterly reports beginning with the first quarter following the grant award. A grant monitoring form is also included with sections such as internal desk review, on-site review, report requirements, and audit requirements.

No relevant requirements were provided for the Tourism Private Sector Grant program or the Special Grant program.

OAG Testing

In our testing we reviewed over \$6.3 million in funds, awarded to 12 grantees from the Bureau of Tourism. We found 83 percent of projects tested (10 of 12) either did not submit required monitoring reports or did not submit them in a timely manner. We could not find any documentation to support DCEO initiated follow-up for three of the cases where programmatic reports were not submitted or not timely. In addition, for some projects where follow-up was initiated, DCEO only tried to obtain some of the late monitoring reports.

Periodic Review

The Tourism Bureau conducted a study in 2001 that evaluated program effectiveness and efficiency and also performed an annual analysis of the effectiveness of the bureau's ad campaign. However, the Tourism Bureau has not established written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

Tourism has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-31
**TOURISM PERFORMANCE MEASURES
 FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT**

1. Local funds leveraged by tourism grant-related projects (in millions)	\$35.7
2. Percent of those traveling to Illinois influenced by advertising	N/A
3. Tourism grants awarded	166
4. Reservations made at Tourism Information Centers (TICs)	9,292
5. Tourist and traveler inquiries	2,007,095
6. Visitors assisted at TICs	1,467,587
7. Advertising expenditures (in millions)	\$8.3
8. International travelers visiting Illinois (in millions)	1.2
9. Gross advertising return on investment (per dollar expended)	N/A

Source: Comptroller's 2004 Public Accountability Report.

Exhibit A-32 TOURISM PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	9	8	9	
Consistency				
Measures removed compared to previous year	0	1	0	
Measures added compared to previous year	0	0	1	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	4 (25%)	6 (60%)	2 (100%)	2
# of targets the same (<i>% reached</i>)	2 (100%)	1 (N/A)	2 (N/A)	5
# of targets lowered (<i>% reached</i>)	1 (0%)	1 (100%)	4 (50%)	2
# of measures with no targets from either the current or previous year	2	0	1	
Targets reached				
Average % above target	+7.9%	+17.4%	+32.8%	
Targets not reached				
Average % below target	-19.3%	-37.7%	-12.8%	
¹ Excludes input measures (total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included no performance measures for Tourism. In FY05, two measures were included in the quarterly reports. Both were also 2004 Public Accountability Report measures.

Office of Coal Development and Marketing

DCEO’s Office of Coal Development and Marketing (Coal Development) supports the Illinois coal industry by funding basic research and development on coal and its utilization, as well as funding commercial-scale demonstrations of promising technologies for coal utilization.

Exhibit A-33 shows Coal Development’s expenditures and headcounts for Fiscal Years 2002-2005. Additionally, the organizational structure for Coal Development is shown in Exhibit A-35.

Exhibit A-34 shows the number and dollar amount of grants issued through Coal Development in Fiscal Years 2003 and 2004. The bulk of the grants are for the Coal Competitiveness Program (\$17 million in FY03 and \$16 million in FY04). Most of the remaining grant money was to the Illinois Clean Coal Institute for its administration of the research and development grant program.

Exhibit A-33 OFFICE OF COAL DEVELOPMENT AND MARKETING EXPENDITURES & HEADCOUNT Fiscal Years 2002 – 2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$28.9	17.7
2003	\$23.4	13.9
2004	\$20.0	17.0
2005	\$22.8	17.4

Source: DCEO data summarized by OAG.

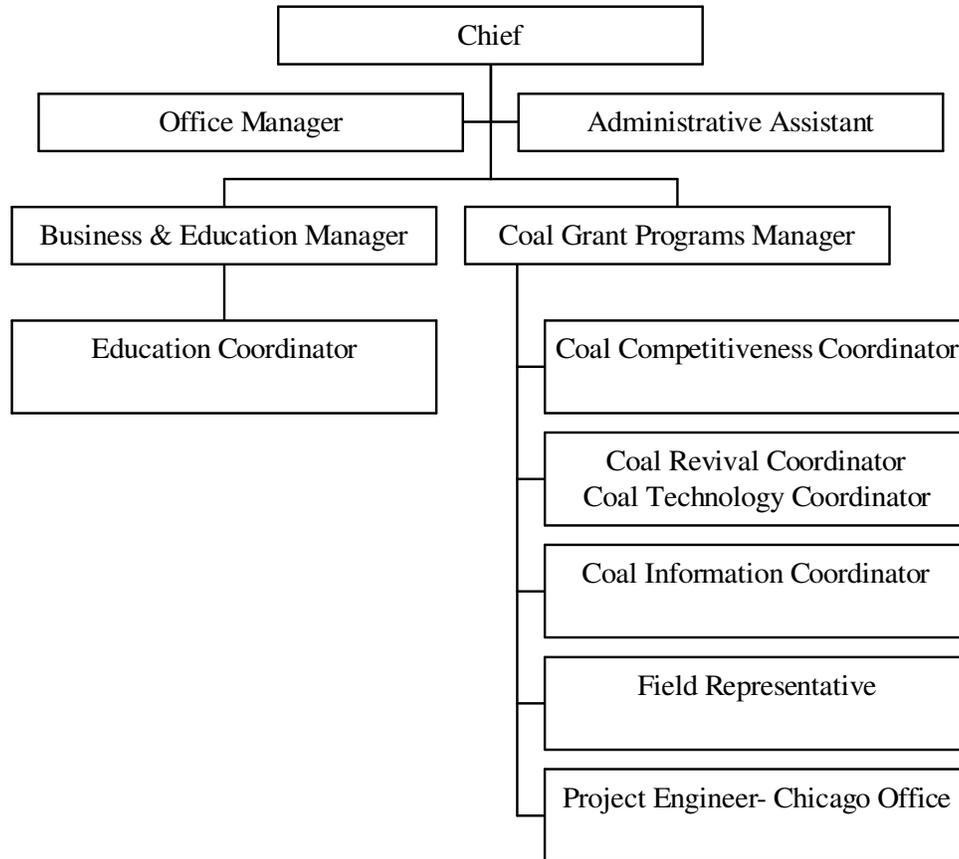
Exhibit A-34 OFFICE OF COAL DEVELOPMENT AND MARKETING GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
Coal Competitiveness Program	37	\$17,178,823	37	\$15,995,954
Other	<u>4</u>	<u>3,167,136</u>	<u>6</u>	<u>4,047,851</u>
Total	<u>41</u>	<u>\$20,345,959</u>	<u>43</u>	<u>\$20,043,805</u>

Source: OAG analysis of DCEO grants.

Mission Statement

The mission of the Office of Coal Development and Marketing is to preserve and strengthen the Illinois coal production and related industries by providing infrastructure support, coal education programs, technical and financial support for basic research and development, and commercial-scale demonstration of promising coal utilization technologies.

Exhibit A-35
ORGANIZATIONAL CHART
OFFICE OF COAL DEVELOPMENT AND MARKETING



Source: OAG Summary of DCEO Organizational Chart.

Goals and Objectives

The Office of Coal Development and Marketing promotes and supports the Illinois coal industry by:

- Financing research, development and demonstration of technologies that offer environmentally safe and economically viable methods of coal extraction and use;
- Finding new uses and markets for coal and coal byproducts;
- Advocating the use of proven clean coal technologies as a means of compliance with the Clean Air Act Amendments of 1990 and other environmental regulations;

- Developing appropriate policies and strategies for compliance with State and federal initiatives including the Clean Air Act Amendments, global-warming policy and electric utility industry restructuring;
- Promoting a comprehensive, long-range energy policy in which Illinois coal plays a major role;
- Conducting education and awareness campaigns on the advantages of Illinois coal through the media, schools and special projects;
- Identifying new domestic and international markets for Illinois coal;
- Helping Illinois coal producers penetrate new markets;
- Changing public perception and dispelling myths about coal and its utilization; and
- Communicating the socioeconomic value of coal mining to Illinois citizens and communities.

Programs

The Coal Competitiveness Program

The purpose of the Illinois Coal Competitiveness Program is to facilitate investments in the State's infrastructure to achieve economic development within the Illinois coal industry. The program encourages communities and businesses to improve the coal extraction, preparation and transportation systems within Illinois. The program seeks to leverage private investment 4 to 1 with grant dollars as an incentive for businesses to upgrade and improve their operations. It is aimed at improving the efficiency of the Illinois coal industry, enhancing the competitive position of Illinois coal in domestic and international markets, and opening new markets for Illinois coal and coal byproducts.

Selection Process

Projects may require a host site, private and public cost-sharing partners, prior to proposal consideration and must have significant economic benefits for Illinois. DCEO issues an annual solicitation each fiscal year. Selection of projects for funding is based on economic benefits of the project – job creation, new markets, better quality product, productivity improvements. As a general rule, grants will be awarded for up to 20 percent of the total project costs. Grant awards to upgrade, rebuild or repair existing mining equipment will be limited to 10 percent of the total project. All proposals are reviewed by staff of DCEO's Office of Coal Development and Marketing and assigned a weighted score by each member of the selection committee. The scores of the selection committee members are then combined to provide overall score and ranking for each proposal.

Based on the outcome of staff review of proposals, the Office of Coal Development and Marketing prepares a funding recommendation, which is reviewed by the Department of Natural Resources Office of Mines and Minerals for potential problems with either mine operators or permits. The final recommendation is submitted to the Governor's Office for approval and

release of funds. Following final selection, grants are awarded in late winter or spring. Unsolicited proposals may be submitted at any time during the year. Funding of selected proposals may be substantially delayed due to the need for legislative action to establish a funding appropriation.

Illinois Coal Research Program

According to documents received from the Office of Coal Development and Marketing, DCEO oversees the largest state-sponsored coal research program in the United States. The Coal Research and Development Program provides funds to universities and other research institutions engaged in coal research activities focusing on clean coal technology development, coal chemistry, mining productivity and coal combustion byproduct utilization. This program is administered by DCEO and is under the technical oversight of the Illinois Clean Coal Institute (ICCI). Selection of projects to receive sub-grants is by an annual solicitation and peer review process conducted by the ICCI. About 20 sub-grants for research and development projects are issued each year by Southern Illinois University-Carbondale (SIUC) on behalf of the ICCI and are limited to 12-month periods.

Selection Process

Three grants are issued annually to SIU-Carbondale for the administration of the ICCI and for sub-grants to be issued for research and development programs. The ICCI Program Committee annually develops a research agenda that addresses current needs of the industry. Any entity may apply for these sub-grants. Selection criteria are set forth in the annual Request for Proposals. Proposals undergo a rigorous peer review and preference is given to Illinois applicants. ICCI prepares a funding recommendation of the proposals based on reviewer evaluations that is submitted to DCEO for approval. DCEO develops a final recommendation to fund some portion of the list, depending on availability of funds for the program, overall ranking and cost of proposals. This final recommendation, along with recommended administrative budget expenses is submitted to the DCEO Director's Office for final approval and release of funds.

Unsolicited proposals may be submitted at any time. The annual program cycle begins in April of each year with a Request for Proposals issued by the ICCI. Proposal review and project selection is typically completed by the end of July.

Illinois Coal Development Program

This program coincides with the Research Program except that the Development Program seeks to advance promising clean coal technologies beyond the research stage towards commercialization. It provides a 50/50 match with private industry dollars to support market-driven needs of the industry. Development processes include technology maturation, technology transfer and related studies.

Selection Process

The selection process is the same as discussed under the Coal Research Program. (above)

Illinois Coal Demonstration Program

The Coal Demonstration Program provides partial funding for selected large-scale demonstrations of advanced coal systems for utility and industrial use. The intent of the program is to offset some of the risk associated with deploying relatively new or advanced clean coal technologies. Not only are these efforts bringing a new generation of clean coal techniques to the commercial marketplace, but also each project provides near-term benefits to the State and to local communities through increased employment, personal income and tax revenues.

Selection Process

Any entity may apply. Funds are intended for capital projects located in Illinois that have significant economic benefits for the State. Unlike the previous programs discussed, there is not an annual solicitation for proposals but proposals may be submitted at any time during the year. Staff of DCEO, the Illinois Clean Coal Institute, the SIU Coal Research Center and other entities, as appropriate, evaluate proposals submitted to the Coal Demonstration Program to determine the overall suitability of the project for Coal Demonstration Program funding. Based on the outcome of technical evaluations, DCEO prepares a funding recommendation of the proposal for consideration by the Governor's Office. Grants are typically between \$1 million and \$30 million.

Illinois Coal Education Program

DCEO's Coal Education Program strives to preserve and enhance the marketability of Illinois coal; heighten awareness and understanding of the importance of the coal industry to the socioeconomic structure of Illinois; and create a positive image for the mining and utilization of coal in Illinois. Program activities include the development and distribution of comprehensive coal energy education resource materials for use in Illinois classrooms. DCEO also maintains databases on the characteristics of Illinois coal, coal production and consumption, industry contacts and many other aspects of the coal industry for use by government, industry, and utility officials.

Selection Process

Materials are distributed at no charge. Participation in educational activities is open to all Illinois teachers and students within the targeted age group.

Illinois Coal Revival Program

The Illinois Coal Revival Program provides financial assistance in the form of grants to assist with the development of new, coal-fired electric generation capacity in Illinois. Final program rules were adopted on August 23, 2002. No projects have been funded to date.

Selection Process

Businesses must propose to construct a new electric generating facility or an expansion at an existing electric generating facility, including transmission lines and associated equipment, to provide baseload electric power. The proposed new facility or facility expansion must have an

aggregate nameplate generating capacity of 400 megawatts or more for all units at one site, will use coal or gases derived from coal as its primary fuel source at the proposed facility, and will support the creation of at least 150 new Illinois coal-mining jobs. Unsolicited proposals may be submitted at any time during the year. The evaluation process is similar to the Coal Demonstration Program. Funding of selected proposals may be substantially delayed due to the need for legislative action to establish a funding appropriation.

Policies and Procedures

The Office of Coal Development and Marketing's policies and procedures include grant review processes for each of the programs and management plans for each of the programs. The grant review process includes details about the programs and discusses the evaluation process. The management plans discuss the management structure, project selection, grant development, central file setup, and project monitoring.

Monitoring and Reporting

Monthly reports are submitted by grantees in order for the program area to receive timely and accurate information from its grant and loan recipients. The division also performs site visits once projects are nearing completion. The site visits are used to verify that the projects are actually occurring/being completed. Pictures are taken during these visits. The management plans detail what documentation is required for central files and types of monitoring required.

OAG Testing

In our testing we reviewed 12 Coal Development grants totaling over \$14.3 million. DCEO did not receive all monitoring reports for 4 of 12 grantees. In addition, DCEO did not receive timely reports from a fifth recipient. These delinquent grantees were recipients of over \$5.5 million. We could not find any documentation suggesting that DCEO took action to obtain delinquent monitoring reports for four of these projects. In the case where action was taken, DCEO was effective in obtaining the reports. During testing, we found documentation indicating the completion of site visits for two projects tested, leaving over \$782,000 in completed projects with no site visits. After following up with DCEO, officials noted that site visits were conducted for most grants but they were not always documented in the files. The Bureau is considering the development of a standardized site visit checklist to include in the grant file.

Periodic Review

The Energy Conservation and Coal Development Act (20 ILCS 1105/ 8 (b)(5)) requires the Illinois Coal Development Board to complete an annual report on the progress and accomplishments made during that year. DCEO has completed two reports to fulfill this requirement and they provide a fairly comprehensive evaluation of the programs within the Bureau. The first was a report on the Illinois coal industry issued in December 2004. This report was an overall look at the coal industry in Illinois but did not assess the effectiveness of the Office's programs. The second was the annual Illinois Clean Coal Institute (ICCI) Program Plan. The 2004 program plan included a discussion of the ICCI's efforts and accomplishments during the 2002-03 project year and suggested program areas for the 2004-05 project year. Most

importantly, the plan emphasized the overall effectiveness of the program and how it could have been improved to better meet the coal industry’s challenges.

Performance Measures

Coal Development has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-36 OFFICE OF COAL DEVELOPMENT AND MARKETING PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Infrastructure private and public dollars leveraged (in millions)	\$129.0
2. Demonstration private and public dollars leveraged (in millions)	\$0.0
3. Number of teachers & students educated and made aware of the economic and technological importance of coal	3,527
4. Number of workshop teachers that felt information was helpful and useable in their classroom curricula	101.0
5. Production of Illinois mines (tons in millions)	31.8
6. New/expanded mining operations	4.0
7. New/expanded coal prep plants	1.0
8. Coal mine equipment upgrades	9.0
9. Illinois coal production rank nationally	9.0
10. Illinois percentage of total US production	2.9%
11. Research & Development projects published	28.0
12. Coal grants issued	40.0
13. Research & Development institutions funded	8.0
14. Classroom presentations	2.0
15. Active Demonstration projects	1.0
16. Research & Development projects started	28.0
17. Percent of other non-State public and private dollars leveraged for infrastructure projects	89%
18. Illinois miner productivity ratio to national	101%
Source: Comptroller’s 2004 Public Accountability Report.	

Exhibit A-37 OFFICE OF COAL DEVELOPMENT AND MARKETING PERFORMANCE MEASURES PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	21	18	18	
Consistency				
Measures removed compared to previous year	5	3	0	
Measures added compared to previous year	1	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	13 (54%)	7 (43%)	4 (25%)	2
# of targets the same (<i>% reached</i>)	5 (80%)	4 (75%)	7 (43%)	4
# of targets lowered (<i>% reached</i>)	2 (50%)	7 (29%)	7 (14%)	12
# of measures with no targets from either the current or previous year	1	0	0	
Summary				
Targets reached	13	8	5	
Average % above target	+83.8%	+18.2%	+32.5%	
Targets not reached	8	10	13	
Average % below target	-17.3%	-41.6%	-41.3%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

No performance measures specific to Coal Development are included in quarterly reports.

Office of Trade and Investment

The Office of Trade and Investment (Trade Office) maintains offices in other countries as well as keeping experts on staff in Illinois. There are eight foreign trade offices: Brussels, Hong Kong, Mexico City, Tokyo, Toronto, Warsaw, Shanghai, and Johannesburg. There is also a part-time contract office for the Middle East in Jerusalem. The Trade Office tries to promote international trade, including getting more Illinois companies to export and getting more foreign products, companies, and investments to come to Illinois.

Exhibit A-38 shows that the Trade Office spending has decreased dramatically from \$19.1 million in 2002 to \$5.2 million in 2005. The headcount decline has been less severe declining from 32.4 FTEs in 2002 to 25.2 FTEs in 2005. The organizational structure for the Trade Office is shown in Exhibit A-40.

Exhibit A-38 TRADE AND INVESTMENT EXPENDITURES & HEADCOUNT Fiscal Years 2002 – 2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$19.1	32.4
2003	\$15.8	36.3
2004	\$5.3	26.3
2005	\$5.2	25.2

Sources: DCEO data summarized by OAG.

Exhibit A-39 TRADE AND INVESTMENT GRANTS Fiscal Years 2003 and 2004		
Fiscal Year	# Grants	\$ Grants
2003	1	\$50,000
2004	9	\$152,000

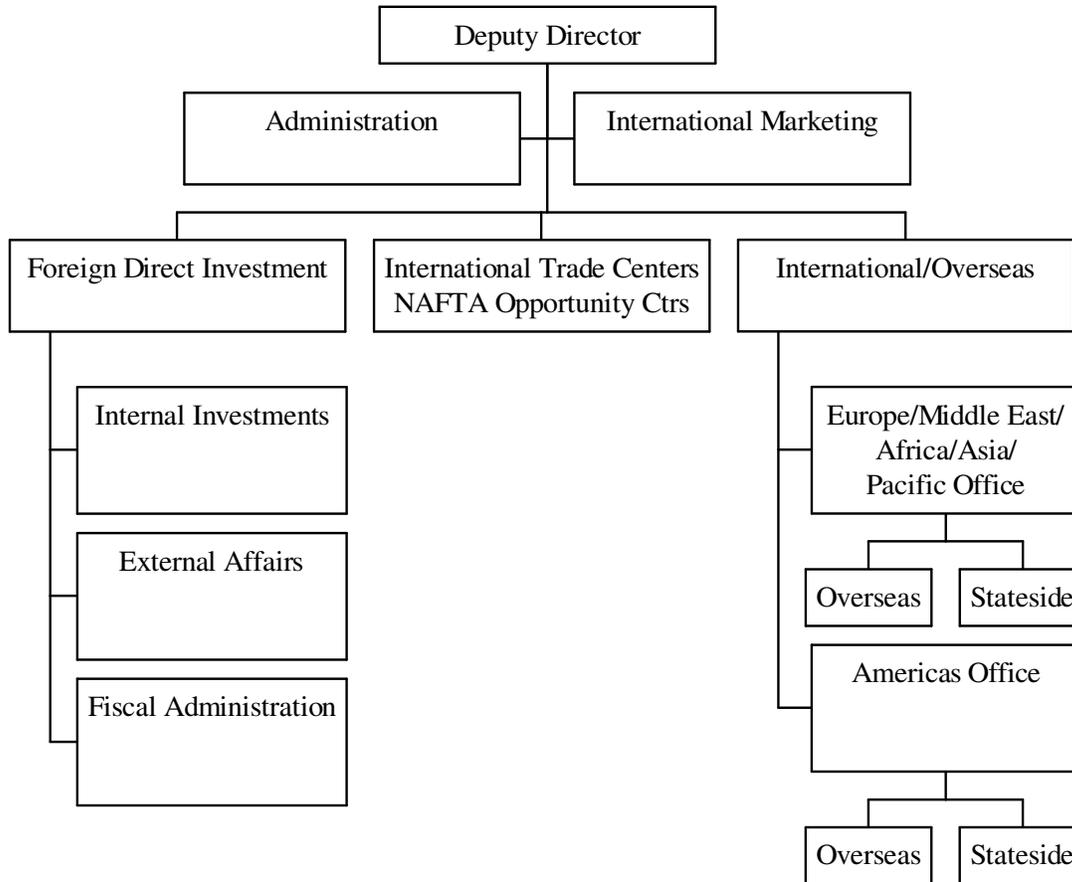
Source: OAG analysis of DCEO grants.

The Trade Office gave out one grant in 2003 and nine grants in 2004. These grants were to educational institutions or non-profit organizations to assist in development or support of programs that advance the Office’s mission. For example, the Trade Office gave a grant to the Illinois Chapter of Sister Cities International to help develop a website that could link international cities with Illinois cities, hopefully leading to expanded trade or investment in Illinois. Exhibit A-39 shows the total amount of the grants that were given out in both years.

Mission Statement

The Trade Office’s stated mission is: to improve the competitiveness of Illinois in the global economy through programs and initiatives that increase Illinois exports and attract foreign investment.

Exhibit A-40
ORGANIZATIONAL CHART
OFFICE OF TRADE AND INVESTMENT



Source: OAG Summary of DCEO Organizational Chart.

Goals and Objectives

According to the Comptroller’s 2004 Public Accountability Report, the Trade Office’s program goals and objectives included the following:

1. To expand the sales volume of Illinois products in overseas markets.
 - a. To create/retain 1,750 additional Illinois jobs as a result of increased export sales by 6/30/04.
 - b. Maintain the amount of export sales by Trade Office client companies at \$60 million by 6/30/04.
2. To expand employment opportunities in the state through foreign direct investment.

- a. Assist 15 foreign companies to invest in Illinois by 6/30/04.

Programs

The Programs and Services Guide for DCEO lists four programs for the Trade Office. They are described below.

Local/State Assistance

The Trade Office works with the Department's six International Trade Centers and two NAFTA Opportunity Centers located strategically throughout the state. They provide individualized assistance for small and medium sized firms looking to succeed in the global marketplace.

International Assistance

The foreign offices serve as Illinois' gateway to the world. Their network of companies and partners abroad help position Illinois companies to capitalize on business opportunities in key markets. Additionally, these offices provide foreign market and industry information that results in competitive advantages for Illinois companies.

Export Program

The Trade Office provides a variety of export assistance programs designed to help Illinois companies locate distribution channels for their products and services in foreign markets. Assistance is provided in the following areas: matchmaking appointments, foreign market and industry research, personalized export counseling, export financing, shipping procedures and logistics, individual export evaluation, foreign language assistance and travel assistance.

Foreign Direct Investment

If an overseas firm is interested in opening an office in Illinois, the Trade Office provides assistance in the following areas: legal, accounting, real estate, financial, freight forwarding, human resources and personnel relocation.

Policies and Procedures

The Trade Office had policies and procedures on grant review but they gave few specific details.

Monitoring and Reporting

The Trade Office has developed a "Master Worksheet" to help track grantees. Procedures state that the worksheet will be updated quarterly by staff assigned to monitor progress. The Master Worksheet would show that information on the grant itself is in the master file and it also has a space to show if quarterly reports are received. There is no space for comments or questions about the information received – just whether a report was received. A

Final Report and a Closeout package are also required. Both of these are to be filed in the master file.

However, the policies and procedures document contains no specific provisions concerning site visits or follow-up on information contained in the reports submitted by the grantee. It does not identify the types of information that must be submitted by the grantee in those quarterly reports. Nor does it contain any method of ranking proposals should funding be inadequate to grant monies to all applicants.

OAG Testing

In our testing we found that the Trade Office provided a total of 10 grants in FY03 and FY04 totaling \$202,000. Of these grants, six contained contract provisions requiring the submission of monitoring reports from grantees. However, we could not find documentation supporting that DCEO received any of the required monitoring reports.

Periodic Review

The Trade Office had not performed any efficiency reviews or established any written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

The Trade Office has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-41
**TRADE AND INVESTMENT PERFORMANCE MEASURES
 FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT**

1. Client survey satisfaction rate (percent satisfied)	100%
2. Number of jobs created/retained	217.0
3. Number of foreign companies locating/expanding in Illinois	7.0
4. Export sales reported by companies (in millions)	\$60.5
5. Dollar ranking of Illinois exports among the states based on World Institute of Social and Economic Research (WISER) export reports	7.0
6. Customer/client meetings	1,254
7. Foreign offices maintained	8.0
8. Economic Impact Surveys returned	50.0
9. New customers	734.0
10. New clients	181.0
11. Number of company referrals to Business Development Bureau	15.0

Source: Comptroller's 2004 Public Accountability Report.

Exhibit A-42 TRADE AND INVESTMENT PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	10	9	11	
Consistency				
Measures removed compared to previous year	4	1	2	
Measures added compared to previous year	0	0	4	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	5 (25%)	3 (33%)	2 (50%)	2
# of targets the same (<i>% reached</i>)	2 (100%)	2 (50%)	3 (33%)	4
# of targets lowered (<i>% reached</i>)	3 (100%)	4 (75%)	2 (0%)	5
# of measures with no targets from either the current or previous year	0	0	4	
Targets reached				
Average % above target	+9.4%	+21.2%	+5.2%	
Targets not reached				
Average % below target	-38.1%	-24.2%	-56.2%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included no performance measures for Trade and Investment. In FY05 one measure was included in the quarterly reports which was also a 2004 Public Accountability Report measure.

Illinois Film Office

The Illinois Film Office provides technical assistance to film, television, and commercial production companies to encourage development of the industry in Illinois. Services include pre-production and production coordination, location scouting, liaison assistance, and information hotlines. Productions may either contact the Film Office directly or may be solicited by the Office. Once the final decision to film in Illinois is made, the Film Office is involved from the first day to the last day of production. This includes checking on the production’s progress, visiting sets, and meeting with filmmakers as well as those impacted by the filming process, with the purpose of solving problems and ensuring the filming experience is positive for all parties involved.

Starting in Calendar Year 2004, the Film Office began offering tax credits. The Illinois Film Production Services Tax Credit provides a 25 percent tax credit on Illinois income tax for wages paid by a production company to each employee that is an Illinois resident. For 2004, DCEO issued \$6.4 million of tax certificates to 20 productions. The amount of tax credit claimed depends on Illinois taxable income claimed by the production company, partnership, subsidiary or contractor. Data for actual tax credits for 2004 had not yet been published by the Comptroller.

Exhibit A-43 ILLINOIS FILM OFFICE EXPENDITURES & HEADCOUNT Fiscal Years 2002 – 2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$1.3	11.8
2003	\$1.4	12.4
2004	\$1.4	12.4
2005	\$1.5	11.0

Source: DCEO data summarized by OAG.

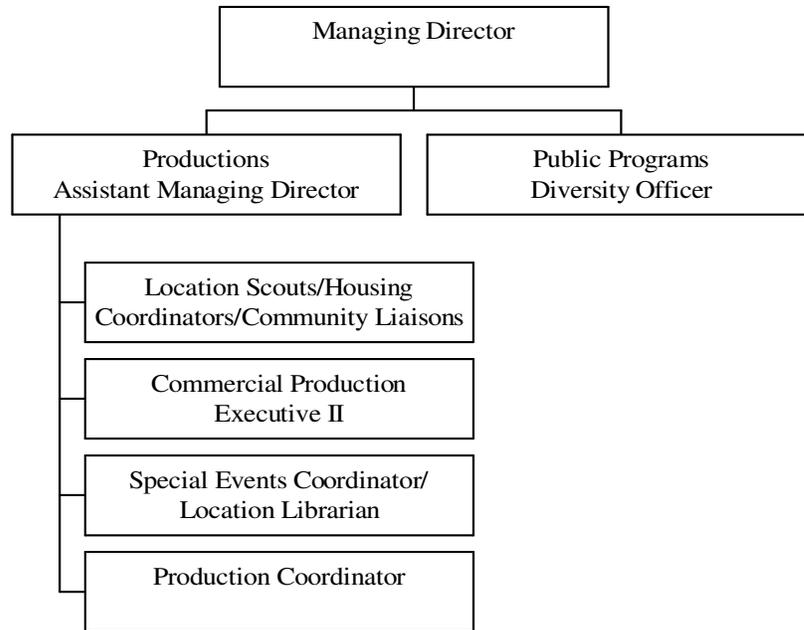
Exhibit A-43 shows the Film Office’s expenditures and headcounts for Fiscal Years 2002-2005. As shown in the Exhibit, expenditures and headcount have remained relatively stable. Exhibit A-45 shows the organizational chart for the Film Office.

Exhibit A-44 ILLINOIS FILM OFFICE SPONSORSHIPS/DONATIONS & PARTICIPATION GRANTS FY03 and FY04		
FY / Type	Number	Amount
2003		
Marketing	15	\$12,134
Participation	none in 03	none in 03
2004		
Marketing	16	\$10,178
Participation	8	\$100,000

Source: DCEO data summarized by OAG.

Exhibit A-44 shows the numbers and dollar amounts of sponsorships/donations given by the Film Office for marketing in the local community during Fiscal Years 2003 and 2004. The Exhibit also shows Fiscal Year 2004 participation grants. According to a Department official, the Film Office did not provide any participation fee grants for special events in Fiscal Year 2003.

Exhibit A-45
ORGANIZATIONAL CHART
ILLINOIS FILM OFFICE



Source: OAG Summary of DCEO Organizational Chart.

Sponsorships/donations and participation grants are given on a case-by-case basis and are used as a vehicle for the Film Office to network and promote filming in Illinois. They are given based on the impact that the organization has on the community and whether sponsoring or donating to them will meet some of the Film Office’s goals for promoting filming in Illinois. The bulk of the Film Office’s cash expenditures (\$100,000) were in Fiscal Year 2004 and were used for participation grants for special events such as the Latino Film Festival and the Roger Ebert Overlooked Film Festival.

Mission Statement

The mission of the Film Office is to promote Illinois as a center for film, television, commercials, cable and multimedia in order to increase the number of productions filmed in Illinois.

Goals and Objectives

The Film Office had the following goals and objectives for Fiscal Years 2003 and 2004:

1. Promote and facilitate the film production industry to and within Illinois.
 - a. Increase the level of cash expenditures by productions to \$89.2 million by 6/30/03. The goal for 6/30/04 was \$28 million.

- b. Increase by 3 percent the number of projects worked on from a base of 330 per year to 340 by 6/30/03, and from a base of 330 per year to 350 by 6/30/04.
 - c. Increase the number of local temporary jobs in Illinois from a base of 18,929 to 19,497 per year by 6/30/03, and from a base of 7,073 to 8,600 per year by 6/30/04.
 - d. Maintain the ratio of projects filmed in whole or in part by 16 percent or a 6:1 ratio by 6/30/03 and 6/30/04.
2. Support and develop the commercial production in Illinois.
- a. Increase the number of commercials shot in Illinois by 6% per year from a base of 42 to 45 by 6/30/03. In Fiscal Year 2004 the goal was just to increase the number of commercials shot in Illinois by 6/30/04.

There were only two films shot in whole or part in Illinois during Calendar Year 2003; in Calendar Year 2004, six major studio productions were filmed here, including *Oceans 12*, and *Amityville Horror*. There were also two independent films shot in Illinois during Calendar Year 2004.

Exhibit A-46 shows film revenues and hires for both calendar years. As shown in the Exhibit, film revenues tripled from \$25.7 million in Calendar Year 2003 to \$76.5 in Calendar Year 2004. In addition, there was also a significant increase in film hires from 2003 to 2004. During this time period film hires more than doubled.

Exhibit A-46 ILLINOIS FILM OFFICE FILM REVENUES AND HIRES Calendar Years 2003 and 2004		
Year	Revenues (in millions)	Number of Hires
2003	\$25.7	5,972
2004	\$76.5	14,580

Source: DCEO data summarized by OAG.

Programs

The Illinois Film Tax Incentive Program

The Film Office has a tax credit incentive program that promotes hiring from within Illinois. The Illinois Film Production Services Tax Credit Act provides a 25 percent tax credit on Illinois income taxes for wages paid by a production company to each employee that is an Illinois resident. This Act allows film, video, or television productions that spend either \$50,000 (for productions of less than 30 minutes) or \$100,000 (for productions of 30 minutes or more) to receive a tax credit for the wages paid to Illinois workers. The Act excludes salary for the two highest paid employees of the production, and the tax credit has to directly contribute to the production filming in Illinois. Production companies must also be willing to promote diversity by hiring a percentage of minorities or by participating in a job-training, education or recruitment program. For Calendar Year 2004 the total dollar amount of tax credits for certificates issued was \$6.38 million on total wages paid of \$23.6 million.

In addition, companies have specific application requirements that must be met for the tax credit. Applications must be submitted to the Film Office prior to filming activity and must include the following information:

- production title,
- full script,
- type and length of production,
- number of shoot days in Illinois
- total budget of production
- estimated total salary and wages
- estimated number of Illinois residents to be hired to work on the production
- percentage of minority workers in Illinois that the Applicant plans to employ to perform work on the production
- documentation on Applicant's intention to participate in training, education and recruitment programs
- documentation showing that the credit is essential to the decision to film in Illinois.

Policies and Procedures

While written procedures exist for the tax credit application process, no checks and balances are in place to review tax credit calculations. Only one staff person is responsible for issuing and monitoring the tax credit. Also, no written procedures exist for funds used to sponsor events, purchase program ads, or contribute to other related activities associated with the local film community. Documents do require some monitoring after a production ceases filming, but little other monitoring of film productions is required in writing.

Monitoring and Reporting

The Film Office does have procedures for the application process for the film production tax credit; these procedures basically mirror the requirements in statute for what documentation must be submitted as part of the application. Documents indicate that production statistics are received directly from the accountant for each production. Officials stated that the Film Office has no specific monitoring reports but is responsible for reviewing production company invoices, determining Illinois residency, and calculating the tax credit. Currently, only one staff person from the Film Office is responsible for tax credit calculations. This person is also responsible for issuing and monitoring the tax credit.

Review of Film Productions

Written materials state that Film Office officials meet with the production manager/producer of each show after production has ended to discuss problems. This is the only monitoring that is specifically called for by the written documents we received. Film Office officials stated that monitoring the productions is on-going and that Office personnel are usually

on-site nearly every day during filming. In addition, the Film Office is called to resolve problems that arise during filming.

Scholarships/Donations

No written procedures exist governing the expenditure of these funds. Monies are given to promote the Film Office such as sponsoring film festivals, purchasing program ads, and other related activities. An official stated that documentation on each grant is available for review but no written policies or procedures over this area were provided.

OAG Testing

In our testing we found that the Film Office provided funds to non-profit film festivals and other events that promote the film industry, mostly through sponsorships or ads in event program books. Of the 39 files tested in FY03 and FY04, 3 files contained documentation supporting whether services paid were actually performed. The other files lacked this documentation. In addition, the files did not contain documentation suggesting that grants were monitored.

Periodic Review

The Film Production Services Tax Credit Act (35 ILCS 15/45) requires the Film Office to evaluate the Tax Credit Program. The evaluation must include an assessment of the effectiveness of the program in creating and retaining new jobs in Illinois and of the revenue impact of the program, and may include a review of the practices and experiences of other states or nations with similar programs. The evaluation was completed; however, it did not meet all statutory requirements because it did not address job creation, used mostly projected numbers for revenue, and did not even provide estimates of what tax credits might be.

Performance Measures

The Illinois Film Office has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-47 FILM OFFICE PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Feature Film/TV projects filmed in Illinois	32.0
2. Local temporary jobs created	12,757
3. Actual cash expenditures by productions (in millions)	\$55.8
4. Film conversion rate (projects worked/projects filmed)	38.6%
5. Feature Film/TV projects worked on	83.0
6. Commercial projects filmed in Illinois	109.0
Source: Comptroller's 2004 Public Accountability Report.	

Exhibit A-48 FILM OFFICE PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	5	5	6	
Consistency				
Measures removed compared to previous year	0	0	0	
Measures added compared to previous year	0	0	1	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	5 (20%)	5 (20%)	3 (33%)	6
# of targets the same (<i>% reached</i>)	0	0	0	0
# of targets lowered (<i>% reached</i>)	0	0	2 (100%)	0
# of measures with no targets from either the current or previous year	0	0	1	
Targets reached				
Targets reached	1	1	4	
Average % above target	+5.2%	+9.4%	+99.5%	
Targets not reached				
Targets not reached	4	4	2	
Average % below target	-40.9%	-54.7%	-60.6%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor’s Office of Management and Budget Quarterly Reports

No performance measures specific to the Film Office are included in quarterly reports.

Energy Conservation

Recycling and Waste Management and Energy Conservation are both part of the same bureau although they have separate staff and separate programs. Energy Conservation administers energy programs designed to help businesses and homeowners reduce their energy costs, and increase development and usage of alternative energy resources.

As shown in Exhibit A-49, headcount for Energy Conservation decreased from 42.8 FTEs in 2002 to 30.0 FTEs in 2005. Expenditures also decreased from 2002 to 2003, but increased from 2003 to 2004. In 2005, expenditures again decreased to \$13.4 million. The organizational structure for the Energy and Recycling Bureau is illustrated in Exhibit A-50.

Exhibit A-51 summarizes the grants issued through the bureau's energy programs in Fiscal Years 2003 and 2004. The bureau had a total of 106 grants with \$12.8 million in funds provided in FY03 and a total of 73 grants with \$14.1 million in funds provided in FY04.

Exhibit A-49 ENERGY CONSERVATION EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$20.8	42.8
2003	\$15.8	32.4
2004	\$22.5	35.6
2005	\$13.4	30.0
Source: DCEO data summarized by OAG.		

As shown in Exhibit A-51, a number of energy grants were categorized as miscellaneous as a result of not being classified under a specific program. According to DCEO officials, these are "pass-through" grants funded through other federal projects or other State programs.

Mission Statement

The mission for Energy Conservation is to provide objective information and technical assistance on energy efficiency and renewable resource technologies to residents, businesses, institutions, and industries of Illinois to encourage the cost-effective use of Illinois' indigenous and imported energy resources.

Goals and Objectives

According to the Comptroller's 2004 Public Accountability Report, Energy Conservation's program goals and objectives included the following:

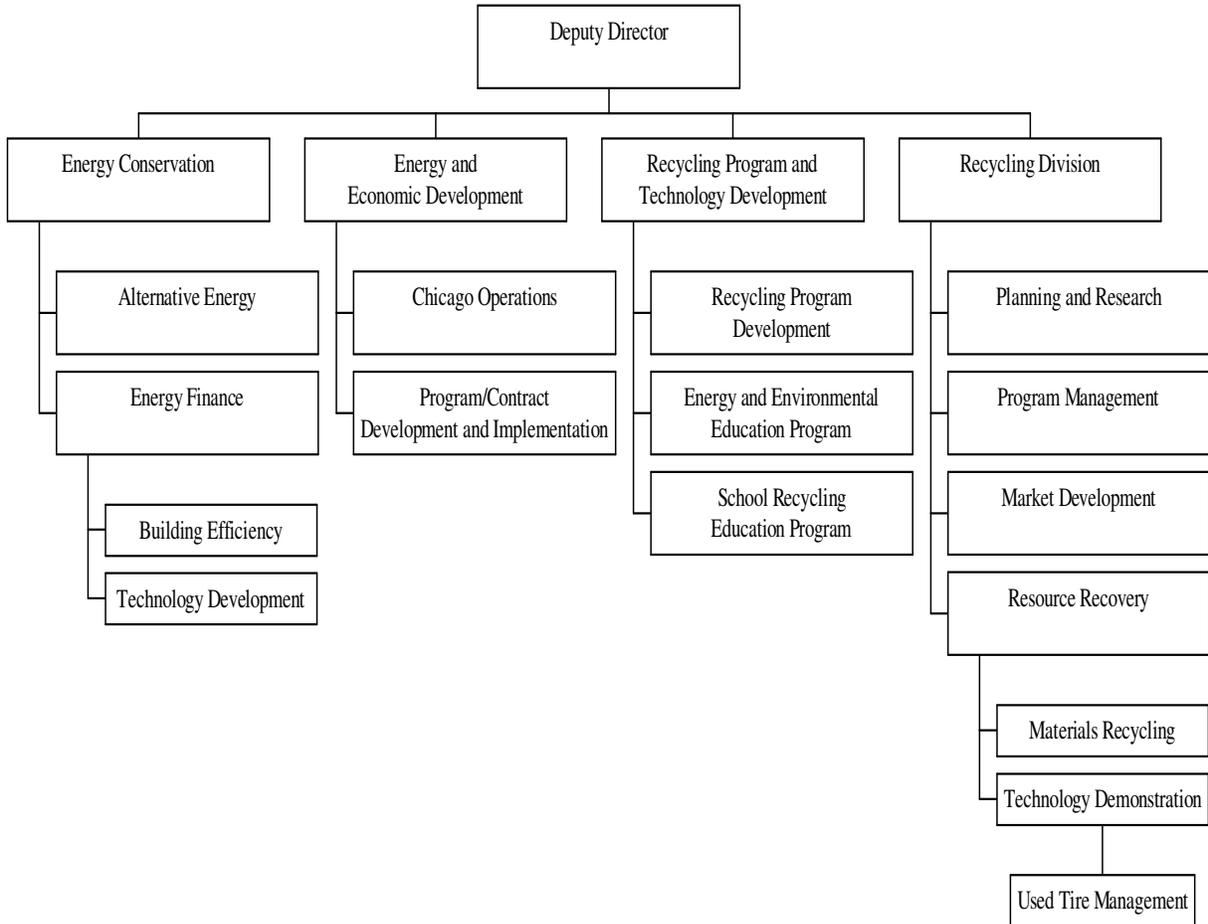
1. To encourage the efficient and cost-effective use of Illinois' energy resources through investments, research, education, and technology demonstrations.
 - a. Increase the direct energy savings associated with the residential energy efficiency programs by 6/30/04.

Exhibit A-51 ENERGY CONSERVATION GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
Renewable Energy Resources Program	31	\$6,017,071	17	\$4,269,777
Energy Education and Technology Demonstration Program	17	\$3,527,865	15	\$1,681,583
Energy Efficient Affordable Housing Construction Program	10	\$720,470	15	\$939,248
Regional Energy Program	5	\$400,000	6	\$455,000
Renewable Fuels Research, Development and Demonstration Program	6	\$746,891	4	\$400,000
Institutional Conservation Program	14	\$381,643	4	\$38,780
Homeless Shelter Energy Conservation Program	9	\$303,300	-	-
Small Business Energy Program	6	\$240,000	-	-
Miscellaneous	<u>8</u>	<u>\$487,000</u>	<u>12</u>	<u>\$6,330,601</u>
Total	<u>106</u>	<u>\$12,824,240</u>	<u>73</u>	<u>\$14,114,989</u>

Source: OAG analysis of DCEO grants.

- b. Increase to \$3.6 million during Fiscal Year 2004 the savings resulting from contractor performance and compliance under the Energy Performance Contracting Program for State facilities by 6/30/04.
- c. Maintain at the level of \$3.2 million the amount of measured energy savings achieved through the commercial, industrial, and institutional energy efficiency demonstration and technology transfer programs by 6/30/04.
- d. Increase the number of ethanol E-85 refueling stations in Illinois by 6/30/04.

Exhibit A-50
ORGANIZATIONAL CHART
ENERGY CONSERVATION AND
RECYCLING & WASTE MANAGEMENT



Source: OAG Summary of DCEO Organizational Chart.

Programs

Renewable Energy Resources Program (RERP)

The program fosters investment in and the development and use of renewable energy resources within the state of Illinois. The program funds projects focused on increasing the utilization of alternative energy technologies in Illinois. All grants require an applicant investment, which varies from 25 to 50 percent depending on the project category.

The program has two distinct program initiatives including the RERP Grant Initiative and the RERP Rebate Initiative. The RERP Grant Initiative is designed to provide incentives for the purchase and installation of large renewable energy systems that are aimed at commercial or industrial applications. The RERP Rebate Initiative is designed to provide incentives for the purchase and installation of smaller renewable systems that are aimed at residential or small

commercial applications. The rebate initiative offers a maximum rebate of \$10,000, which allows numerous small business applications to fall within the effective range.

A RERP Solar Thermal Grant program was released in 2005 to include solar thermal energy projects. The maximum grant amount is \$400,000 and the required minimum applicant investment is 50 percent.

Selection Process

Eligible applicants include units of state and local government, associations, public and private schools, colleges and universities, not-for-profit organizations, private companies, trade schools and individuals located or doing business within the State of Illinois.

After a Request for Proposal is issued, a preliminary review is completed on each proposal to determine if minimum grant criteria have been met. An evaluation team is established and each team member independently reviews and evaluates the application in accordance with the evaluation criteria. The final funding package is approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

The RERP Solar Thermal Grant program requires applications to be evaluated on a first come first serve basis. When funding is limited, project applications under simultaneous review are evaluated on the following criteria among others: 1) projects that are cost-effective, and 2) projects with greater job creation, business development, or economic development impacts.

Energy Education and Technology Demonstration Program

The program's purpose is to promote energy efficiency and alternative energy, demonstrate new or innovative technology, and conduct basic research and statistical studies to promote energy efficiency investments in the marketplace.

Eligible use of grant funds include co-sponsorships of conferences, educational seminars, training, workshops, energy ratings, engineering and energy related studies and demonstration projects, usually in conjunction with local governments, university or community college projects, or the United States Department of Energy's (DOE) end sector offices.

Selection Process

According to DCEO officials, grants may be solicited or unsolicited and are associated with activities authorized by the Renewable Energy and Energy Efficiency Development Act of 1997 or activities delineated within the State Energy Program Plan submitted to and approved annually by DOE.

Energy Efficient Affordable Housing Construction Program

The program promotes the benefits of lower utility bills on low-income households as a result of living in energy efficient buildings. Grants are provided to Illinois based non-profit housing developers for using energy efficient building practices in the rehab or new construction of affordable housing units. An integral part of the program is to educate those involved on the

various cost effective energy efficient building practices that can be included in building rehab and new construction.

Grant funds are used to offset the additional material and labor costs required to include energy efficient building practices in construction. Eligible expenditures include items such as insulation, upgraded windows, refrigeration, lighting, materials and labor to include air-seating work, ventilation systems, and upgrade to the heating and domestic hot water systems.

Selection Process

This program is open to Illinois based non-profit affordable housing developers rehabbing or building multi-family and single room occupancy buildings. Applications may be submitted on an ongoing basis as long as funds are available. Only those applicants developing low or moderate income housing shall be deemed eligible. Applicants may request grant funding for more than one building. Developers will be required to certify their non-profit status.

The program utilizes a Request for Application process by establishing an evaluation team that reviews applications based on grant applications. Upon recommendation by the evaluation team and Division Manager, negotiations between DCEO and the applicant shall be authorized. Final acceptance for funding for any application is subject to review and approval by the Deputy Director.

Regional Energy Program (Formerly Community Energy Program)

The program strives to improve the local economy and business competitiveness within Illinois communities through increased energy efficiency.

Grants include the following program activities among others: 1) establish and implement energy efficient building codes and, 2) identify and implement energy efficient projects in public buildings, schools, universities, commercial buildings, and multifamily residences.

Selection Process

Under this program, grants are extended to regional entities supporting communities. The program utilizes a Request for Application process.

Renewable Fuels Research, Development, and Demonstration Program (Formerly Alternative Energy Research, Development, and Demonstration Program)

Through this program, DCEO works with Illinois' industrial and agricultural organizations to actively promote and expand the use of ethanol as a clean, renewable transportation fuel.

Projects include: 1) demonstration projects, 2) research/development projects, 3) education/promotion projects, and 4) planning/development projects. Maximum grant awards range from \$350,000 for demonstration and research/development projects to \$25,000 for

planning/development projects. No grantee investments are required for any projects except demonstration projects, which require an investment of 50 percent of the total project costs for for-profit businesses, organizations, and individuals.

Grant funds may be used for costs incurred in conducting research, preparing reports, purchasing equipment, developing educational and informational materials, and disseminating information relative to the development, demonstration and promotion of alternative energy technologies.

Selection Process

Those eligible for funding include government organizations, for-profit and not-for-profit businesses and organizations, educational institutions, and individuals.

The Program Manager establishes an evaluation team and each member independently reviews and evaluates the application in accordance with the evaluation criteria. The final funding package is approved by the Section Manager, the Division Manager, and the Deputy Director.

Institutional Conservation Program (Inactive)

Although this program is currently inactive, grants were provided from the program in Fiscal Years 2003 and 2004. The purpose of the program was to provide institution or building managers with guidelines for energy management.

Homeless Shelter Energy Conservation Program

Although no grants were issued in Fiscal Year 2004, in Fiscal Year 2003 the program provided grants to homeless shelter providers. The program's purpose was to improve the energy efficiency in homeless shelters through grants funding cost-effective energy efficiency improvements.

Grant funds were requested and expended for the following energy efficiency measures among others: attic or ceiling insulation, air or vapor barriers, and entrance or storm doors. Applicants requested grants from \$10,000 to \$80,000.

Selection Process

Eligible applicants included local, public, and private federal income tax exempt not-for-profit groups. Grantee selection was conducted under a Request for Proposal process. The RFP established project eligibility, funding amounts, evaluation criteria, and other submission requirements. An evaluation team was established and each member independently reviewed and evaluated the application in accordance with evaluation criteria. Upon approval of the funding recommendation by the Deputy Director, the grant-processing package was submitted for approval to the Director's office.

Small Business Energy Program

This program promotes energy efficiency to increase profits for Illinois business. Small Business Development Centers in Illinois use DCEO funds to expand their marketing educational and training opportunities to include energy related educational and technical assistance to their commercial and industrial clients. Although grants were given under this program in FY03, DCEO provided little information about these grants.

Renewable Fuels Development Program

The program's purpose is to increase the production of biofuels (ethanol and biodiesel) in Illinois. This is a new program established on June 11, 2003 by Public Act 93-15.

Eligible projects include expansion of existing biofuel production facilities by at least 30 million gallons per year or new facilities with a capacity of at least 30 million gallons per year. Grants may be expended solely for costs incurred that are directly related to capital facilities (buildings, structures, and durable equipment) in connection with approved plant construction or expansion projects. The maximum grant award is \$5.5 million for either a plant expansion or a new construction project.

Selection Process

Applicants are required to submit proposals in accordance with the requirements of the program's guidelines, which are reviewed by DCEO staff prior to approval. DCEO staff evaluates the proposals to determine whether the project meets the eligibility criteria and if the proposal demonstrates that: 1) the project is economically viable, 2) the project is technically viable, and 3) the project will result in economic benefits to the State. The staff then makes a recommendation to the DECO Director, who approves, rejects, or amends the grant award at his or her discretion.

DCEO provided several forms used to evaluate proposals. The preliminary proposal review sheet is used to review the proposal's content and narrative description. The proposal review and evaluation form is used to rate each proposal from unacceptable to very good for a series of questions. The business plan evaluation form is used to evaluate each proposal's business plan.

Energy Performance Contracting Program

Energy performance contracting is an innovative arrangement for designing, installing and financing energy improvement projects. Agreements are typically ten to twenty years in length, adaptable to site specific needs, and best suited for facilities with annual utility costs in excess of \$100,000. The savings achieved by the project are used to amortize the cost of the project.

An energy performance contract provides the following among others: 1) a thorough assessment of how a facility uses energy and manages energy cost, 2) annual savings of 20 percent to 30 percent in the utility costs, and 3) flexible financing arrangements tailored to site-specific needs.

According to DCEO, staff completed the oversight of the implementation of \$20 million in energy-efficiency capital improvements in seven State-owned facilities. The pilot initiative is generating \$2.6 million in annual savings at the seven participating State agency and university facilities.

Selection Process

DCEO did not provide information on the facilities that received services or how those facilities were selected.

Small Business Smart Energy Program

The program was created to help commercial businesses reduce their energy costs. The pilot program provides businesses with design assistance services. These services include an analysis of the energy costs of a traditional building design with energy efficiency recommendations as well as an analysis of the return on investment of those improvements.

Program support includes four tiers of service including 1) initial consultation, 2) energy audits, 3) design assistance, and 4) project follow-up. Businesses eligible for the first tier include for-profit businesses. Businesses eligible for the second, third, and fourth tier include for-profit businesses, facilities larger than 8,000 square feet and/or a minimum of \$50,000 annual utility costs, and multiple locations larger than 5,000 square feet.

Selection Process

Businesses apply to the program by completing and submitting the business application to DCEO. The form is sent to the Smart Energy Design Assistance Center at the University of Illinois (SEDAC). SEDAC reserves the right to approve or reject applications at its own discretion. The program is subject to funding availability; therefore SEDAC reserves the right to stop accepting applications at any time.

The energy service industry also participates in the program's geexchange market development and design assistance. Geexchange and architectural/engineering firms can participate through service provider lists by applying through the Request for Qualifications process.

Building Operator Certification Program

The Small Business Smart Energy program also includes a Building Operator Certification program. This program's purpose is to improve the energy efficiency skills for Illinois' building operators. The program, in partnership with the Midwest Energy Efficiency Alliance (MEEA), trains building operators at several different levels.

Introductory level courses focus on appropriate equipment operation in terms of energy efficiency, air quality, health and safety, and other concerns. Higher-level trainings are also offered to building operators to help them self-identify efficiency improvements. DCEO and MEEA have offered the program for several years to institutional building operators such as hospitals and universities and are now offering it to small businesses as well.

Illinois Sustainable Education Project (ISTEP)

This is a new integrated education approach combining the once separate energy and recycling education programs. The mission of the program is to increase the awareness of economic development and environmental protection; the environmental and economic consequences of actions and values; and how informed decisions can move Illinois toward a more sustainable future.

The ISTEP program focuses on renewable energy, energy efficiency, and the process of recycling as key learning examples of resource conservation and environmental stewardship. ISTEP offers educational resources, including hands-on inquiry kits, bookmarks, and posters. ISTEP materials incorporate energy efficiency and recycling into a variety of subjects including literacy, math, social science, and fine art.

Manufacturing Energy Efficiency Program

This new program is charged with helping manufacturing facilities by focusing on: 1) reducing the cost of doing business through energy efficiency, 2) demonstrating the cost-effectiveness of energy efficiency strategies as a response to higher natural gas prices, 3) supporting job creation and retention in Illinois, and 4) reducing pollution by reducing wasted energy.

The program focuses on measures that can bring high returns with modest investments and helps firms identify best practices in energy management. The program then moves to coaching services for the implementation of new management practices and improvements, with DCEO supporting 50 percent of those costs.

Selection Process

No information was provided for this new program.

State Buildings Energy Program

This program addresses the needs of State facilities in terms of energy conservation. Staff answer questions regarding energy conservation for extensive energy audits. The type of energy audits generated by staff include: boiler efficiency testing, insulation studies, cogeneration studies, steam trap surveys, lighting surveys, motor surveys, energy audits, and special energy studies. In addition, the program provides the following:

- Prepares the Annual Energy Expense Study on historical, present, and future use of energy in Illinois for State facilities.
- Provides technical assistance for State agencies on energy related topics such as special projects to test new energy efficient technologies.
- Coordinates and plans technical training programs for State and private personnel including the Building Operator Certification (BOC) program.

Energy STAR Residential Program (Formerly EnergyWise Homes of Illinois Program)

The United States Department of Energy (DOE) and the United States Environmental Protection Agency (EPA) sponsor the voluntary labeling program called Energy Star. The Energy Star label helps businesses and consumers easily identify highly efficient products, homes, and buildings that save energy and money while protecting the environment.

DOE and EPA also sponsor the Energy Star Home Saver program. This program helps consumers identify the best ways to save energy in their homes and find the resources to make the savings happen. DCEO is also working with the Midwest Energy Efficiency Alliance (MEEA) to implement the Energy Star Lighting Program. This program continues to work toward increasing the awareness of energy efficient lighting products among consumers and retailers.

DCEO promotes Energy Star products through consumer education and product rebates. Other program components consist of retailer education and industry incentives. According to DCEO information, program activities should be completed on 3/31/05.

NICE3

The purpose of this DOE program is to promote global competitiveness through the development and commercialization of energy-efficient goods, produced with state-of-the-art energy efficient production technologies and practices.

Selection Process

Applicants respond to a competitive solicitation process through State energy offices administering the grant funds. According to DCEO information, DOE placed this program in closeout mode.

Industrial Energy Efficiency Demonstration Program (Inactive)

Although this program is currently inactive, DCEO previously developed educational, technical, and demonstration grant programs based on surveys of Illinois plastics die casting, metal fasteners, chemical and food and kindred products industries. Project results were used to develop industry-wide energy guidelines and handbooks available for the public.

Energy Codes

The program's purpose is to establish rules for the commercial energy code and provide the relevant training. DCEO is currently working on the program with, among others, the Capital Development Board.

Policies and Procedures

Energy Conservation provided policies and procedures for its programs including program descriptions, application information, and relevant program forms and reports.

Monitoring and Reporting

According to DCEO officials, grantees are required to submit quarterly reports, a final report, and additional reports as necessary. Officials also stated that DCEO conducts on-site visits once the project has commenced.

DCEO provided copies of an applicant management report and a grant management report. The applicant management report monitors the requests for program funds from applicants. The grant management report confirms and documents grant management and project monitoring activities completed by staff for executed grant agreements.

The following monitoring and reporting requirements have been established for each program area:

Renewable Energy Resources Program

Application guidelines for the Renewable Energy Resources Rebate Program were revised in November 2004 and application guidelines for a new Renewable Energy Resources Solar Thermal Grant Program were released in January 2005. Application guidelines for the Solar Thermal Grant Program require grantees to submit monthly progress and expenditure reports. Application guidelines for the Renewable Energy Resources Rebate Program did not contain any reporting or monitoring requirements.

Energy Efficient Affordable Housing Construction Program

Grantees are required to submit progress reports in accordance with the requirements of the grant agreement. DCEO reserves the right to structure reporting requirements on a project-specific basis. In addition, as acceptance of the grant, the recipient agrees to assist with an energy consumption analysis for up to three years following the occupancy of the building.

Periodic visits to the site are made during construction to assure conformance to the energy standards. Air leakage tests (blower door tests) are conducted near project completion. Provisions are made to monitor actual energy consumption with the non-profit following project completion.

Renewable Fuels Research, Development, and Demonstration Program

Grantees are required to submit progress and expenditure reports in accordance with the requirements of the grant agreement. DCEO reserves the right to structure reporting requirements on a project-specific basis. The DCEO project manager will monitor the grantee's compliance with the terms of the grant agreement. Grantees are also required to submit reports documenting the number, type, and salaries of jobs created, retained, or lost during the course of the grant agreement as a direct result of the project.

Homeless Shelter Energy Conservation Program

Grantees are required to submit progress and expenditure reports on a monthly basis for the duration of the grant term. A final report, containing a detailed summary and evaluation of

all project activities and expenditures, is required to close out the grant and release the final grant payment. The department program manager is required to monitor the grantee's compliance with the terms of the grant agreement.

Renewable Fuels Development Program

Grantees are required to submit monthly progress reports to DCEO during the grant term, including information on the number of jobs created or retained. Recipients are required to provide production and data records for the performance period specified by DCEO. The grant term and performance period will be determined on a project specific basis.

Grantees are responsible for securing a compliance audit for any grant award exceeding \$300,000. An audit may also be required when certain risk conditions exist, including but not limited to, a negative compliance history and disclosure of previous material audit findings.

Small Business Smart Energy Program

Businesses apply to the program through DCEO and their applications are forwarded to the Smart Energy Design Assistance Center at the University of Illinois (SEDAC), which approves or rejects them. According to the program's instructions and application for design assistance, SEDAC, in partnership with the Geothermal Heat Pump Consortium, receives copies of all documents developed and tracks results of design assistance provided. Grants are not awarded to applicants in this program but instead applicants receive technical assistance.

No relevant requirements could be identified for the following programs: 1) Energy Codes, 2) Energy Education and Technology Demonstration Program, 3) Energy Performance Contracting Program, 4) Energy STAR Residential Program, 5) Building Operator Certification Program, 6) Illinois Sustainable Education Project, 7) Industrial Energy Efficiency Demonstration Program, 8) Manufacturing Energy Efficiency Program, 9) Nice3, 10) Regional Energy Program, and 11) State Buildings Energy Program.

OAG Testing

In our testing we reviewed 11 grants for Energy Conservation, which totaled over \$10.6 million. DCEO did not receive required monitoring reports for 10 of the 11 projects tested. In addition, we could not find any documentation suggesting that DCEO took action to obtain missing programmatic reports in all cases except for one. When we followed up with DCEO regarding the missing monitoring reports for 10 of the 11 projects tested, DCEO attributed the problem to conflicting reporting requirements in the grant agreements. Some agreements required both monthly and quarterly reports. Officials said the section in the grant agreement requiring quarterly progress reports supersedes the section requiring monthly status and expenditure reports for many projects. However, we found that both sections still remain in the grant agreements. Moreover, other required monitoring reports in addition to the monthly status and expenditure reports were found to be missing or late.

Periodic Review

The Renewable Energy, Energy Efficiency, and Coal Resources Development Law of 1997 imposed several statutory requirements. Two such requirements are in regards to the Energy Efficiency Program (20 ILCS 687/6.6(d-e)). The statute requires DCEO to conduct a study of other possible energy efficiency improvements and to evaluate methods for promoting energy efficiency and conservation. Also, the Department is required to submit an annual report to the General Assembly evaluating the effectiveness of the program and recommending further legislation that will encourage additional development and implementation of energy efficiency projects and programs in Illinois.

Additionally, the Renewable Energy Resources Program is required to establish eligibility criteria for grants, loans, and other incentives to promote investment in and the development and use of renewable energy resources. DCEO is required to annually review and adjust these criteria as considered necessary. Furthermore, DCEO must conduct an annual study on the use and availability of renewable energy resources in Illinois. Each year, the Department must submit a report on the study to the General Assembly, which includes suggestions for legislation encouraging the development and use of renewable energy resources.

DCEO provided two reports. The first was called the Energy Efficiency Trust Fund Program Report for the period January 2003 to December 2004. The report evaluated the success of several programs funded through the Energy Efficient Trust Fund. Results reported included the amount DCEO invested and the energy saved.

The second report was called the Renewable Energy Resources Program Report for the period December 1997 through December 2004. This report stated the total investment generated compared to the amount provided through the program. It also reported that the cost effectiveness of the program had more than doubled since restructuring the program for 2003 and 2004.

Performance Measures

Energy Conservation has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit which analyzes those measures.

Exhibit A-52 ENERGY CONSERVATION PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Dollar savings of industrial, commercial, and institutional clients (in millions)	\$0.7
2. Dollar savings of residential clients (in millions)	\$2.7
3. Dollar savings resulting from US Department of Energy (USDOE) Contracting program (in millions)	\$3.8
4. Number of competitive energy educational awards won by Illinois ILEED (Illinois Energy Education and Development) schools	5.0
5. Affordable housing units retrofitted	565.0
6. Number of E-85 ethanol refueling stations in Illinois	17.0
7. Percent of USDOE discretionary funding for energy efficiency awarded to Illinois' Energy Office	2%
8. Residential households receiving subsidized energy efficient products	46,189
9. Alternative energy projects funded	16.0
10. Produce a rate of return of at least 30% on direct agency investments in commercial, industrial, and institutional energy efficiency projects	30%
11. Produce a rate of return of at least 40% on the investment in energy efficiency for the Affordable Housing program	40%
Source: Comptroller's 2004 Public Accountability Report.	

Exhibit A-53 ENERGY CONSERVATION PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	11	11	11	
Consistency				
Measures removed compared to previous year	2	0	0	
Measures added compared to previous year	1	0	0	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	2 (0%)	3 (33%)	3 (67%)	4
# of targets the same (<i>% reached</i>)	7 (86%)	6 (50%)	5 (60%)	3
# of targets lowered (<i>% reached</i>)	1 (0%)	1 (100%)	3 (33%)	4
# of measures with no targets from either the current or previous year	1	1	0	
Targets reached				
Average % above target	+30.3%	+73.9%	+50.0%	
Targets not reached				
Average % below target	-19.9%	-36.7%	-44.3%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 included two performance measures for Energy Conservation. One was also a Public Accountability Report measure and one was not. In FY05, the same one Public Accountability Report measure was included, along with the non-Public Accountability Report measure used in FY04 plus a new non-Public Accountability Report measures. The two measures not reported as Public Accountability Report measures are:

- % Dollar Savings from Energy Programs (both years)
- Plant Output (in millions of gallons of fuel) (new in FY05)

Recycling & Waste Management

Recycling and Waste Management and Energy are both part of the same bureau although they have separate staff and separate programs. As shown in Exhibit A-54, Recycling and Waste Management headcount decreased from Fiscal Years 2002 through 2005. Expenditures also decreased from \$10.2 million in 2002 to \$6.8 million in 2005. The organizational structure for the bureau is illustrated in Exhibit A-50.

Exhibit A-55 shows the grants issued through the bureau’s recycling programs in Fiscal Years 2003 and 2004. The bureau had a total of 87 grants with \$4.6 million in funds provided in FY03 and a total of 97 grants with \$7.0 million in funds provided in FY04.

Exhibit A-54 RECYCLING AND WASTE MANAGEMENT EXPENDITURES AND HEADCOUNT Fiscal Years 2002-2005		
Fiscal Year	Expenditures (in millions)	Headcount (FTE)
2002	\$10.2	41.3
2003	\$9.1	34.0
2004	\$9.5	26.3
2005	\$6.8	23.7

Source: DCEO data summarized by OAG.

Exhibit A-55 RECYCLING AND WASTE MANAGEMENT GRANTS FY03 and FY04				
Program	.....FY03.....		.....FY04.....	
Used Tire Recovery Program	20	\$1,176,762	19	\$2,568,180
Illinois Recycling Grants Program	22	\$1,082,865	28	\$1,478,222
Recycling Market Development Program*	7	\$1,337,850	4	\$874,083
Technologies and Practices Demonstration Program*	1	\$150,000	4	\$546,220
Recycling Industry Modernization Program*	4	\$599,070	5	\$295,890
Keep Illinois Beautiful Program	7	\$75,000	8	\$75,000
Illinois Zero Waste Schools Grant Program	25	\$66,850	27	\$60,329
Miscellaneous	<u>1</u>	<u>\$155,901</u>	<u>2</u>	<u>\$1,079,700</u>
Total	<u>87</u>	<u>\$4,644,298</u>	<u>97</u>	<u>\$6,977,624</u>

* In FY05, these programs were combined into one program – the Recycling, Expansion, and Modernization (REM) program.

Source: OAG analysis of DCEO grants.

Mission Statement

The mission for the Bureau of Recycling and Waste Management is to assist Illinois citizens, governments, schools and businesses in developing and implementing recycling and waste reduction programs, practices and technologies for processing municipal solid waste.

Goals and Objectives

According to the Comptroller's 2004 Public Accountability Report, Recycling and Waste Management's program goals and objectives included the following:

1. To divert waste away from landfills into marketable products through recycling, reuse, source reduction and waste reduction programs.
 - a. Financially assist ten Illinois manufacturers producing with recycled content by 6/30/04.
 - b. Financially assist 22 collection and processing entities in increasing the availability of recycled feedstock by 6/30/04.
 - c. Maintain the private/public dollar leverage at \$0.8 million for companies producing materials derived from scrap tires by 6/30/04.
 - d. Use 58,000 tons of recyclable commodities as feedstock for new products by 6/30/04.
 - e. Collect or process 38,000 tons of recyclable commodities from the Illinois waste stream by 6/30/04.

Programs

Used Tire Recovery Program

The program provides financial and technical assistance in order to establish used and waste tire-processing facilities in Illinois. In addition, the program encourages the development of processing technologies and markets for the products resulting from the processing and manufacturing of used and waste tires.

Grants are available for the following prioritized categories from highest to lowest: 1) manufacturing/processing projects, 2) marketing projects, 3) research/development projects, and 4) procurement/demonstration projects. Each application should request funds for one eligible project category component except if a project has both a manufacturing and marketing component. Maximum grant awards for the four categories range from \$75,000 to \$500,000 with minimum grantee investments ranging from 10 to 25 percent of the total project costs.

Examples of eligible expenditures include: 1) purchase or conversion of equipment for the manufacturing, processing, or end use of tires and tire-derived materials, 2) procurement of

used or waste tire content products, 3) research or development costs, and 4) advertising costs associated with reaching new markets for tire-derived products.

According to DCEO information, the program has no funding for FY05 and currently only provides technical assistance and maintains rollover funding to closeout grants.

Selection Process

Eligible applicants include governmental organizations, for-profit and not-for-profit businesses and organizations with projects that advance the recovery, reuse or remanufacture of used and waste tires from the Illinois waste stream into an economic use as a product.

Applicants for all project categories must complete an application for funding. Each project category has an individualized application form with an application completion checklist. For an application to be considered complete, all required items must be thoroughly addressed and presented in the specified sequence.

An evaluation team is established and each team member independently reviews and evaluates the application in accordance with the evaluation criteria set forth for each category. The final funding package is approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

Illinois Recycling Grants Program

The program provides grants for projects that divert post-consumer recyclable commodities from Illinois landfills, increase the quantity of materials recycled in Illinois, and increase the self-sufficiency of Illinois' recycling industry. Projects must demonstrate the potential to divert significant volumes of recyclable commodities from Illinois landfills.

Eligible project categories include residential collection projects, commercial and institutional collection projects, and primary processing projects. All projects must involve the collection or processing of the following four types of post-consumer recyclable commodities: 1) fiber, 2) metal, 3) glass, and 4) plastic. Maximum grant awards range from \$50,000 to \$100,000 with a minimum investment of 50 percent of total project costs.

Grant funds may be requested and expended only for project-related capital and project-related educational and promotional expenditures. Eligible capital expenditures include, but are not limited to: 1) recycling collection containers, 2) collection equipment, and 3) site improvements such as loading docks. Eligible educational and promotional expenditures include, but are not limited to: 1) paper and supplies, 2) mailing and dissemination, and 3) material development.

Computers and Electronics Recycling Component

This program is included as part of the Illinois Grants Recycling Program to divert computers, cathode ray tube (CRT) devices, and electronic equipment from Illinois landfills for reuse and recycling, increase the quantity of materials recycled in Illinois, and increase the self-sufficiency of the Illinois recycling industry.

Eligible project categories include permanent collection projects and primary processing projects. To be eligible for a primary processing grant, the applicant must demonstrate one or more of the following purposes: refurbishing, de-manufacturing, or recycling of computers and electronic equipment. The maximum grant amount for eligible projects is \$75,000. Applicants must provide a minimum investment of 25 percent of the total project cost.

Selection Process

DCEO solicits Requests for Applications from any local government organization, for-profit or not-for-profit business or organization, and college or university for funding. For the Computers and Electronics Recycling program component, DCEO solicits Requests for Applications from any governmental organization, for-profit business or not-for-profit organization, primary recycler, secondary recycler, or smelter.

The Request for Applications establishes project eligibility, funding amounts, evaluation criteria, and other submission requirements. Each member of the evaluation team independently reviews and evaluates the application in accordance with the evaluation criteria. DCEO also provided an application score summary form specifying a scoring process for collection and processing projects with a maximum of 200 points each. The final funding recommendation package is approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

A point system is used to evaluate applications for the Computers and Electronics Recycling program component. The maximum points are given to applications best discussing and documenting the project plan for each eligible project category. All eligible and complete applications are evaluated based on the application's merit and how well each advances the goals and objectives of the program and DCEO.

Recycling, Expansion, and Modernization (REM) Program

In FY05, this program combined three previous programs into one: 1) Illinois Recycling Market Development Program, 2) Recycling Industry Modernization Program, and 3) Technologies and Practices Demonstration Program.

The program awards matching grants to Illinois organizations and businesses to accomplish recycling market expansion and waste reduction goals while demonstrating public economic benefits. The program contains two project classifications: waste management modernization project and market expansion modernization project. For either project classification, the following three levels of service have funding options: 1) assessment service (maximum grant amount - \$30,000), 2) demonstration service (maximum grant amount - \$150,000), and 3) implementation service (maximum grant amount - \$250,000.) Applicants are required to provide an investment match of 25 percent of the total project cost in the form of cash.

Selection Process

Eligible applicants include for-profit businesses, governmental entities, colleges and universities, and not-for-profit organizations.

The application process is a two-phase procedure, involving both a proposal letter and an application for funding. Each eligible application is independently evaluated based on the listed criteria including the following: 1) applicant's capacity for REM project management, 2) applicant's level of need for state assistance, 3) potential impact on materials diversion, 4) potential impact on improved performance or competitiveness, and 5) potential public economic benefit.

Recycling Market Development Program (Inactive – combined into REM program)

Prior to the establishment of the REM program, this program's purpose was to provide funding assistance in the form of grants for the purchase or conversion of equipment to manufacture products from recycled commodities for the advertising, marketing, procurement, and demonstration of recycled content products.

Financial assistance was available for the following categories: 1) manufacturing projects, 2) marketing projects, and 3) procurement or demonstration projects. Eligible manufacturing project expenditures included purchasing, installing, and converting capital equipment. Eligible marketing project expenditures included printing and distributing promotional materials. Eligible procurement or demonstration projects included costs for purchasing and demonstrating recycled content products.

Depending on the project category, maximum grant awards ranged from \$75,000 to \$250,000 and required an applicant investment of 10 to 25 percent of the total project cost.

Selection Process

Eligible applicants included any governmental organization, for-profit or not-for-profit business or organization. Eligible projects were required to manufacture, market, or demonstrate products with the following types of recyclable commodities: fiber or paper (all grades), metal, plastic, and manufacturing waste or scraps. Projects involving special waste, hazardous waste or industrial process waste were not eligible for funding.

An evaluation team was established and each member independently reviewed and evaluated applications according to evaluation criteria such as company profile and project description. The review instructions and scoring process were provided on the application evaluation form. The final funding recommendation package was approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

Technologies and Practices Demonstration Program (Inactive – combined into REM program)

Prior to the establishment of the REM program, the purpose of the program was to support the demonstration of innovative technologies and practices that recover, reuse, or remanufacture post-consumer recyclable commodities into marketable products. The program also targeted the recycling of non-conventional materials.

The maximum grant amount was \$150,000. Applicants were required to provide a minimum of 10 percent of the total project costs. Eligible expenditures included the purchase

and installation of equipment and testing applications to monitor the feasibility of a developing technology.

Selection Process

Eligible applicants included any private business, governmental entity, college, university, or not-for-profit organization. Eligible projects were required to occur in Illinois and address the recycling or reduction of waste material generated or disposed of in Illinois landfills. In addition, eligible projects were required to contain some aspect of innovation, such as newly developed technology, or a technology that has not been demonstrated in Illinois or in particular regions of the State.

An evaluation team was established and each member independently reviewed and evaluated applications using the following criteria: technical merits, innovative aspects, relevancy, applicant credentials, budget, and financial commitment. The review instructions and scoring process were provided on the application evaluation memorandum. The final funding recommendation package was approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

Recycling Industry Modernization Program (Inactive – combined into REM program)

Prior to the establishment of the REM program, this program provided grants to Illinois manufacturers for modernization projects improving company competitiveness while decreasing the solid waste stream for the following project categories.

The first category, modernization assessment projects, were projects that provided Illinois manufacturers with a complete understanding of the feasibility and benefits of various company improvement options along with information required for their implementation. Grant funds were expended for the following: external consulting firm services, internal technical assistance costs, materials and or capital equipment. The maximum grant amount was \$30,000 and required a minimum applicant investment of 25 percent of the project's direct costs.

The second category, modernization implementation projects, was for the implementation of modernization strategies or recommendations through process or capital equipment activities. Grant funds were expended for the following: the purchase and installation or conversion of capital equipment and machinery as well as the equipment for industrial systems, including the design, engineering or other technical aspects of the proposed project. The required maximum grant amount was \$150,000 with a required minimum applicant investment of 25 percent of the project's direct costs.

Selection Process

Eligible applicants included manufacturing companies located in Illinois that 1) used eligible recyclable commodities as a feedstock, 2) planned to convert their operations to use eligible recyclable commodities as a feedstock, or 3) planned to improve their solid waste management practices through source reduction or waste reduction activities or improvements in product packaging.

An evaluation team was established and each team member independently reviewed and evaluated the application in accordance with the following evaluation criteria: company profile, project profile, and consultant identification and proposed capital equipment. The review instructions and scoring process were provided on the application evaluation instrument. The final funding package was approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

Keep Illinois Beautiful Program

The program provides grants to units of local government for use by certified or pre-certified affiliate organizations for recycling, litter control, and waste reduction projects. Examples of eligible expenditures include administrative and operational expenses of the sub-contractor such as salary of the program coordinator, rent and employee benefits, and project development such as preparation of published material.

There are two components for the program: a basic grant component and an incentive grant component. Both components are awarded on a non-competitive basis and determined based on a formula related to the number of applicants when the required project activities are conducted. Each applicant must supplement funds with an equal amount of cash matching funds from other sources. The maximum grant amount is \$15,000. According to DCEO information, there is no grant funding for this program in FY05 and it was effectively cut as a program.

Selection Process

A Request for Proposal is sent to all certified and pre-certified organizations. The RFP establishes project eligibility, funding amounts, evaluation criteria, and other submission requirements.

Only Illinois units of local government may apply and they must apply on behalf of certified or pre-certified Keep America Beautiful affiliate organizations. Eligibility criteria include: 1) resolution from the applicant's governing body that authorizes the submission, 2) agreement between the local government and the not-for-profit organization, 3) verification of the organization's good standing with appropriate State agencies, and 4) verification of the organization's good standing with Keep America Beautiful.

A DCEO evaluation team will review proposals. Grant proposals are reviewed using the proposal review form, which includes the following categories: eligibility criteria, basic grant component categories, and incentive grant component categories. Each evaluation team member independently reviews and evaluates the application. Team member evaluations are presented to the Keep Illinois Beautiful Program Advisory Board. The Advisory Board makes funding recommendations to the Department. The funding recommendation package is then approved by the unit supervisor, Division Manager, and Deputy Director.

Illinois Zero Waste Schools Grant Program (Formerly Illinois School Recycling and Waste Reduction Grant Program)

The program provides support for implementing in-school waste reduction programs, developing curricula and training teachers, and conducting classroom instruction on recycling

and waste reduction. Grants were based on student population under the old grant program and are now based on the proposed budget with a maximum grant amount of \$10,000. No applicant investment is required.

Eligible expenditures include project-related equipment (i.e. collection containers, scales, and metal crushers), source reduction equipment (i.e. reusable cafeteria trays, cloth towels, etc.), and expenditures to promote education programs in classrooms.

Selection Process

DCEO solicits Request for Applications from Illinois public and nonpublic elementary and secondary schools. Religions or other sectarian elementary and secondary schools are eligible to apply.

All eligible applications received on or before the deadline are independently evaluated by an evaluation team based on how well they address the listed evaluation criteria. In addition, applications are evaluated on their merits, cost effective use of the grant funds, and how well they advance the goals and objectives of the project and DCEO. DCEO provided an evaluation sheet listing a checklist of items to be filled out for each applicant and a statement of work detailing all documentation required for submission prior to the release of any grant funds. The final funding recommendation package is approved by the Program Manager, Section Manager, Division Manager, and Deputy Director.

Illinois College Assistance Program for Recycling (ICAP)

This program was established to assist Illinois institutions in meeting the requirements of the Illinois Solid Waste Management Act (415 ILCS 20/3.1). More specifically, the program supports the development and implementation of mandated waste reduction plans at state-supported institutions of higher education. According to DCEO information, there is no grant funding for this program in FY05.

Selection Process

DCEO established guidelines listing the required format and contents for waste reduction plans including background information, existing recycling and composting activities, and target reductions.

The following represents DCEO's internal handling procedures for reviewing ICAP waste reduction plans:

- 1) Two-member review committee is formed.
- 2) ICAP college plans with evaluation forms are distributed to the committee.
- 3) Two-week deadline is set to review the plans.
- 4) Response to college addressing any issues raised by the committee is drafted. If the plan is found to be deficient, inadequate areas are identified.

- 5) ICAP response to college must have a 60-day deadline for the college to respond and, if necessary, submit a revised plan. Once a revised plan is submitted, the same process follows as if the plan was submitted for the first time.
- 6) If the plan is acceptable per ICAP guidelines, a letter is sent to the college that the plan has been approved.

Recycling and Waste Reduction Public Education Program

The program promotes awareness of recycling and encourages the purchases of recycled content products.

The Solid Waste Management Act (415 ILCS 20 et seq.) provides the framework for this program requiring education for the general public, businesses, government, educators, and students. The Act requires the program to focus on the importance of both composting and recycling for preserving Illinois landfill space.

According to DCEO officials, this is not an independent program but rather a variety of efforts that result in public awareness and education. Examples include among others: posting recycling and composting messages at the State fair and other public forums, developing a curriculum for schools, participating in Illinois Sustainable Education Project efforts, and maintaining a solid waste information clearinghouse (usually electronic).

Policies and Procedures

Recycling and Waste Management provided policies and procedures for its programs including program descriptions, application information, and relevant program forms and reports.

Monitoring and Reporting

According to DCEO officials, grantees are required to submit quarterly reports, a final report, and additional reports as necessary. Officials also stated that DCEO conducts on-site visits once the project has commenced.

DCEO provided copies of an applicant management report and a grant management report. The applicant management report monitors the requests for program funds from applicants. The grant management report confirms and documents grant management and project monitoring activities completed by staff for executed grant agreements.

The following monitoring and reporting requirements have been established for each program area:

Illinois Used Tire Recovery Program

Grantees are required to submit progress and expenditure reports in accordance with the requirements of the grant agreement. DCEO reserves the right to structure reporting

requirements on a project-specific basis. The DCEO project manager will monitor the grantee's compliance with the terms of the agreement.

Illinois Recycling Grants Program

Grantees are required to submit quarterly narrative reports, job creation and retention data, diversion data, and expenditure reports for the duration of the grant term. A final report containing a detailed summary and evaluation of all project activities, job creation and retention information, and diversion data is required to close out the grant and release the retainage. The DCEO grant manager will monitor the grantee's compliance with the terms of the Grant Agreement.

Computers and Electronics Recycling

Grantees are required to submit progress and expenditure reports on a regular basis for the duration of the grant term. The progress reports must provide a narrative on the project status, data on the volumes of electronics equipment collected and processed, and an accounting of grant and match expenditures. A final report containing a detailed summary and evaluation of all project activities and diversion data is required to close out the grant and release the retainage. The DCEO project manager will monitor the grantee's compliance with the terms of the grant agreement.

Grantees are also required to submit reports documenting the number, type and salaries of jobs created, retained or lost during the course of the grant agreement as a direct result of the project.

Recycling, Expansion, and Modernization (REM) Program

Grantees are required to submit project status reports, project expenditure reports, and project impact reports in accordance with the executed grant agreement. DCEO reserves the right to structure reporting requirements on a project-specific basis. The DCEO project manager will monitor the grantee's compliance with the terms of the agreement. If the grantee does not comply with the stated reporting requirements, DCEO may suspend grant payments until reporting issues are resolved to the satisfaction of DCEO. The grantee's failure to maintain and provide records and reports in accordance with the grant agreement shall establish a presumption in favor of DCEO for the recovery of funds for which adequate documentation is not available. In addition, if the grantee does not comply with the stated reporting requirements, DCEO may declare the grantee ineligible for future DCEO funding opportunities.

Recycling Market Development Program

Prior to the establishment of the REM program, grantees were required to submit progress and expenditure reports in accordance with the requirements of the grant agreement. DCEO reserved the right to structure reporting requirements on a project specific basis. The DCEO project manager monitored the grantee's compliance with the terms of the agreement.

Technologies and Practices Demonstration Program

Prior to the establishment of the REM program, grantees were required to submit progress reports and expenditure reports on a specified basis for the duration of the project term. A publishable final report on the project describing all of the work performed, the data collected, and the results of the project were required to close out the grant and release the remaining 25 percent of the grant funds. The DCEO project manager was responsible for monitoring the grantee's compliance with the terms of the agreement.

Recycling Industry Modernization Program

Prior to the establishment of the REM program, grantees were required to submit progress reports and expenditure reports in accordance with the requirements of the grant agreement. DCEO reserved the right to structure reporting requirements on a project-specific basis. The DCEO project manager monitored the grantee's compliance with the terms of the agreement.

DCEO provided three examples of management reports for this program:

1. An applicant management report for monitoring the status of applicant requests for program funds.
2. A grant management report for confirming and documenting the grant management and project monitoring activities completed by staff for executed grant agreements.
3. A program status report for documenting grant recipients and for tracking application processing, grant management, project impact data, and company profile data.

Keep Illinois Beautiful Program

DCEO will periodically monitor each project funded under this program through project status reports and/or on-site monitoring visits. Grantees are required to submit written mid-term project status reports to DCEO detailing 1) project activities undertaken, and 2) actual expenses to which grant and matching funds have been applied. A final written report is also required for each grant project. The final report outlines the accomplishments, results, achievements, and total actual expenditures of the projects funded under the grant. The final report is due within 30 days following the end of the grant period.

DCEO will notify grantees in advance of on-site monitoring visits. Grantees are evaluated for compliance with program rules and the terms and conditions of the grant agreement. DCEO will review the results of the monitoring visits with the grantee and the not-for-profit organization administering the grant program.

Illinois Zero Waste Schools Grant Program

Grantees are required to conduct a waste audit before and after implementing the project and present results to DCEO and school administrators. Grantees are also required to submit progress and expenditure reports on a regular basis for the duration of the grant term.

A final report containing a detailed summary and evaluation of all project activities is required at the end of the grant period. In addition, an estimate of cost benefit to be gained by implementing the same project at other district schools and diversion data are required. The DCEO project manager will visit the grantee school and monitor compliance with the terms of the grant agreement.

DCEO provided a grant management document listing a required timeline for grantees with deadlines such as when collection programs are to be started, when lesson plans are to be completed, and when the final report is to be finished.

No relevant requirements could be identified for the following programs: 1) Illinois College Assistance Program for Recycling and 2) Recycling and Waste Reduction Public Education Program.

OAG Testing

In our testing we reviewed projects with over \$2.1 million in funds awarded to eight grantees for the Bureau of Recycling and Waste Management. DCEO received all required monitoring reports for the eight projects tested. In addition, six of the eight projects submitted all required monitoring reports in a timely manner. In the two cases where monitoring reports were not timely, the Department followed up with grantees and obtained at least some of the missing programmatic reports. Site visits were performed for seven of the eight projects tested.

Periodic Review

The Bureau of Recycling and Waste Management had not performed any efficiency reviews and had not established written policies and procedures with components on periodic review of program efficiency and effectiveness.

Performance Measures

Recycling and Waste Management has performance measures included among those reported to the Comptroller for the Public Accountability Report. On the following pages is a listing of those measures and an exhibit that analyzes those measures.

Exhibit A-56 RECYCLING AND WASTE MANAGEMENT PERFORMANCE MEASURES FROM THE 2004 PUBLIC ACCOUNTABILITY REPORT	
1. Manufacturers assisted	N/A
2. Recycling collection and processing entities assisted	28.0
3. Sales increased from scrap tires (in millions)	\$1.6
4. Recycling tons collected or processed	55,215
5. Tons of recyclable commodities used	17,293
6. Articles placed	133.0
7. Number of companies increasing use of recycled feedstock	39.0
8. Materials tonnage diverted from the solid waste stream	N/A
9. Numbers of workshops	4.0
10. Number of entities financially assisted	58.0
11. Number of school education programs	27.0
12. Number of Keep Illinois Beautiful projects	8.0
Source: Comptroller's 2004 Public Accountability Report.	

Exhibit A-57 RECYCLING AND WASTE MANAGEMENT PERFORMANCE MEASURE ANALYSIS PUBLIC ACCOUNTABILITY REPORTS				
	2002	2003	2004	2005
Total # of Performance Measures¹	6	8	12	
Consistency				
Measures removed compared to previous year	0	0	2	
Measures added compared to previous year	0	2	6	
Data reported consistently compared to previous year	Yes	Yes	Yes	
Target Analysis				
# of targets raised (<i>% reached</i>)	3 (67%)	1 (100%)	0	2
# of targets the same (<i>% reached</i>)	2 (50%)	5 (40%)	1 (100%)	1
# of targets lowered (<i>% reached</i>)	1 (0%)	0	5 (75%)	5
# of measures with no targets from either the current or previous year	0	2	6	
Targets reached				
Average % above target	+6.2%	+4.7%	+483.2%	
Targets not reached				
Average % below target	-34.4%	-17.7%	-43.6%	
¹ Excludes input measures (i.e. total expenditures, average monthly full time employees)				
Source: OAG analysis of Public Accountability Reports.				

From DCEO/Governor's Office of Management and Budget Quarterly Reports

Quarterly reports for FY04 and FY05 included only one performance measure which was not a Public Accountability Report measure:

- Cost per Ton of Recyclable Commodities Used

