State of Illinois
DEPARTMENT OF
CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2015

AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2015
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For the Two Years Ended June 30, 2015

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STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

AGENCY OFFICIALS

Director	Michael Hoffman, Acting (1/16/16 - present) Tom Tyrrell (4/30/15 - 1/15/16) Tom Tyrrell, Acting (1/25/15 - 4/29/15) Ngozi Okorafor, Acting (1/13/15 - 1/25/15) Simone McNeil, Acting (10/5/13 - 1/12/15) Malcolm Weems (through 10/4/13)
Assistant Directors	Kimberly McCullough (3/23/15 - present) Marcus Veile (1/20/15 - present) Vacant (1/13/15 - 1/19/15) Israel Salazar (3/20/14 - 1/12/15) Israel Salazar, Acting (through 3/19/14)
Chief Administrative Officer	David Wu (1/12/15 - 6/30/15) Vacant (10/1/14 - 1/11/15) Roger Nondorf (through 9/30/14)
Chief Operating Officer	Jennifer Waldinger (6/30/15 - present) Vacant (2/9/15 - 6/29/15) Chimaobi Enyia (through 2/8/15)
Chief Fiscal Officer	Karen Pape (3/3/15 - present) Karen Pape, Acting (1/27/15 - 3/2/15) Chuck Morris (2/14/14 - 2/2/15) Karen Pape, Acting (12/1/13 - 2/13/14) Paul Romiti (through 11/30/13)
General Counsel	Michael Basil (2/9/15 - present) Vacant (1/20/15 - 2/8/15) Thomas Mikrut (12/16/13 - 1/19/15) Jeff Shuck, Acting (12/1/13 - 12/15/13) Vacant (11/28/13 - 11/30/13) Kevin Conner (through 11/27/13)
Chief Internal Auditor	Deborah Abbott

Agency main offices are located at:

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

CMS

ILLINOIS Bruce Rauner, Governor

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Michael M. Hoffman, Acting Director

March 25, 2016

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Department. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the two-year period ended June 30, 2015. Based on this evaluation, we assert that during the years ended June 30, 2014 and June 30, 2015, the Department has materially complied with the assertions below.

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

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

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

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

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

Yours truly,

Department of Central Management Services

Michael Hoffman, Acting Director

Karen Pape, Chief Fiscal Officer

Michael Basil, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2015
AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and a material weakness over internal control.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	9	18
Repeated findings	6	10
Prior recommendations implemented or not repeated	12	6

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (*GOVERNMENT AUDITING STANDARDS*)	
2015-001	12	Weaknesses in internal control over financial reporting	Material Weakness
2015-002	16	Inadequate security and control over the midrange environment	Significant Deficiency
		FINDINGS (STATE COMPLIANCE)	
2015-003	18	Inadequate controls over property and equipment	Significant Deficiency and Noncompliance
2015-004	22	Failure to timely conduct yearly performance appraisals	Significant Deficiency and Noncompliance

Item No.	Page	Description	Finding Type
2015-005	23	Inadequate monitoring of interagency agreements	Significant Deficiency and Noncompliance
2015-006	25	Inadequate software licensing monitoring	Significant Deficiency and Noncompliance
2015-007	26	Inadequate controls over electronic surplus property	Significant Deficiency and Noncompliance
2015-008	29	Lack of monitoring and enforcement of security policies	Significant Deficiency and Noncompliance
2015-009	31	Weaknesses with Payment Card Industry Data Security Standard	Significant Deficiency and Noncompliance

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

2015-001	12	Weaknesses in internal control over financial reporting	Material Weakness and Material Noncompliance
2015-002	16	Inadequate security and control over the midrange environment	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	33	Weaknesses in internal control over financial reporting (Note: These issues were different than those noted in the current engagement.)
B	33	Avoidable use of emergency contracts
C	33	Lack of compliance with leasing requirements
D	34	Weaknesses in contract administration
E	34	Noncompliance with the Fiscal Control and Internal Auditing Act
F	34	Failure to develop rules or policies describing the State employees' group insurance program
G	35	Late approval and payment of vouchers
H	35	Noncompliance with the Data Security on State Computers Act
I	35	Not timely in filing contracts with the Comptroller

J	36	Failure to properly reconcile locally held funds reports
K	36	Inadequate number of Travel Control Board meetings
L	36	Inadequate controls over the sale of surplus property

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on March 15, 2016. Attending were:

Illinois Department of Central Management Services

Michael Hoffman, Acting Director
Jennifer Waldinger, Chief Operating Officer
Karen Pape, Chief Fiscal Officer
Deborah Abbott, Chief Internal Auditor
Shayne Clennon, Internal Auditor
Jessica Olive, Office of Finance and Management
Lisa Murphy, Office of Finance and Management

Office of the Auditor General

Sara Metzger, Audit Manager
Kathy Lovejoy, Audit Manager

Sikich LLP – Special Assistant Auditors

Amy L. Sherwood, Partner

Responses to the recommendations were provided by Michael Hoffman, Acting Director, in correspondence dated March 25, 2016.

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INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Central Management Services' (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2015. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

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

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

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

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

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

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

As described in item 2015-001 in the accompanying schedule of findings, the Department did not comply with the requirements regarding all applicable laws and regulations, including the State uniform accounting system in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015. However, the results of our procedures disclosed other instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2015-002 through 2015-009.

Internal Control

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2015-002 through 2015-009 to be significant deficiencies.

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

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

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

Sikich LLP

Springfield, Illinois
March 25, 2016

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

Honorable Frank J. Mautino
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements, and have issued our report thereon dated February 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Illinois, Department of Central Management Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control, described in the accompanying schedule of findings as item 2015-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Central Management Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of Central Management Services' Response to Findings

The Department of Central Management Services' responses to the findings identified in our audit are described in the accompanying schedule of findings. The Department of Central Management Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Department of Central Management Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Central Management Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
February 1, 2016

SCHEDULE OF FINDINGS

CURRENT FINDINGS – *Government Auditing Standards*

2015-001. FINDING (Weaknesses in internal control over financial reporting)

The Department of Central Management Services' (the Department's) year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Illinois Office of the State Comptroller contained significant errors in the determination of certain year-end account balances.

The Illinois Office of the State Comptroller (IOC) requires State agencies to prepare year-end financial reports (GAAP Reporting Packages) for each of their funds to assist in the annual preparation of the Statewide financial statements and the Department's financial statements. GAAP Reporting Package instructions are specified in the Statewide Accounting Management System (SAMS) Manual, Chapter 27. Furthermore, the State Comptroller Act (Act) (15 ILCS 405/19.5) requires State agencies to report, on or before October 31 each year, all financial information as directed by the Comptroller in order to compile and publish a comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles (GAAP). The Act permits the Comptroller to require certain State agencies to submit information before this date.

In accordance with the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001), management is responsible for establishing and maintaining a system, or systems, of internal fiscal and administrative controls, that will provide assurance that, among other things, revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Management is also responsible for establishing a process for preparing reasonable accounting estimates.

During the audit of the June 30, 2015 financial statements, we noted the following errors resulting from the Department's failure to establish adequate internal control over the accumulation of information necessary for the proper reporting of financial information as follows:

- The Department overstated the liability for workers' compensation claims by \$17.758 million due to the improper addition of claims held at June 30, 2015 to the actuarially determined liability. The actuary's methodology considered claims paid as of June 30, 2015 in order to project claims to be paid after June 30, 2015 which had been incurred as of that date. Held claim data was not included in the paid claim data provided to the actuary. Therefore, the liability for these held claims was already included in the actuary's projected total liability and should not have been an addition to the liability recorded by the Department. The Department revised the applicable financial statements for this error.

- The Department overstated accounts payable in the Health Insurance Reserve Fund (0907) by $16.964 million due to the improper duplication of held warrants in the accounts payable balance. This error also resulted in the overstatement of due from other funds in Fund 0907 by $16.964 million and amounts due to other funds in the General Revenue Fund (0001) and the Road Fund (0011) by $15.948 million and $1.016 million, respectively. The Department revised the applicable financial statements for these errors.

- The Department failed to record a liability for health insurance claims which were incurred but not adjudicated at June 30, 2015 in the Teacher Health Insurance Security Fund (0203). Incurred but not adjudicated claims include both unreported claims and claims which have been reported but for which a determination of the amount to be paid by the Department has not been made. This error resulted in the understatement of liabilities and expenses by $15.641 million. The Department revised the applicable financial statements for this error.

- The Department overstated receivables by $7.947 million due to the failure to establish a reasonable estimation methodology for certain rebate receivables at June 30, 2015. The Department receives formulary rebates from its pharmacy benefit vendor. Under the terms of the contract, the Department is guaranteed a minimum rebate amount per claim processed and paid. Following the end of each contract year, the vendor calculates the actual rebates earned by the State for utilization by its members and determines the amount due to the State. The vendor has 180 days after contract year-end to pay the amount due to the State. Due to proprietary and confidential contractual agreements entered into by the vendor, the Department does not have the ability to independently calculate the formulary rebate due at each year-end. It has been the Department's practice to record current year receivables at the amount of the formulary rebate payment received for the prior year. Specifically, the rebate receivables of $28.890 million at June 30, 2015 were the amount of the formulary rebate payment related to fiscal year 2014 activity received in fiscal year 2015. The Department failed to consider any changes in relevant factors between fiscal years 2014 and 2015 in estimating the rebates to be received for fiscal year 2015. Such factors might include the number of claims processed and paid, the average cost per claim, the average number of plan members, or other historical trends such as rebates received as a percentage of total claims expense. Rebate reports received from the vendor on December 30, 2015 showed the actual rebate payment to be $20.943 million. The Department deemed the errors in the Local Government Health Insurance Reserve Fund (0193) and the State Health Insurance Reserve Fund (0907) to be immaterial and did not revise the financial statements for those errors. Misstatements in the Teacher Health Insurance Security Fund (0203) and the Community College Health Insurance Security Fund (0577) totaling $5.369 million were corrected in the financial statements as of June 30, 2015.

- The Department overstated the amount of disbursements from the State Employees Deferred Compensation Plan Fund (0755) for June 2015 by $5.916 million due to a spreadsheet input error. The correcting entry would have included an offsetting entry to the net appreciation (depreciation) of investments account resulting in no effect on Fund net position. The Department deemed this error to be immaterial and did not revise the financial statements.

- The Department overstated capital assets due to improper adjustments to Common Inventory System (CIS) records in determining balances for GAAP reporting. Improper adjustments were primarily the addition of vouchers to CIS balances which were already accounted for in CIS. These errors resulted in a $5.239 million overstatement of capital assets. The Department deemed these errors to be immaterial and did not revise the financial statements.

- The Department overstated due from component units by $4.476 million as a result of errors in estimating reimbursement payments to be received after June 30, 2015. The Department deemed this error to be immaterial and did not revise the financial statements.

- The Department failed to consider proper accounts payable cutoff during the GAAP reporting process. The Department recorded all lapse period expenditures as accounts payable at June 30, 2015 without consideration of when goods were received or services rendered. After inquiry by the auditors, the Department prepared and provided an analysis showing accounts payable were likely overstated by $920 thousand. The auditors identified errors in this analysis and the Department provided a revised analysis showing a likely overstatement of $2.134 million. Auditors identified additional transactions totaling $558 thousand which were improperly recorded as payables resulting in a total likely overstatement of $2.692 million. The Department deemed this error to be immaterial and did not revise the financial statements.

- The Department overstated inventory by $1.290 million as a result of an adjustment to record liabilities for lapse period expenditures. The adjustment was made by fiscal staff improperly increasing the balance of inventory reported by Bureau of Agency Services staff. The Department deemed this error to be immaterial and did not revise the financial statements.

- The Department overstated unearned revenues related to fiber optic leases by $1.265 million. These errors were primarily due to the inclusion of duplicate billings in the Department's calculation of unearned revenues. Errors were also caused by incorrect deferral time periods. The Department deemed this error to be immaterial and did not revise the financial statements.

The Department stated these weaknesses were primarily due to lack of key personnel. In addition, financial reporting for the Department is currently handled by a different agency (Shared Services) which contributed to the disconnect of the sharing and correct interpretation of financial information. The Department further stated that a reasonable estimation methodology for rebate receivables could not be established as the information required would not be provided by the vendor until late December.

As a result of these deficiencies, the Department's GAAP reporting packages were inaccurate and required corrections, which delayed completion and testing of the financial statements. (Finding Code No. 2015-001)

RECOMMENDATION

We recommend the Department implement procedures and cross-training measures to ensure required financial information is prepared in a timely, accurate and complete manner. This should include allocating sufficient staff resources and the implementation of formal procedures to ensure accurate and reliable financial information is prepared and submitted to the Office of the State Comptroller. These procedures should address all elements of the Department's financial reporting process including, but not limited to, accruals for liabilities and receivables, maintenance of capital asset and inventory records, supervisory review of supporting spreadsheets for data accumulation, and the preparation of management estimates. Finally, we recommend the Department establish and document its process for preparing accounting estimates significant to its financial statements.

DEPARTMENT RESPONSE

The Department agrees with the finding and recommendation. The Department has now filled two vacant positions responsible for financial reporting. Additionally, the Department will work toward more comprehensive cross-training and communication among financial reporting staff at CMS and Shared Services. In regards to the overstatement of the rebate receivable, the Department has remedied the situation through a new contract requirement for the vendor to provide the necessary information within 60 days. Finally, the Department has begun an overhaul of its financial reporting procedures to ensure accurate and reliable financial information is prepared and submitted to the Office of the Comptroller.

2015-002. FINDING (Inadequate security and control over the midrange environment)

The Department of Central Management Services (Department) had not implemented adequate security and controls over the midrange environment.

20 ILCS 405/405-410, effective January 15, 2005, mandated the Department to consolidate Information Technology functions of State government. Since January 2005, agencies have consolidated their IT infrastructure into the Department. As a result of the consolidation, the Department became responsible for the security and control of the midrange environment.

In order to conduct audit work of the midrange environment, the auditors requested a listing of all servers being utilized by the various agencies. The Department provided the auditors three different listings, ranging from approximately 2,100 to 4,800 servers. In addition, the listings lacked detailed information. Due to the lack of complete, detailed and accurate information the auditor's ability to identify and target high risk servers for detailed testing was inhibited.

Although the auditors were unable to ascertain a complete and accurate listing of servers, they reviewed the information provided, noting servers:

- With powerful administrator accounts which did not require passwords,
- Running unsupported operating systems or service pack versions,
- Without anti-virus software,
- Not properly backed up, and
- With deficient password length, change interval, and content requirements.

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

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

The Department stated that these weaknesses exist as a result of legacy environments that were inherited during the consolidation process. Business requirements and configurations of various agency environments prevented adherence to Department policies and standards. Due to required business transactions with external partners, Department password standards could not be enforced. Legacy applications that required end-of-life operating systems could not all be upgraded to current vendor supported versions, and due to these end-of-life operating systems, antivirus was no longer supported for these systems, and current updates were unavailable. Additionally, administrative rights were in place on these legacy servers in order to provide necessary support. These permissions were provided not only to infrastructure personnel, but to application support people as well that remained with the agency after the consolidation.

Without the implementation of adequate controls and procedures, there is a greater risk unauthorized access to the Department or agency resources may be gained and data destroyed or misused. Prudent business practices dictate the Department strengthens its security to protect its assets and resources against unauthorized access and misuse. (Finding Code No. 2015-002, 2014-001, 2013-002, 12-2, 11-2, 10-2, 09-4, 08-7, 07-11)

RECOMMENDATION

The Department should ensure complete, accurate and detailed records are available to substantiate its midrange environment. In addition, the Department should:

- Develop and implement minimum security standards for the midrange environment.
- Ensure all administrative accounts meet password and security standards.
- Standardize password length and content requirements and ensure all user accounts require a password.
- Update servers to current vendor recommended patch or service pack levels.
- Ensure all servers are running antivirus software.
- Ensure all servers are routinely backed up.

DEPARTMENT RESPONSE

The Department concurs with the recommendation. The Department has implemented numerous policies, standards, tools and procedures to help address these issues. Additionally policy and security standardization will be accomplished in several ways: (1) as a part of the creation of the Illinois Department of Innovation and Technology, all agencies will be required to conform to state-wide policies and standards;(2) several aging applications that require special configurations and policy exceptions will be migrated to newer platforms, like the Enterprise Resource Planning (ERP) or Software as a Service (SaaS); (3) a requirement to use new service offerings, like Office 365, Azure, WebEx and Jabber, will only be offered to customers in Illinois.gov domain. Over the past year progress has been made to remediate identified issues, including retiring end of support operating systems, lack of or outdated anti-virus, and missed system backups. Accounts with administrative privileges have been reviewed, and adjusted where operationally feasible, but due to the dependency on agency applications, some of those accounts cannot be changed; furthering the necessity to move agency servers, applications and data to a standardized and common environment.

2015-003. FINDING (Inadequate controls over property and equipment)

The Department of Central Management Services (Department) did not demonstrate adequate control over property and equipment during the engagement period. Specific deficiencies noted as a result of our testing are described below.

Additions and Location of Equipment

During our testing of the addition of equipment and the physical inventory and location of equipment, we noted the following exceptions:

- Nineteen of 25 (76%) equipment vouchers totaling $3,928,121 and containing 518 pieces of equipment were not timely entered into the Department's property records. The delays ranged from 9 to 448 days.

- Three of 25 (12%) equipment vouchers totaling $50,050 were not entered correctly into the Department's property records. In these exceptions, the initial equipment entries included incorrect purchase dates and amounts. These vouchers included two automobiles, a security software bundle, and audio/visual equipment.

- Three of 25 (12%) equipment vouchers tested totaling $1,601,519 did not have documentation supporting a change in location. The items of equipment involved included servers, power supplies, USB adapters, and related computer hardware.

The State Property Control Act (30 ILCS 605/4) requires responsible officers of the State maintain accountability for the supervision, control, and inventory of all property under their jurisdiction to ensure proper accounting and safeguarding of State assets. In addition, the Illinois Administrative Code (44 Ill. Adm. Code 5010.400) (Code) requires all property records to be adjusted within 30 days of acquisition, change, or deletion. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal and fiscal control to provide assurance that funds, property, and other assets are safeguarded against waste, loss, unauthorized use and misappropriation. Furthermore, good internal control procedures require the proper tracking of equipment.

Department management stated timely entry of equipment information into the Department's property records is not always achieved due to a lack of timely paperwork submittal to the Bureau of Property Management as well as staffing issues.

Deletions and Transfers

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

Equipment Deletions

- We noted 4 of 60 (7%) items with a total cost of $60,999, which were subsequently sold via IBID, that were not coded correctly on the "Depreciation Report of Deletions." IBID is the State's online auction website.

Equipment Transfers

- We noted 14 of 60 (23%) items with a total cost of $568,160 did not have the purchase price or purchase date included on the Surplus Property Delivery Form as required by the Illinois Administrative Code (44 Ill. Adm. Code 5010.310).

- We noted 3 of 60 (5%) items with a total cost of $90,493 with incorrect transaction codes entered.

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

Department management stated the Property Control Division handles approximately 50,000 items valued in excess of $278 million at 344 locations controlled by 167 property control liaisons throughout the State and property control usually takes a low priority in the many duties of the liaisons. Additionally, there is a high turnover in the liaison positions resulting in lack of staff knowledge of policy and procedures within many agencies/divisions and incorrect and untimely submission of paperwork.

Certification of Inventory

The Illinois Administrative Code (44 Ill. Adm. Code 5010.460) requires that all agencies conduct an annual physical inventory of State equipment in their possession and provide a certification of such inventory to the Property Control Division (a unit within the Department). The Department's certification date was December 31, 2014 and the properly completed Certification of Inventory and Agency Inventory Summary was to be submitted no later than April 1, 2015. The Department requested and received a 90 day extension in March 2015 and a July 2, 2015 deadline was established. The Annual Certification for calendar year 2014 was filed on July 23, 2015, 21 days after the approved extension date.

In addition, we noted the Department omitted 3 of 25 (12%) equipment vouchers totaling $1,082,282 on its calendar year 2014 Certification of Inventory and Agency Inventory Summary. Those additions were comprised of 47 pieces of equipment including camera upgrades, storage equipment, and servers, power supplies and USB adapters. These exceptions were noted when it was determined the Department was not updating its equipment records on a timely basis, as discussed earlier.

Department management attributed the cause of these weaknesses to those mentioned above for the "Additions and Location of Equipment" and "Deletions and Transfers."

Preparation of the Agency Report of State Property (C-15)

The Department did not prepare the quarterly Agency Report of State Property (C-15) in the manner required by the Statewide Accounting Management System (SAMS). State property totaling $40,226,315 was not included in the Department's C-15 at June 30, 2015 due to the Department incorrectly preparing its quarterly C-15s. The assets omitted initially cost between $500 and $4,999. The assets included in the Department's C-15 were those in excess of $5,000. The assets omitted at June 30, 2014 were not quantified for the purposes of this finding; however, the practice did not begin in fiscal year 2015.

SAMS (Procedure 29.10.30) requires, for purposes of quarterly State property reporting, all assets with an individual value of $500 or greater must be reported. Additionally, any items with an individual value of less than $500 that are highly susceptible to theft must also be reported. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Department management stated it appears there was a misunderstanding upon implementation of depreciation reporting through the Common Inventory System (CIS) in the mid-1990s. As a result, assets with a value under $5,000 were eliminated from C-15 reporting in error, which was recently discovered by the external auditors. The information is contained within CIS; however, it is not included in the C-15 reports prepared by Shared Services.

In response to the finding in the previous engagement, the Department stated it would continue to implement and improve on adequate controls and procedures to ensure property/equipment are adequately safeguarded. The Department stated it would continue to travel to each location and meet with all assigned property control liaisons to ensure the correct understanding of procedures and documents were submitted correctly and timely. Additionally, the Department stated it would work to develop training materials to communicate to all employees their responsibilities with regard to inventory control.

Failure to maintain accurate property records increases the potential for theft or misappropriation of assets. The untimely addition of property to the Department's inventory may result in inaccurate fixed asset reports and misstated financial information. The errors noted above were considered immaterial to the financial statements and no adjustments were considered necessary. However, the exceptions noted represented noncompliance with State statute, SAMS, and the Illinois Administrative Code, and led to inaccurate reporting to the Illinois Office of the Comptroller. (Finding Code No. 2015-003, 2013-003, 11-3, 09-6, 08-6, 07-10, 06-10, 05-18, 04-18, 02-1)

RECOMMENDATION

We recommend the Department implement controls and procedures to ensure its additions are entered timely and accurately, documentation exists to support location changes, transfers and deletions are properly recorded, the Certification of Inventory is timely and accurately prepared, and the Agency Report of State Property is prepared in accordance with SAMS.

DEPARTMENT RESPONSE

The Department concurs. We will continue to implement and improve on controls and procedures to ensure property and equipment additions, deletions, and transfers are properly and timely recorded. This will include: training, as needed, on required documentation for property transactions; returning incomplete or incorrect documents to their originator for correction; and more accurately reviewing information entered into CIS to minimize errors.

Additionally, we are now dually date stamping transaction documents, upon receipt and when processed, to help identify and correct delays.

We will continue to work with each bureau, travel to each location, and meet with all assigned property control liaisons to ensure the correct understanding of procedures, duties, and responsibilities; and that documents are submitted correctly and timely.

Department bureaus are working together to alter the parameters in CIS for report generation so that the proper information regarding assets is exported for the Agency Report of State Property (C-15).

Additionally, the Department will complete the update of property control procedures and share the procedures with all bureaus and liaisons. The procedures will also be made available on the CMS Intranet to communicate to all employees their responsibilities with regards to inventory control.

2015-004. FINDING (Failure to timely conduct yearly performance appraisals)

The Department of Central Management Services (Department) failed to conduct employee evaluations on a timely basis.

The Department's internal personnel policy states "every employee will be evaluated at least annually." Prudent business practice dictates that an annual evaluation be done in a timely manner and the employee and employer communicate on the performance and future expectations of the employee in the workplace. During our review of 60 employee performance evaluations, we noted that 25 evaluations (42%) were not conducted in accordance with Department policies. The evaluations were performed 2 to 526 days after the annual due date for the evaluation.

In response to this finding from the previous engagement, the Department stated it had instituted a tracking and notification process for evaluations. The Department indicated it would communicate to all Bureaus, stressing the importance of timely completion of performance evaluations and continue to track and monitor progress towards improvement. Department management stated the primary reason for this deficiency is during the past administration there was a lack of enforcement from management to the various Bureaus to ensure compliance with the timely completion of evaluations.

Annual employee evaluations help to support administrative personnel decisions by documenting performance measures. Late evaluations can cause delays in communicating positive and negative qualities of the employee's work performance. (Finding Code No. 2015-004, 2013-013)

RECOMMENDATION

We recommend the Department reinforce its procedures to all Bureaus to ensure the timely completion of performance evaluations in accordance with internal personnel policy.

DEPARTMENT RESPONSE

The Department concurs. While the Department has shown great improvement in compliance with the personnel policies as it relates to the annual evaluations, we continue to monitor the evaluation process. On a monthly basis supervisors are notified of both upcoming evaluations due and past due evaluations. If an evaluation is overdue by two or more months the Bureau liaison is notified of the delinquency with a request from Personnel to ensure compliance. If delinquency continues, the Deputy Director is notified accordingly.

2015-005. <u>FINDING</u> (Inadequate monitoring of interagency agreements)

The Department of Central Management Services' (Department) process to monitor interagency agreements was inadequate.

During our testing of the Department's interagency agreements, we noted 8 of 25 (32%) were not signed by all necessary parties before the effective date. These agreements were signed between 1 and 79 days late.

The Illinois Intergovernmental Cooperation Act (5 ILCS 220/5) states that an agency may contract with another agency to transfer authority or privileges, provided that the contract is approved by both agencies. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that agencies establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements. Good internal controls require the approval of agreements prior to the effective date.

In response to this finding from the previous engagement period, the Department stated circumstances do not always allow each agreement to be fully executed before it becomes effective, but material terms are final and agreed upon in advance of the effective date. The Department indicated it would continue to strive to ensure that interagency agreements are approved and executed prior to the commencement of services. Related to the exceptions noted during the current engagement period, Department management stated circumstances do not always allow each agreement to be fully executed before it becomes effective.

The Department entered into 191 agreements with other State agencies during the engagement period. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreements are reasonable, appropriate, and sufficiently document the responsibilities of the appropriate parties, the agreements need to be approved prior to the effective date, and executed before the commencement of services. (Finding Code No. 2015-005, 2013-014, 11-15, 09-16, 08-18, 07-27, 06-17)

<u>RECOMMENDATION</u>

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement and executed prior to the commencement of services.

<u>DEPARTMENT RESPONSE</u>

The Department concurs. CMS's legal department has a dedicated position that is responsible for maintaining a central file for IGAs and working with responsible agency attorneys to ensure that IGAs are properly approved prior to the effective or execution dates of such agreements. Further, all CMS attorneys have been made aware that any IGAs entered into by their respective bureaus should be routed to appropriate legal department personnel as this will help the agency's efforts to identify expiring IGAs that need to be renewed, thus assisting our efforts to have such agreements executed prior to the effective date. As noted in prior responses, circumstances do not always allow each agreement to be fully executed before it becomes effective. However, CMS will continue to take every possible precaution to ensure that the material terms of each agreement are final and agreed upon, and will strive to ensure that each agreement is fully signed, in advance of the effective date and prior to the commencement of services.

2015-006. FINDING (Inadequate software licensing monitoring)

The Department of Central Management Services (Department) did not have procedures in place to track, control, and monitor end-user software use.

During the examination period, the Department had not developed procedures for the monitoring and tracking of software licenses. In addition, the Department had not reconciled their software inventory system with purchased vendor software inventory.

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

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

Department officials stated that due to staff shortages, procedures for monitoring and tracking software licenses were not reduced to writing.

Failure to effectively track, control, and monitor end-user software use leaves the Department exposed to the possibility of additional costs, including fees, penalties and litigation. Routine monitoring would help ensure that software use and licenses are reconciled. (Finding Code No. 2015-006, 2013-011, 11-07, 09-08, 08-10, 07-14)

RECOMMENDATION

We recommend the Department develop and implement procedures to routinely track, control, and monitor end-user software use. In addition, the Department should at least annually reconcile their software inventory system to vendor software inventory.

DEPARTMENT RESPONSE

The Department concurs and will continue to pursue an effective automated solution to ensure that software inventory is performed in a timely manner. The Department will continue the practice of restricting software installation by users, develop procedures for monitoring end-user software and reconcile software inventory to control distribution.

2015-007. <u>FINDING</u> (Inadequate controls over electronic surplus property)

The Department of Central Management Services (Department) had not established adequate controls over the surplus of electronic equipment inventory.

The Illinois Administrative Code (44 Ill. Adm. Code 5010.110) stated the "Department of Central Management Services shall regulate the accountability and control of all State-owned tangible personal property." The Department shall also "regulate the disposal of all State-owned tangible personal property." The Department has ownership and responsibility of PCs and laptops utilized by agencies under the Governor, as such the Department was responsible for the transfer of PCs and laptops to surplus for multiple agencies.

During our review of surplus electronic inventory:

- We inquired with the Department regarding their process for ensuring the wiping of data drives. The Department stated they did not wipe the hard drives of the laptops or PCs. Instead they relied on the recycling vendors to wipe the drives; however, the required written certification was not requested or obtained from the vendor. Although contracts with the recycling vendors included requirements for the wiping certification, the provision was not enforced by the Department.

  The Data Security on State Computers Act (Act) (20 ILCS 450) requires agencies to "implement a policy to mandate that all hard drives of surplus electronic data processing equipment be erased, wiped, sanitized, or destroyed in a manner that prevents retrieval of sensitive data and software before being sold, donated or transferred by (i) overwriting the previously stored data on a drive or a disk at least 3 times or physically destroying the hard drive and (ii) certifying in writing that the overwriting process has been completed by providing the following information: (1) the serial number of the computer or other surplus electronic data processing equipment; (2) the name of the overwriting software or physical destruction process used; and (3) the name, date, and signature of the person performing the overwriting or destruction process."

- Surplus electronic equipment was not offered to State agencies or to municipalities and units of local government, rather equipment was shipped directly to recycling vendors. The Department's Property Control Rules (44 Ill. Admin. Code 5010.110) stated that surplus electronic equipment was to be offered to any State agency, prior to being offered for sale. Where items could not be transferred to another State agency, the Department was to offer the equipment first to municipalities, units of local government and certain organizations and then to the general public.

- The Department's Property Control Rules (44 Ill. Admin. Code 5010.400) required agencies to adjust their property records within 30 days of acquisition, change or deletion of equipment items. However, the Department or vendor did not routinely provide certification of receipt of equipment within the 30 day timeline. As a result, the Department and other agencies were not able to adjust property records within the timeline.

Department management stated a lack of resources contributed to the issues identified. Additionally, non-consolidated agencies at times send their property directly to the recycling vendor, in which case, the process that determines whether the computer should be redeployed or recycled does not occur.

Electronics that are delivered to Surplus Property facilities, which have been processed by recycling vendors, typically wait in queue for several months before the electronics can be received and certified as destroyed by the recycler. As a result, certification of receipt may not be able to be delivered within a 30 day timeframe as per 44 Ill. Admin. Code 5010.400.

Failure to ensure and document that computer equipment is wiped on a timely basis increases the risk of unauthorized disclosure of confidential and sensitive information and does not conform to requirements in the Act. Additionally, the lack of adequate controls over surplus equipment could lead to the potential for theft or loss of equipment and the loss of revenue to the State. (Finding Code No. 2015-007, 2013-005)

RECOMMENDATION

The Department is responsible for the accountability, control, and disposal of all State owned personal property. Therefore, it is imperative the Department implement adequate controls over all aspects of property.

The Department should ensure computer equipment is timely wiped of data. In addition, the Department should enforce contract terms and ensure written certifications are completed and retained as required by the Act.

The Department should implement a process to review the condition of equipment prior to being sent to the recycling vendor. All usable equipment should be obtained by the Department, offered to other State agencies or local units or sold, with the proceeds being deposited into the applicable fund.

The Department should ensure agencies receive the signed and verified CMS Surplus Property Delivery Form within 30 days to properly document equipment record changes as outlined in the Department's Property Control Rules.

DEPARTMENT RESPONSE

The Department concurs. However, CMS is responsible for electronic equipment for consolidated agencies.

- We will review and update the CMS State Surplus Electronic Receiving and Processing Procedure as needed. Hard drives are destroyed by the vendor, and, in late FY15 began requiring the certification be provided to the Department.

- For consolidated agencies, electronic equipment is determined by the BCCS End User group to be redeployed or recycled. Most recycled equipment goes directly to the recycling vendor under a State use contract. For surplus equipment, it is maintained in the warehouse for 30 days prior to being put onto iBid, the CMS website to sell State surplus property. During the 30 days at the warehouse, the equipment is available to municipalities and other units of local government. We will continue to work on improving this process.

- Surplus electronic equipment received at the warehouse to be processed by recycling vendors typically waits in queue several months before the electronics can be sent and certified as destroyed. As a result, certification of receipt by recyclers may not be received by the Department within the 30 day timeframe. Surplus property has adjusted procedures to account for this discrepancy. Additionally, the Department will request a change to 5010.400 of the JCAR rules to exempt EDP equipment from the 30 day time period currently required for all property.

2015-008. **FINDING** (Lack of monitoring and enforcement of security policies)

The Department of Central Management Services (Department) did not monitor or enforce compliance with security policies.

The Department is responsible for maintaining an information technology environment and a myriad of applications. The environment and applications were utilized by State agencies to process and maintain critical and confidential information related to the business of each agency and the State.

The Department had implemented several security policies which addressed an array of physical and logical security requirements in which the Department's staff were to comply with. According to the policies, Statewide agency security personnel, or their designee, were responsible for monitoring, auditing, tracking, and validating compliance with policies and procedures and conducting investigations into violations of law, policies, or procedures.

For example, the Department had not performed risk assessments as outlined in the IT Risk Assessment Policy (Policy), effective March 1, 2012. The Policy directs the creation of supporting procedures, methods, and process documentation, and identifies the necessary roles, responsibilities, and resources that will be used to perform periodic Risk Assessments for the purpose of determining areas of vulnerability on resources under the responsibility of the Department.

According to Department management, the Department's Compliance Officer was responsible for monitoring and ensuring compliance with policies; however, these tasks had not been conducted.

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

Generally accepted information systems audit guidance endorses the development of an effective computer security policy to provide for safeguarding, securing, and controlling security over hardware, software, and the information stored in the computer system. In addition, an administrator should be established in order to establish, implement, monitor, and modify the requirements of the security policies.

Department management stated progress in the areas of compliance and risk management have been hampered over the past few years by staff shortages and financial constraints, which have weakened monitoring and assessment capabilities for the Department and agencies. With the implementation of IT Transformation and the creation of the Department of Innovation and Technology (DoIT) agency, there is a plan to provide proper resources to ensure security policies are monitored for compliance and a risk assessment framework is put in place.

The lack of monitoring to ensure compliance with security policy requirements could result in the loss or corruption of data, unauthorized access or release of confidential data and significant cost to the State. Without a formal program to identify and address risk, activities may go undetected which may impact the operations of the Department. (Finding Code No. 2015-008)

RECOMMENDATION

We recommend the Department assign resources to ensure security policies are appropriately monitored and any noncompliance is timely rectified. In addition, we recommend the Department comply with the Policy and establish a formal risk assessment program in order to identify potential threats, the associated risk, and develop appropriate controls to reduce or eliminate the risk.

DEPARTMENT RESPONSE

The Department concurs and with the execution of IT Transformation and the creation of the Department of Innovation and Technology (DoIT), the Department will obtain the needed resources to ensure security policies are monitored for compliance and establish a risk assessment program.

2015-009. <u>FINDING</u> (Weaknesses with Payment Card Industry Data Security Standard)

The Department of Central Management Services (Department) had not completed all requirements to demonstrate full compliance with the Payment Card Industry Data Security Standards (PCI DSS).

The Department's Bureau of Benefits and Bureau of Agency Services accepted credit card payments for I-Bid Property and Vehicle Sales, Vehicle Auctions, State and Federal surplus and for insurance premiums from members on leave, respectively. In fiscal years 2014 and 2015, the Department handled approximately 7,604 transactions totaling $3,569,102 and 17,512 transactions totaling $4,135,513, respectively.

Upon review of Department's efforts to ensure compliance with PCI DSS we noted they had not:

- Formally assessed each program accepting credit card payments, the methods in which payments could be made, matched these methods to the appropriate Self Assessment Questionnaire (SAQ), and contacted service providers and obtained relevant information and guidance as deemed appropriate.
- Completed a SAQ addressing all elements of its environment utilized to store, process, and transmit cardholder data.
- Submitted compliance documentation to the Treasurer's E-Pay program vendor.

PCI DSS was developed to detail security requirements for entities that store, process or transmit cardholder data. Cardholder data is any personally identifiable data associated with a cardholder.

To assist merchants in the assessments of their environment, the PCI Council has established Self Assessment Questionnaires (SAQ) for validating compliance with PCI's core requirements. At minimum, PCI DSS required completion of SAQ A, which highlights specific requirements to restrict access to paper and electronic media containing cardholder data, destruction of such media when it is no longer needed, and requirements for managing service providers. As additional elements, such as face-to-face acceptance of credit cards and point-of-sale solutions, are introduced into the credit card environment being assessed, additional PCI DSS requirements apply.

Department management stated this occurred due to staff turnover and lack of a thorough understanding of the PCI process.

The Department's Bureau of Benefits (BOB) management stated BOB's fiscal year 2014 SAQ was completed by a previous Deputy Director although current BOB staff was unable to locate documentation that it was filed with the Treasurer or vendor. The fiscal year 2015 SAQ was completed and filed with the Treasurer's E-Pay program vendor; however, an older version of the SAQ was used which did not cover the current environment and lacked a signature and date page. The Department's Bureau of Agency Services management state that Surplus Property staff had requested the SAQs from the vendor and not received them yet.

Failure to establish and maintain adequate procedures to handle and protect confidential and personally identifiable information could result in identity theft or other unintended use. (Finding Code No. 2015-009)

RECOMMENDATION

We recommend the Department:

- At least annually, assess each program accepting credit card payments, the methods in which payments can be made, and match these methods to the appropriate SAQ.
- Complete the appropriate SAQ(s) for its environment and submit documentation supporting its validation efforts to the Treasurer's Office and the E-Pay program vendor.
- Maintain contact with the Treasurer's Office to ensure sufficient knowledge and awareness of PCI Compliance status, issues, and guidance surrounding the E-Pay program.

DEPARTMENT RESPONSE

The Department concurs. In FY16, BOB completed and submitted the proper SAQ form and the attestation of compliance to the PCI vendor. The confirmation of receipt received from the vendor was then forwarded to both the Treasurer's Office and BCCS to complete the process. This corrective action will remedy this finding for annual submittals.

In FY16, the Bureau of Agency Services completed the following to comply with these recommendations: Assessed each program accepting credit card payments, and determined the appropriate SAQ to complete; completed the appropriate SAQs and submitted the documentation supporting its validation efforts to the Treasurer's Office and E-Pay program vendor. Further, the Division will maintain contact with Treasurer's Office to ensure sufficient knowledge and awareness of PCI Compliance status, etc.

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Weaknesses in internal control over financial reporting)

In the prior audit, the Department of Central Management Services (Department) conducted an inadequate review of the independent actuarial valuation report for unpaid claims liabilities to evaluate the overall reasonableness of the Department's calculation of unpaid claims liabilities at June 30, 2013. The Department also made mathematical errors in the calculation of the total estimated liability for pension-type awards resulting in an understatement of the liability for workers' compensation claims of $13.5 million. Other errors in the preparation of the Department's financial statements were found, including a miscalculation in estimated receivables and overstatement of revenues which were not material to the Department's financial statements taken as a whole. The lack of adequate review and evaluation conducted by the Department led to delays in obtaining a timely resolution as to whether the Department's financial statements were reasonably stated as of June 30, 2013.

We performed a follow-up on the status of this finding during the financial audit of the Department for the year ended June 30, 2014. For that audit, the Department determined that its calculation of unpaid claims liabilities and workers' compensation claims at June 30, 2014 fell within a range of reasonable estimates provided by an independent actuary. (Note: The weaknesses noted during the audit of the year ended June 30, 2015 are included in Finding Code No. 2015-001. It was not a repeated finding.) (Finding Code No. 2013-001)

B. **FINDING** (Avoidable use of emergency contracts)

In the prior engagement, the Department filed emergency purchase affidavits for purchases which were not emergencies, in violation of the Illinois Procurement Code (30 ILCS 500/20-30).

During the current engagement, we noted the Department significantly reduced the number of emergency contracts filed. In addition, our testing of a sample of emergency purchase affidavits filed by the Department during the engagement period did not render any exceptions. As a result, this finding was not repeated. (Finding Code No. 2013-004, 11-16, 09-18, 08-21)

C. **FINDING** (Lack of compliance with leasing requirements)

In the prior engagement, the Department entered into multiple leases for the same building without obtaining the appropriate authorization as is required by the Civil Administrative Code of Illinois (20 ILCS 405/405-300(f)) (Code). The Code requires the Department's Director in consultation with the Director of the Capital Development Board to certify that any lease over 10,000 square feet is in the best interest of the State through consideration of programmatic requirements, availability of vacant State-owned space, the cost-benefits of purchasing or constructing new space, etc. The Director shall not permit multiple leases for less than 10,000 square feet to be executed in order to evade this provision.

During the current engagement, we noted the Department appeared to have complied with the before mentioned section of the Code and obtained authorization for all leases in excess of 10,000 square feet or more combined in the same building. As a result, this finding was not repeated. (Finding Code No. 2013-006)

D. **FINDING** (Weaknesses in contract administration)

The Department failed to ensure proper controls were established in the administration of its contracts during the audit period. During the previous engagement, we noted exceptions in our testing where a contract was not signed by the vendor; contracts did not contain content required by the Statewide Accounting Management System (SAMS) and State statutes; a written determination of award was not signed by Chief Procurement Officer (CPO)/ State Purchasing Officer (SPO); subcontract agreements were not obtained; and an instance where the Department did not properly administer the terms of the agreement.

As part of our follow-up on this finding during the current engagement, we examined a sample of contractual agreements and real property leases. No exceptions were noted as a result of our testing. As a result, this finding was not repeated. (Finding Code No. 2013-007)

E. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

In the prior engagement, the Department did not comply with the Fiscal Control and Internal Auditing Act (30 ILCS 10/2003) (FCIAA) that requires audits of major systems of internal accounting and administrative control. Specific weaknesses noted in the prior engagement relating to FCIAA involved the failure to approve the two year audit plan; the failure to have a formalized risk assessment process established for the entire engagement period; the inability to provide documentation supporting the risk-assessment process for identifying major new electronic data processing systems and major modifications to those systems; and not performing timely audits of all major projects identified.

During the current engagement, we followed up specifically on the noncompliance with FCIAA noted previously and the Department's compliance with FCIAA during the engagement period. We did not note any exceptions as a result of our testing. As a result, this finding was not repeated. (Finding Code No. 2013-008, 11-19, 09-19, 08-23, 07-26, 06-16)

F. **FINDING** (Failure to develop rules or policies describing the State employees' group insurance program)

In the prior engagement, we noted the Department had not developed rules or policies describing the State employees' group insurance program as requested by the Joint Committee on Administrative Rules (JCAR). JCAR indicated in a letter dated May 11, 2006 to the Department that JCAR had had informal discussions with the Department over at least the three years prior to the date of the letter, and the Department acknowledged a lack of rules for the program. Furthermore, the Department had indicated to JCAR on more than one occasion that rules for this program were being drafted and that a submission of them would be forthcoming. The Department had not completed or submitted those rules to JCAR for their consideration, nor was there a target date for the submission of these rules as of the date of our previous financial audit and compliance examination report.

During the current engagement, we obtained evidence of the development of rules describing the State employees' group insurance program developed during the engagement period, which was the intent of the finding. The rules were considered to be in draft form pending negotiations with collective bargaining units. Because the Department had developed the rules describing the State employees' group insurance program and demonstrated progress towards meeting JCAR's request, this finding has been moved to the Department's Report of Immaterial Findings. (Finding Code No. 2013-009, 11-14, 09-15, 08-17, 07-28, 06-18)

G. **FINDING** (Late approval and payment of vouchers)

During the prior engagement, the Department did not process invoice vouchers in a timely manner as required by the State Prompt Payment Act (30 ILCS 540/3-2) (Act). Our testing rendered exceptions pertaining to late approvals and payments.

During the current engagement, our sample testing indicated progress had been made in addressing the issues noted in the finding. The number of exceptions noted during testing and the amount of interest paid during the engagement period from the funds subject to the Act decreased from the previous year. The Department appeared to have demonstrated improvement concerning the late approval and payment of vouchers. This finding has been moved to the Department's Report of Immaterial Findings. (Finding Code No. 2013-010, 09-13, 08-15, 07-24, 06-13, 05-20, 04-21)

H. **FINDING** (Noncompliance with the Data Security on State Computers Act)

In the prior engagement, the Department did not comply with the certification requirements in the Data Security on State Computers Act.

During the current engagement, the Department still did not comply with the certification requirements in the Data Security on State Computers Act; however, this noncompliance was combined with other related issues noted and reported in Finding Code No. 2015-007. (Finding Code No. 2013-012)

I. **FINDING** (Not timely in filing contracts with the Comptroller)

During the prior engagement, the Department was not timely in filing contracts in excess of $20,000 with the Comptroller in accordance with the Illinois Procurement Code (30 ILCS 500/20-80(b)) (Code) and could not provide evidence that the required late filing affidavits were submitted. The Code requires any State agency that incurs a contract liability exceeding $20,000 to file a copy of the contract or lease with the Office of the Comptroller within 30 days of the contract's execution. If the contract is not filed with the Comptroller within 30 days of execution, the Illinois Procurement Code (30 ILCS 500/20-80(c)) requires the State agency to submit an affidavit to the Office of the Comptroller and the Office of the Auditor General explaining the reason why the contract or lease was not filed.

During the current engagement, our testing showed the Department was untimely in filing 8 contracts out of a sample of 60 with the Comptroller; however, the Department submitted the late filing affidavits with the Comptroller in accordance with the Code. As a result, this finding was not repeated. (Finding Code No. 2013-015, 11-13, 09-11, 08-13, 07-19, 06-6)

J **FINDING** (Failure to properly reconcile locally held funds reports)

During the prior engagement, the Department failed to properly reconcile receipts and disbursements to applicable statements for the State Employees' Deferred Compensation Plan fund.

During the current engagement, we noted the Department created a procedures manual for its employees to utilize which included specific steps for the preparation of the Report of Receipts and Disbursements for Locally Held Funds (C-17). The procedures utilize an Excel tool which accumulates the required information. Our testing did not identify exceptions pertaining to the Department's C-17 reports or the related locally held fund reconciliation process. As a result, this finding was not repeated. (Finding Code No. 2013-016)

K **FINDING** (Inadequate number of Travel Control Board meetings)

The Department did not hold an adequate number of Travel Control Board meetings for fiscal years 2013 and 2012 as required by the State Finance Act (30 ILCS 105/12-1(b)) (Act). The Act requires the Travel Control Board to meet at least quarterly to review all vouchers for travel reimbursements involving an exception to the State Travel Regulations and Rates.

During the current engagement, we noted 8 meetings were held: August 15, 2013, November 19, 2013, February 20, 2014, April 29, 2014, August 11, 2014, November 17, 2014, March 31, 2015 and June 24, 2015. The requirements of the Act were met. As a result, this finding was not repeated. (Finding Code No. 2013-017)

L. **FINDING** (Inadequate controls over the sale of surplus property)

During our review of Department's surplus vehicles during the previous examination, we noted a total of 41 Illinois Department of Transportation (IDOT) vehicles and 1 Illinois Department of Corrections (IDOC) vehicle were sold from surplus property. The sales prices ranged from $303 to $1,824 for a total of $28,073. There was no documentation to support that the Department's Property Control Division accepted the vehicles from IDOT or IDOC prior to the sale of the vehicles, as required by the Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.1120). No documentation could be provided that the vehicles were accepted by the Department with the following items, as required by the Code (44 Ill. Adm. Code 5010.1120): a set of keys; the State credit card assigned to the vehicle; a "Vehicle Acquisition & Change Report" for the vehicle completed by the possessing agency; and, a "Mileage Certification Form" signed by the possessing agency head or designee. There was no evidence of vehicles being offered to other State agencies or local governments prior to being sold, as required by the Code (44 Ill. Adm. Code 5010.1140). Controls did not appear sufficient to prevent one person from placing vehicles on iBid, the Department's electronic auction website, and selling without varying levels of approval, as well as allowing for vehicles to be sold outside of the iBid system.

During the current engagement, we followed up specifically on the noncompliance detailed in the prior year finding. Based upon our inquiries and the review of the documentation provided by the Department, we concluded the controls over the sale of surplus property, especially those related to the IDOT vehicles, had been strengthened by the Department. No exceptions were noted in the samples tested by us during the engagement period. As a result, this finding was not repeated. (Finding Code No. 2013-018)

2008 JOINT PROCUREMENTS OF BULK ROCK SALT

The Office of the Auditor General conducted a management audit of the Department of Central Management Services' (Department) 2008 Joint Procurements of Bulk Rock Salt pursuant to Legislative Audit Commission Resolution Number 138. The audit was released in June 2009 and contained eight recommendations to the Department. As part of the fiscal year 2009 financial audit and compliance examination, we noted that seven of the eight recommendations were fully implemented and one of the eight recommendations was partially implemented. As part of the fiscal years 2011 and 2010 financial audit and compliance examination, we noted the remaining recommendation was not fully implemented. As part of the fiscal years 2013 and 2012 financial audit and compliance examination of the Department we noted that the remaining recommendation was not yet fully implemented. As part of the fiscal years 2015 and 2014 financial audit and compliance examination we followed up on the status of the remaining recommendation that was not fully implemented contained in previous engagement.

Recommendation #6 – Data Analysis and Cost Savings

The Department should compile appropriate electronic data sufficient to conduct analysis of bids and work with local communities to make the most cost effective decisions in jointly procuring bulk rock salt.

<u>Status</u> – Partially Implemented

The Department has purchased an e-Procurement system from an external vendor. The Department believes this system will streamline processes, increase efficiency, decrease expenditures, and create transparency in the procurement process. The "off the shelf" product has been slightly customized to meet the needs of the State. This electronic system will use a special requisition type for large group purchases, such as rock salt, called "demand aggregation", that the State may be able to utilize for large, complex procurements. The Department is currently in the development process and user acceptance testing, but will continue to explore ways to utilize the system to most effectively meet the needs of the State. The Department officials are hoping for an August 2016 deployment application.

BUSINESS ENTERPRISE PROGRAM

In June 2006, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) administration of the Business Enterprise Program (BEP). The audit contained fifteen recommendations to improve the performance and operation of the Department to effectively manage the State's policies in place over the program. As part of the compliance examination for fiscal years 2011 and 2010, auditors determined that the Department had not implemented or only partially implemented three recommendations. As part of the fiscal years 2013 and 2012 financial audit and compliance examination of the Department, we noted that two of the three remaining recommendations had not been fully implemented. As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the two remaining recommendations that had not been fully implemented.

Recommendation #6 – Consider Conducting Site Visits

The Department of Central Management Services should consider conducting site visits of all applicants.

Status – Partially Implemented

While the Department has implemented a procedure to define the site-visit process, it has not identified and documented uniform criteria for all analysts and management to use in determining when a certification includes questionable content that should warrant a site visit. Under the current procedure, similar circumstances could be interpreted differently by different analysts due to a lack of documented, uniform guidance. The Department has procedures that describe in general terms the circumstances under which a certification may require a site visit but no clear uniform criteria has been established for determining when a site visit needs to be conducted. The BEP Policy and Procedure Manual states that the certification staff should perform at least 4 site visits per month. In fiscal year 2014 BEP certification staff made 40 visits or an average of 3.3 per month. In fiscal year 2015 BEP certification staff made 101 visits or an average of 8.4 per month. The Department was not in compliance with this procedure in fiscal year 2014.

Recommendation #7– Ensure all certifications are completed within 60 days

The Department of Central Management Services should ensure that all applicants for certification or recertification are processed in the required 60 days.

Status – Partially Implemented

The Department has not updated its procedures for processing BEP certifications since our previous engagement.

In our testing we noted the following exceptions from Department policy, allowing for a 10 day grace period for internal receipt of the documentation and posting to the certification log:

- In fiscal year 2014, 125 of 1,832 (7%) certifications were processed between 1 and 98 days late.
- In fiscal year 2015, 55 of 2,086 (3%) certifications were processed between 1 and 75 days late.

OPERATION OF THE STATE VEHICLE FLEET

In November 2011, the Office of the Auditor General released a performance audit of the Department of Central Management Services' (Department) administration of the State vehicle fleet. The audit contained fourteen recommendations to improve the performance and operation of the State's vehicle fleet. House Resolution Number 658 directed the Office of the Auditor General to audit the Department's operation of the fleet of passenger cars used by State executive agencies. The Resolution called for the audit to address the total number of cars; number of take-home cars; necessity of take-home vehicles; cost of vehicles in fiscal year 2009; and the adequacy of the Department's system to record their use and maintenance and to check for official use, including whether it is possible to implement a system to track vehicles for business use only. As part of the fiscal years 2013 and 2012 financial audit and compliance examination of the Department, we noted that six of the recommendations had been implemented and eight were partially implemented. As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the eight remaining recommendations that had not been fully implemented.

Recommendation #1 – Vehicle Program

The CMS Division of Vehicles should ensure that all agencies that choose to use its vehicle services are required to follow the program rules in their entirety, as clearly stated in CMS administrative rules, or change its administrative rules to reflect current operations.

Status – Implemented

The Department has updated the Illinois Administrative Code to state that Agencies that voluntarily utilize any of the Department's vehicle services are required to follow all the rules related to that particular vehicle service.

Recommendation #3 – IAV Annual Reporting

The CMS Division of Vehicles should continue to work with agencies to eliminate errors from the Individually Assigned Vehicles report to improve its usefulness as a management tool.

Status – Partially Implemented

The Department conducts Mandatory Annual Agency Vehicle Coordinator Training; however the Department was unable to provide us with the training materials for the 2014 and 2015 trainings. The Department completed the Individually Assigned Vehicle Report for 2014. The 2015 report was still in the process of being completed as of February 1, 2016.

Recommendation #4 – Oversight of Vehicles

The CMS Division of Vehicles should become more actively involved in the operation and oversight of State vehicles to ensure they are maintained and used in the most efficient and least costly manner as required by its administrative rules. CMS should also periodically audit agencies' use of vehicles.

<u>Status</u> – Implemented

We noted that in our prior period engagement the Department did not conduct audits of agencies' use of State vehicles. However, the administrative rule cited in the management audit (44 Ill. Adm. Code 5040.360) was changed from *"CMS should periodically audit agencies' use and condition of State vehicles"* to *"CMS reserves the right to periodically audit use and condition of State vehicles"* on July 25, 2014. The Department reviews vehicles as part of the required annual inspection at State Garages and during one-on-one meetings with agencies on fleet replacement and utilization. We determined that the Department reviews miles driven, commuting miles, and fuel consumption through the Annual Individually Assigned Vehicle Reports.

Recommendation #6 – License Plates

CMS Division of Vehicles should specify to agency vehicle coordinators all the reporting requirements that are applicable when vehicles use non-U license plates.

<u>Status</u> – Partially Implemented

The forms Agency Heads sign approving assignments are updated to include, per the Office of the Auditor General's (OAG) recommendation, the following statement: "…plates will be used substantially full time in functions requiring the conventional plate." Agencies were also advised not to include covert license plate information in their Individually Assigned Vehicle reports to the Department. The Department has created a list of conventional and covert license plates and documented the reason why the plates are needed.

Recommendation #9 – Motor Pool Log

CMS should direct all its Bureaus to maintain standard vehicle logs, have the logs reviewed and signed by supervisors, and include these procedures in its manual that is currently being updated.

<u>Status</u> – Partially Implemented

The Department instructed all Bureaus to maintain standard vehicle logs and to have the logs reviewed and signed by supervisors. The Division of Vehicles updated its procedure manual to include these instructions. The Department maintained a 2014 motor pool log.

Recommendation #10 – Daily Vehicle Log

CMS Division of Vehicles should provide a uniform daily vehicle log that must be used by all State agencies under its jurisdiction. CMS should then randomly sample these vehicle logs to ensure they are being properly completed. Finally, CMS should require agency heads to submit a written evaluation for commuting mileage that exceeds the 30 percent level established by the Governor.

<u>Status</u> – Implemented

The Department has created a uniform daily vehicle log for State agencies to use. The logs are reviewed for accuracy and completeness by the Division of Vehicles. Auditors reviewed the fiscal year 2014 Individually Assigned Vehicles (IAV) Report and noted that all the information appears to be documented for each vehicle. The Policy Regarding Individual Assignment of State Vehicles has been updated to require agency heads to submit written evaluation for commuting mileage that exceeds the 30 percent level established by the Governor.

Recommendation #12 – Vehicle Cost Data

The CMS Division of Vehicles should determine the feasibility of putting all vehicle cost data online, by individual vehicle, including the cost data at agencies. This complete cost history could include repair, maintenance, fuel, insurance and other costs and also show whether required vehicle inspections have been performed.

Status – Partially Implemented

The Department has posted vehicle description, maintenance, and fuel costs and best available odometer/usage information on the CMS website for fiscal year 2013. Fiscal year 2014 and 2015 vehicle cost data was not available on the Department's website.

Recommendation #13 – Global Positioning System for Tracking Vehicles

The CMS Division of Vehicles should formally evaluate the availability and cost of GPS systems that State agencies may be able to use to track their State-owned vehicles, such as the vehicles are being used for authorized purposes only.

Status – Partially Implemented

The Department currently has a solicitation in progress that includes GPS capability. Once an award is made the Department will pursue implementation of a GPS project.

STATE WORKERS' COMPENSATION PROGRAM

In April 2012, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) Workers' Compensation Program as it applies to State employees. The audit contained twelve recommendations to improve the structure and operations of the workers' compensation program as it applies to State employees. As part of the fiscal years 2013 and 2012 financial audit and compliance examination of the Department follow-up was conducted and determined that the Department had partially implemented six of the twelve recommendations and had not implemented the remaining six recommendations.

Effective August 3, 2012, Public Act 97-0895 required the Department to procure one or more private vendors to administer the program providing payments for workers' compensation liability with respect to the employees of all State agencies beginning January 1, 2013. The Department executed a five-year $60,000,000 contract with Tristar Risk Enterprises Mgt. Inc. effective March 1, 2013, as the third party administrator for the workers' compensation program. The contract also contains an option for an additional five-year renewal. According to Department officials, Tristar assumed the handling of new claims filed by State employees on March 16, 2013. In May 2013, approximately 18,000 files, representing all open workers' compensation claims for State employees, were transferred to Tristar. The Department estimated that these 18,000 files would be scanned and assigned to Tristar adjusters no later than August 15, 2013. Because the workers' compensation program was in a transitional phase as of the end of the previous audit period (June 30, 2013), in many cases it was not possible for auditors to make a determination as to whether the recommendations contained in the management audit were implemented. Therefore, many of the recommendations were determined to be either partially or not implemented.

As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the partially and not implemented recommendations after the enactment of Public Act 97-0895.

Recommendation #1 - Workers' Compensation Data

The Department of Central Management Services and the Illinois Workers' Compensation Commission should take steps to improve the quality of the data contained in their workers' compensation information systems. CMS and the Commission should also consider implementing and/or enhancing web based reporting systems.

Status – Implemented

According to the Department's responses to our management audit follow-up, this recommendation has been satisfied through the contract with Tristar. Tristar assumed the handling of new claims filed by State employees. Tristar's system is a real-time, web based application. The Department, the Office of the Attorney General (OAG) and the various agency Workers' Compensation Coordinators have 24/7 access. Tristar is contractually obligated to maintain a complete file in the online system.

We requested a listing of workers' compensation claims filed with Tristar for fiscal year 2014 and fiscal year 2015. According to listing provided by the Department, 5,721 claims were filed in fiscal year 2014 and 5,285 claims were filed in fiscal year 2015. We noted the listing was complete with no information missing from any of the data fields.

Recommendation #2 – State Workers' Compensation Program Advisory Board

The Department of Central Management Services, in conjunction with the State Workers' Compensation Program Advisory Board, should develop recommended best practices for the State workers' compensation program, as required by Public Act 97-018.

Status – Not Implemented

The Department has not developed a formal report of the workers' compensation best practices from the State Workers' Compensation Advisory Board. In response to our follow-up, the Department believes this recommendation has been satisfied through the contract with Tristar. As detailed previously, Tristar has assumed the administration of workers' compensation claims for State employees. Tristar has an internal claims handling manual that is provided to and used by their adjustors. The Department also has established client service instructions for the handling of claims filed. Additionally, a workers' compensation coordinator manual has been provided to the Agency Coordinators.

However, the Public Act requires the Board to develop a set of best practices and not the contractor, Tristar. Public Act 97-018 (20 ILCS 405/405-411(e)) states by September 30, 2011 "the Board shall issue a written report, to be delivered to the Governor, the Director of the Department of Central Management Services, and the General Assembly, with a recommended set of best practices for the State workers' compensation program." Subsequent reports are due every July 1, but no reports have been filed.

Recommendation #3 – Claims Reporting

The Department of Central Management Services should take steps to:

- *Deny claims that are not filed within 45 days of the accident unless extenuating circumstances are documented;*
- *Ensure that accident dates in its information system are accurate;*
- *Define accident date for repetitive trauma cases in the Department's administrative rules or policies and procedures; and*
- *Ensure that supervisory notification by the employee of an injury is documented in writing.*

Status – Partially Implemented

According to the Department, Tristar is now responsible for all claims handling and data requirements, which includes ensuring the completeness and accuracy of data input into its system.

We requested a download of workers' compensation claims filed in fiscal year 2014 and fiscal year 2015. Our review of these claims showed that for 83 claims filed in fiscal year 2014 and 66 claims in fiscal year 2015, it took more than 45 days to report the injury. The days to report for these claims ranged from 47 days to 742 days. In fiscal year 2014, 22 of these claims were not denied. In fiscal year 2015, 22 of these claims were not denied. According to the Department, the reason for claims not being denied is due to the claims being repetitive trauma cases. The Department has not been able to define the accident date for repetitive trauma cases in the Department's administrative rules or policies and procedures despite legislative efforts.

In addition, we tested a sample of 50 claims, 25 from both fiscal year 2014 and fiscal year 2015. We noted documentation ensuring that supervisory notification by the employee of an injury is documented in writing and the accuracy of the accident date.

Recommendation #4 – Claims Adjudication

The Department of Central Management Services should:

- *Ensure that all applicable forms are collected prior to any determination of compensability or benefits payments;*
- *Conduct training for all adjusters and agency workers' compensation coordinators regarding filing procedures and required forms;*
- *Require a claims supervisor to review all determinations of compensability;*
- *Obtain access to payroll information required to verify average weekly wage amounts for employees who submit claims;*
- *Require employees to formally request temporary disability benefits prior to receiving benefits; and,*
- *Ensure thorough review of all medical bills prior to payment.*

Status – Partially Implemented

According to the Department, Tristar is now responsible for ensuring the completeness of data utilized by its adjusters. The Tristar Claims Handling Manual also provides detailed instructions for its adjuster to follow when determining compensability of claims including the forms that are required to be filed. These instructions are further supplemented by the client servicing instructions. The instructions list the five documents required for compensability.

We tested a sample of 50 claims, 25 from both fiscal year 2014 and fiscal year 2015. From our review of each claim on the Tristar system, no determination of compensability was reached prior to the documents being obtained.

Section 22(d) of the contract with Tristar requires training be provided to all workers' compensation coordinators on Tristar's system and forms and that periodic training occur during the life of the contract. According to Department officials, annual trainings started in fiscal year 2015. We reviewed sign-in sheets, an e-mail invitation to all workers' compensation coordinators, and agenda for the fiscal year 2015 training. There was no training during fiscal year 2014.

In addition, we tested a sample of 50 claims, 25 from both fiscal year 2014 and fiscal year 2015. Included in our testing, we ensured all claims:

- Required a claims supervisor to review all determinations of compensability.
- Included payroll information required to verify average weekly wage amounts for employees who submit claims.
- Require employees to formally request temporary disability benefits prior to receiving benefits; and,
- Ensure thorough review of all medical bills prior to payment.

We noted all claims were reviewed at least once prior to any determinations. According to a Department official, Tristar gets employee payroll information from the workers' compensation coordinator, and it may require a statutory change for Tristar to have access to the 50 plus payroll systems located at the agencies. However, for all determinations which resulted in the payment of benefits, we noted the all average weekly wage information was obtained through the Department.

According to the Department, a claim requesting any benefits will initially apply for temporary benefits, Temporary Total Disability (TTD), prior to receiving extended benefits. To ensure TTD was applied for prior to any claim receiving extended benefits, we tested four benefits awarded during the audit period. We noted TTD was applied for and awarded prior to extended benefits being applied for and awarded.

Tristar is now responsible for the review of medical bills. Per our discussions with management and review of the claim files in the Tristar system, medical bills are reviewed twice; first by the adjustor assigned to the case and secondly by Tristar's professional medical bill review company, Tristar Managed Care. From our testing, for determinations which resulted in medical bills being paid, a review was completed by both the adjustor and Tristar Managed Care.

Recommendation #5 – Determination for Subrogation Eligibility

The Department of Central Management Services should ensure that cases in which subrogation can be pursued are reviewed in a timely manner.

Status – Partially Implemented

The contract between the Department and Tristar requires that Tristar promptly refer claims involving potential subrogation matters to the Department which will, if appropriate, refer the matter to the Attorney General.

The contract requires Tristar to designate a subrogation adjuster to manage and assist with subrogated claims. The contract also requires Tristar to provide the Department with a monthly report which includes at a minimum:

- All new subrogation cases opportunities;
- The number of cases where funds were recovered; and,
- The total amount of funds recovered.

We obtained an example of a monthly subrogation report sent to the Department from Tristar. The report did not include all new subrogation cases opportunities, the number of cases where funds were recovered, or the total amount of funds recovered. There is also no policy that ensures subrogation is pursued in a timely fashion.

Recommendation #6 – Periodic Data Matches

The Department of Central Management Services should perform periodic matches utilizing available information at the Illinois Department of Employment Security to ensure that employees receiving benefits are not employed elsewhere. CMS should also consider gaining access to other sources of information that may be helpful in identifying changes in marital status, deaths, and other circumstances that would affect the eligibility or amount of workers compensation benefits to which the individual is entitled.

<u>Status</u> – Partially Implemented

Public Act 97-621, effective November 18, 2011, provided statutory authority (820 ILCS 405/1900) for the Department to receive data from the Illinois Department of Employment Security (IDES) regarding the employment status of workers' compensation claimants. The Department and IDES finalized an agreement to share data in May 2012, to allow the Department to receive information from IDES on a quarterly basis to determine whether recipients of workers' compensation benefits are otherwise employed.

According to the Department, Tristar, as the third party administrator for the workers compensation program, is responsible for monitoring indemnity cases and the potential for intentional and/or unintentional fraud. Tristar has implemented an anonymous fraud hotline where individuals may report employee fraud. Tristar also uses video surveillance as well as social media in cases of suspected fraud. On an annual basis, Tristar sends out an affidavit that must be signed and returned in order for benefits to continue on cases that have been deemed as total permanent disability cases or survivor cases. The Department continues to have the ability to receive employment information as necessary from IDES pursuant to the shared data agreement. According to the Data Share agreement, data cannot be shared with any other entity unless that entity is identified as a sub-contractor in the agreement and approved by IDES. Tristar has not been identified as a sub-contractor nor approved by IDES.

Recommendation #7 – CMS Adjuster Caseloads

The Department of Central Management Services should track Adjuster caseloads and consider establishing caseload standards for Adjusters.

<u>Status</u> – Partially Implemented

According to the Department, Tristar is now responsible for the handling of all duties that were previously performed by Department adjusters. According to an amendment to the Tristar contract, Tristar will maintain an average workload of approximately 150 active indemnity claims per adjuster and 250 open active medical only claims.

We obtained a report from Tristar listing of each examiner's caseload. We noted two adjustors with caseloads well over 400, 1,748 claims and 1,348 claims. According to the Department, this was done for convenience and agreed between the Department and Tristar. Certain adjustors are assigned just permanent disability claims and survivor claims, and inactive claims to ensure efficiency. This does not agree to the caseload recommendation in the contract. An update to the contract should be completed to clarify the standards the Department and Tristar are practicing.

Recommendation #11 – Contract Approval Limits

The Department of Central Management Services should:

- *Clarify settlement contract approval limits in its policies for Risk Management employees; and*
- *Include all compensation in the settlement contract as part of these approval limits.*

<u>Status</u> – Partially Implemented

According to the Department, as a result of the Tristar contract and subsequent staffing changes, the Department has only two employees on staff with authority to approve settlements. Their job descriptions (CMS-100s) have been amended to limit their settlement authority to $100,000 or less.

The Department did not provide updated policies to show that it has clarified settlement contract approval limits for Risk Management employees, and what types of payments are included in determining those amounts.

Recommendation #12 – Negotiating Settlement Contracts

The Department of Central Management Services and the Attorney General should ensure that all settlement contract negotiations for cases in which the employee has legal representation are conducted by the Attorney General's Office.

<u>Status</u> – Implemented

The Tristar contract requires Tristar to refer all demands or other requests for settlement to both the Department and the Office of the Attorney General. Tristar is prohibited from discussing any claim with an attorney representing an injured worker, and is required to refer any such communications to the Office of the Attorney General for further handling.

We tested a sample of 50 claims, 25 from both fiscal year 2014 and fiscal year 2015. From our review of each claim on the Tristar system, no determination of compensability was reached prior to the documents being obtained.

Recommendation #13 – Medical Support for Settlement Injuries

The Department of Central Management Services should ensure that there is medical support for all injuries that are compensated in settlement contracts.

<u>Status</u> – Implemented

According to the Department, this has been implemented through the contract with Tristar. Tristar is responsible for all phases of medical support for all claims, including file documentation, medical bill review, early intervention services, and other functions.

We tested a sample of 50 claims, 25 from both fiscal year 2014 and fiscal year 2015. From our review of each claim on the Tristar system, no determination of compensability was reached prior to the documents being obtained. From our testing of 50 claims, medical bills were included in each file and a review of medical bills was completed by both the adjustor and Tristar Managed Care.

Recommendation #15 – Communication

The Department of Central Management Services and the Attorney General should work to improve communications regarding workers' compensation claims and cases.

<u>Status</u> – Implemented

According to the Department, this recommendation has been satisfied through the contract with Tristar. Tristar assumed the handling of new claims filed by State employees. Tristar's system is a real-time, web based application. The Department, the Office of the Attorney General and the various agency Workers' Compensation Coordinators have 24/7 access.

We tested a sample of 50 claims, 25 from each fiscal year. We noted communications regarding each claim between the Department, Attorney General, and Tristar.

Recommendation #20 – CMS Conflict of Interest Policies

CMS should develop formal written policies for conflicts of interest, including how the claims of employees within CMS' Bureau of Benefits and Division of Risk Management will be processed. CMS should also provide training to Adjusters regarding those policies.

<u>Status</u> – Implemented

The Department has adopted a formal Conflict of Interest policy and is applied to "all staff employed in the Workers' Compensation unit of the Department of Central Management Services, Bureau of Benefits, Risk Management Division, and Workers' Compensation Coordinators, and any individuals at each employing agency or university covered under the Workers' Compensation Program". It also includes the employees of Tristar that work on the State of Illinois account. Included in the policy are procedures which must be completed. It has been distributed to all affected parties and the Tristar adjusters have been trained on the policy.

We obtained a copy of the conflict of interest policy and the disclosure form which are required to be completed by each adjustor, supervisor and workers' compensation coordinator.

SPACE UTILIZATION PROGRAM

In October 2013, the Office of the Auditor General released a management audit of the Department of Central Management Services' (Department) administration of the State's space utilization program. The audit contained nine recommendations to improve the efficiency and effectiveness of recording real property in a master inventory database.

In the management audit the Office of the Auditor General concluded that the Department does not maintain a master record of all items of real property as required by State law. The State Property Control Act requires the Department to maintain a master record of all items of real property, including a description of buildings and improvements. The master record that was given to the Office of the Auditor General (OAG) by the Department was incomplete, inaccurate, and had an insufficient level of detail. Also, according to the audit, the Department has made no recent progress towards implementing a comprehensive computerized real property system. Procedures in place to identify excess and surplus real property were not fully adequate to ensure that all excess and surplus real property was being identified. Finally, the process that the Department was using to dispose of surplus inventory was neither adequate nor timely. The average time for the Department to dispose of real property was 1,656 days with a median of 911 days.

As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, follow-up was conducted and determined that the Department has fully implemented five of the nine recommendations and has partially implemented the remaining four recommendations.

Recommendation #1 – Master Record

The Department of Central Management Services should compile and maintain a complete and accurate master record of all items of real property as required by State law. The master record should: 1) be compiled using the Annual Real Property Utilization Reports; 2) list all property by its commonly used site name; 3) include within each site name, a listing and description of all buildings at that site; and 4) contain other descriptive information to make the master record useful.

<u>Status</u> – Implemented

The Department, through its Bureau of Communications and Computer Services, created a comprehensive database which can currently generate reports such as (State owned) "Gross square footage", "Total number of buildings", and "Building types". During system development the Department worked to ensure the database complied with applicable statutes and also cross-referenced information with the Capital Development Board. The database was implemented on April 1, 2015.

We obtained a copy of the Master Consolidated Annual Real Property Utilization Report from the Department. The file was produced from the Department's database system. The data was supplied by each agency's Responsible Officer filing of their Annual Real Property Utilization Reports, ARPUR.

We reviewed the Master Consolidated ARPUR and noted all sites and buildings are listed by its commonly used site name or building name and included a description of the buildings and sites, and included other descriptive information including but not limited to: address, legislative district, size, agency, status, and more.

Recommendation #2 – Annual Real Property Utilization Report

The Department of Central Management Services should annually review the Annual Real Property Utilization Reports submitted by each agency to ensure that the reports are complete and accurate and to make any suggested corrections and changes to the reports. CMS should then provide updated spreadsheets to the agencies. CMS should also make improvements to the Annual Real Property Utilization Report templates for each agency to ensure that property is reported consistently between agencies. Finally, CMS should ensure that agencies submit the Annual Real Property Utilization Report annually as required.

<u>Status</u> – Implemented

According to the Department, the Annual Real Property Utilization Reports, ARPUR, and template formats were changed as of the fiscal year 2014 reporting period to ensure uniformity and consistency in responses so that statewide information could be maintained on the database and utilized for reporting. Starting in fiscal year 2015, agencies will be able to update the database in real-time as property information changes. With the database, the Department is able produce a master ARPUR for use as required by the Act.

We reviewed the database and walked through the process of entering the information into the database. From the Department, we obtained a copy of the ARPUR Application Instructions. The application instructions provide step by step procedures for completing an agency ARPUR. From our review, the database has ensured consistency between agencies by having specific data fields and including drop down lists on many fields. Also, the database indicates all data fields that are required per the State Property Control Act for the user.

To ensure agencies submit their ARPUR annually, the Department sends a memorandum communicating the agency's statutory obligation to update and certify their report to the Department by July 31. We obtained the memorandum sent on April 1, 2015 to all agencies. In addition, the Department tracks the submission of all ARPURs and follows up if any have not been updated. We obtained this tracking sheet maintained by the Department to track the submission of ARPURs. The spreadsheet includes each agency head, Responsible Officer, and contact information. The Department's database also tracks all agencies and indicates when an agency has completed the update and certification of its ARPUR.

Recommendation #3 – Exemptions from Filing Annual Real Property Utilization Reports

The Department of Central Management Services should follow-up with agencies that file exemptions from filing Annual Real Property Utilization Reports to determine the validity of the agencies' claims. If necessary, CMS should seek legislative change to clarify which agencies are required to file the Annual Real Property Utilization Report.

<u>Status</u> – Implemented

According to the Department, the State Property Control Act clearly exempts the State Universities Retirement System and the Toll Highway Authority and both agencies have provided justification as to why they are not required to report the property they own. The Department agrees with the justifications and finds it unnecessary to seek legislative change to the State Property Control Act.

We obtained documentation from both the State Universities Retirement System and Illinois State Toll Highway Authority supporting their exemption from submitting ARPURs. We also obtained copies of the letters CMS sent to both the State Toll Highway Authority and the State Universities Retirement System stating that CMS was in agreement that the agencies were not required to file an Annual Real Property Utilization Report

Recommendation #4 – Agency Reporting Excess and Surplus Real Property

The Department of Central Management Services should correct the deficiency in the design of Site Form A to enable agencies to report excess and surplus real property. CMS should also monitor the Annual Real Property Utilization Reports to ensure information on excess and surplus real property is being reported. Finally, CMS should work with agencies that identify excess and surplus real property to ensure maximum efficient utilization of State-owned space.

Status – Partially Implemented

Starting in fiscal year 2015, agencies are able to update the database in real-time as property information changes. According to the ARPUR Application Instructions, one of the required data fields is the 'Designation' of the property. The data field includes a drop down menu with surplus being one of the options. We noted the data field on the Master Consolidated Annual Real Property Utilization Report for fiscal year 2015.

According to our discussion with the Department, there is a lack of staffing to complete regular visits and to proactively monitor space in State-owned properties. While the Department does conduct site visits, they do not have a program in place to proactively monitor space in State-owned properties which would help uncover unreported excess property.

Recommendation #5 – Automation of Master Record

The Department of Central Management Services should examine automating the master record of State-owned property to allow the State to effectively manage land and building assets with a comprehensive system that is capable of producing management reports, enhances security and data integrity, and allows concurrent access.

Status – Implemented

Per our discussion with the Department, the Department's database is able to produce reports for management and the General Assembly. We obtained a copy of the Master Consolidated Annual Real Property Utilization Report and the Surplus Property Report for fiscal year 2015 which was provided to the General Assembly on October 30, 2015. Although the reports were not produced during the period, it proves the system was capable of producing such reports prior to the end of the engagement period.

We noted from our review of the database that access to the database is concurrent but limited to each Reporting Officer's agency by log in. Each Reporting Officer has their own username and password to access their agency property information. We also noted any confirmation of an agency is date stamped and identifies the user confirming the information. Universal access to the database is limited to a select number of users in the Bureau of Property Management.

Recommendation #6 – Lease Documentation

The Department of Central Management Services should ensure its lease files contain the required documentation including:

- *When applicable, a space request from the requesting agency;*
- *Documentation of a check of State-owned space conducted prior to any efforts to locate leased space from third parties in accordance with Department policy;*
- *Documentation of a site inspection; and*
- *A Property Management Business Case.*

<u>Status</u> – Implemented

To ensure lease files contain all required documentation, the Department utilizes a checklist to ensure lease files contain the required documentation including and not limited to items listed in the Management Audit. In addition, when information is needed from the files, copies are provided. Original documents stay in the file.

We tested a sample of 15 leases to ensure the above documentation was included in each lease file. We also noted all lease files included a checklist, indicating the file contained required documentation.

Recommendation #7 – Monitoring of Space in State-Owned Facilities

The Department of Central Management Services should ensure site visits to identify space in State-owned facilities are conducted on a regular basis as is required by Department policy.

<u>Status</u> – Partially Implemented

According to the Department, regular inspections of Department owned property continue to occur. State-owned facilities generally have Bureau of Property Management at certain buildings and other properties are visited in cycles, as often as possible.

According to our discussion with the Department, there is a lack of staffing to complete regular visits and to proactively monitor space in State-owned properties. While the Department does conduct site visits, they do not have a program in place to proactively monitor space in State-owned properties which would help uncover unreported excess property.

Recommendation #8 – Disposal of Surplus Property

The Department of Central Management Services should:

- *Take steps to ensure that it is more timely in completing the process of disposing of surplus property;*
- *Follow the procedures outlined in State statute and administrative rules when disposing of surplus property including timely notification of State agencies;*
- *Maintain proper documentation of the disposal process;*
- *Develop strategies to dispose of surplus properties that have been in surplus for years;*
- *Examine properties noted as surplus on the Annual Real Property Utilization Reports to determine if they should be disposed; and*

- *Conduct a study of the disposal process to determine what changes need to be made to the process to increase efficiencies. If necessary, CMS should seek legislative changes to improve and streamline the process.*

Status – Partially Implemented

According to the Department, the disposal of surplus property is an on-going process in which the Department notifies State agencies, local governments and ultimately puts properties up for sale at public auction. Cost-benefit concerns regarding disposal of surplus properties come into play as the liabilities and/or costs to prepare for sale associated with some properties result in zero or negative value.

We noted the Department has adopted a policy, Surplus Property Disposal Process to ensure the disposal process is in compliance with State statutes and administrative rules.

In addition, we reviewed the Surplus Property Report and noted several properties have yet to obtain appraisals. Per our discussion with the Department, these properties have not obtained an appraisal due to budget constraints and lack of staffing. For all surplus properties, we noted documentation has been maintained when the steps outlined in the Surplus Property Disposal Process are completed.

Overall, we noted an effort by the Department to ensure the properties deemed Surplus Properties are disposed of timely, if possible.

Recommendation #9 – Executive Order 10-10

The Department of Central Management Services should take steps to implement the directives contained in Executive Order 10-10 related to the sale of surplus property.

Status – Partially Implemented

According to Executive Order 10-10, "GOMB and CMS shall review all vacant or unused real estate owned by the State, based on statutorily required property report prepared by CMS. Following that review, GOMB and CMS shall develop and implement a comprehensive real estate strategy that identifies opportunities to use or repurpose vacant properties more efficiently and designates State properties to be sold at fair market value."

Per our discussions with management, the Department is reviewing all vacant and unused real estate owned by the State on a case by case basis. Each vacant property has a different scenario which makes it difficult to develop a comprehensive strategy for all of them.

We noted that there is no comprehensive real estate strategy adopted; however, the Department is continually working to sell the State's vacant and unused real estate at its highest value. We reviewed the files of the properties on the Surplus Property listing. During our review, we noted most of the properties had documentation supporting the Department's efforts to sell the properties.

INMATE PHONE SERVICE PROCUREMENT

In August 2014, the Office of the Auditor General released a management audit of the State's procurement of inmate telephone service vendors. The audit contained six recommendations to improve the procurement process. As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department, follow-up was conducted and determined that the Department has partially implemented three of the six recommendations and has not implemented the remaining three recommendations.

A vendor provides inmate collect calling services and pays the State a commission on all completed calls. Both the Department of Central Management Services (Department) and the Department of Corrections (Corrections) receive a portion of the commission payments. In June 2012, the Department awarded the inmate collect calling contract through an invitation for bids process. The procurement resulted in lower costs to users under the new contract compared to the previous contract. During the 29 month period examined by the Office of the Auditor General, the average cost under the previous contract was $5.82 per call while the average cost under the new contract was $3.87 per call.

The management audit noted that the Department failed to follow a requirement in the solicitation document by not providing written responses to all vendor questions. The pricing table in the solicitation document (which was created just prior to publication) was flawed which allowed vendors to tailor their bids to receive maximum points to win the contract. There was a lack of support of the decision to lower the commission rate in order to comply with the Illinois Commerce Commission's declaratory ruling. The change also increased the amount of revenue to be received by the vendor. No formal interagency agreement existed in the contract that specified the breakdown of commission payments between the Department and Corrections. As stated above we will follow-up on these issues as part of our fiscal years 2015 and 2014 Financial Audit and Compliance Examination.

Recommendation #1 – Responding to Vendor Questions

The Department of Central Management Services should respond timely in writing to all questions submitted by vendors

<u>Status</u> – Partially Implemented

The Illinois Procurement Code (30 ILCS 500/20-10, 20-15) and Rules (44 Ill. Adm. Code 1.1585) require that a competitive solicitation be published to the Illinois Procurement Bulletin (IPB) a minimum of 14 days prior to being due. Section 1.2005(c) of the Rules requires that if a solicitation is modified within 72 hours of being due, at a minimum the due date/time must be extended to allow additional time for vendors to respond. Alternatively, the solicitation may be canceled and reissued. Although there is not a specific written policy for replying to vendor questions within a certain number of days, it is in the State's best interest to evaluate whether or not a question would merit a solicitation modification and publish a response to vendor questions to the IPB as soon as possible, to avoid having to extend the due date. The State Purchasing Officer (SPO) makes the determination to extend the due date.

In the Invitation for Bid (IFB) template, which is provided to all vendors, it clarifies to vendors that only answers posted to the IPB will be binding on the State, and it is the bidder's responsibility to monitor the IPB.

The Department did not provide a written policy to address the timely responses to questions submitted by vendors but have clarified what answers are binding to the State.

Recommendation #2 – Mandatory Site Visits

The Department of Central Management Services and the Chief Procurement Officer for General Services should ensure that the solicitation document specifies, for procurements that include mandatory site visits, whose attendance is required to meet the mandatory attendance requirement.

Status – Not Implemented

According to the Department and in agreement with the Chief Procurement Officer (CPO), the State is not in a position to determine who a vendor should send to mandatory site visits or meetings. Instead, the vendor is in the best position to make this determination. To require the State to be involved in such a determination would open the solicitation up to potential protests and would result in an extremely difficult, if not impossible, process for the State to fairly and satisfactorily oversee.

The Department did not provide evidence that require all solicitations include documentation on mandatory site visits and whose attendance is required.

Recommendation #3 – Procurement Method

The Department of Central Management Services and the Chief Procurement Officer for General Services should evaluate the different options available, determine the appropriate procurement method to use, and document the reasons the procurement method was selected.

Status – Not Implemented

According to the Department, procurements subject to the requirements of the Illinois Procurement Code (30 ILCS 500/), State agency staff utilize the procurement requirements set forth in Article 20, with the SPO ultimately approving the chosen procurement method on behalf of the CPO. The default procurement method is Invitation for Bids, except under the conditions provided in Sections 20-15 (competitive sealed proposals), 20-20 (small purchases), 20-25 (sole source), 20-30 (emergency), 20-35 (Professional and Artistic Services), 30-15 (construction), and 40-20 (real property leases). See 30 ILCS 500/20-5.

The Department did not provide evidence of implementation in their procurement process to determine the appropriate procurement method to use and to document the reasons for the procurement method selected as part of their response to our follow-up.

Recommendation #4 – Pricing Evaluation Factors

For future solicitations involving inmate collect calling, the Department of Central Management Services and the Chief Procurement Officer for General Services should ensure that the factors used to evaluate pricing are developed in a timely fashion and adequately tested to avoid flaws in the pricing table.

<u>Status</u> – Not Implemented

According to the Department, there have been no solicitations for inmate collect calling services since the one resulting in the August 1, 2012 contract with the present vendor. The current contract was renewed on July 1, 2015 and currently expires on June 30, 2017 with additional renewal options. For future solicitations for inmate collect calling services, the Department and the CPO will ensure that the factors used to evaluate pricing are developed in a timely fashion.

The Department did not provide evidence of any policies or procedures to address the evaluation of the pricing table as part of their response to our follow-up.

Recommendation #5 – Contract Amendment

The Department of Central Management Services and the Chief Procurement Officer for General Services should fully document the rationale for amending contract rates as well as its effect on the original competitive procurement. Should CMS and the Chief Procurement Officer determine that the contract amendment significantly altered the terms of the competitive procurement, they should take the necessary actions to restore the contract to its original economic balance.

For future contract amendments, CMS and the Chief Procurement Officer should ensure that decisions to change contract terms and conditions are adequately supported and documented.

Finally, the Chief Procurement Officer should avoid situations where CPO employees make decisions on procurements in which they were previously involved on behalf of the procuring agency.

<u>Status</u> – Partially Implemented

The Department, in conjunction with the CPO, ensures decisions to change contract terms and conditions are supported and documented. The CPO amendment template requires a description of the amendment, as well as amount (if the amendment results in a change in payment). In the event an amendment would increase the value of a contract to $50,400 or greater, then the amendment must be processed as a sole economically feasible source procurement, requiring a 14-day publication period on the IPB as well as a completed sole source justification form (form template created by Procurement Policy Board). Amendments increasing the value of a contract to $250,000 or more must also be reviewed by the PPB. Per of the Rules (44 Ill. Adm. Code 1.2080), all amendments are to be included in the publicly available procurement file.

We reviewed the amendment template. With the Department's procedures above and the template as guide for vendors, the Department addressed the documentation issues of amending contracts. However, the Department did not provide any additional documentation on the rationale for amending the contract rates in the amendment to the original contract.

Recommendation #6 – Monitoring of the Contract

The Department of Central Management Services and the Department of Corrections should work together to improve the process surrounding the establishment and oversight of the inmate collect calling contract. This process could be strengthened by improving the current contract language as well as the monitoring process. In addition, the agencies should establish a formal interagency agreement regarding the breakdown of the commissions paid to each agency related to this contract.

<u>Status</u> – Partially Implemented

According to the Department, it elected not to receive any commissions resulting from the present contract. Consequently, the need for an interagency agreement was negated.

We obtained a copy of the memo instructing the present vendor to remit all commissions to the Department of Corrections. The memo was not effective until July 1, 2015. Due to the commission election not taking place until after the engagement period, the recommendation is considered to be partially implemented. Also, there have been no agreements or clarification surrounding the establishment and oversight of the inmate collect calling contract.

MANAGEMENT POSITIONS IN THE STATE EXECUTIVE BRANCH

In April 2013, the Office of the Auditor General released a management audit of Management Positions in the State Executive Branch. The audit was released in April 2013 and contained five recommendations to the Department of Central Management Service (Department). As part of the Fiscal Years 2015 and 2014 financial audit and compliance examination of the Department, we followed up on the status of the recommendations and whether or not they have been implemented.

Recommendation #1 – 4D3 Exemptions

The Department of Central Management Services and the Civil Service Commission should assure 4D3 exemptions are approved appropriately in compliance with the Personnel Code (20 ILCS 415/4d(3)).

Status – Not Implemented

The Department has not made any changes to its processes of reviewing submissions for 4D3 exemptions. The Department reviews submissions for 4D3 exemptions to ensure the proper allocation of duties as described and relationship to other positions in the Department, and analyzes whether the duties fit within the 4D3 criteria.

Recommendation #2 – Rutan Exemptions

The Department of Central Management Services should assure that Rutan exemptions are only used for positions responsible for implementing policies.

Status – Partially Implemented

The Rutan Compliance Unit was created in April 2015 to add a third level of review for Rutan eligibility. The Department still disagrees with the auditors' focus on policy-making duties in their assessment whether employees are managers or supervisors. The Department continues to base qualifications for Rutan Exemptions on whether an employee has policy-making, spokesperson, and/or confidential responsibilities.

Recommendation #3 – Personnel Classification System

The Department of Central Management Services should review and revise the State's classification plan to address the issues identified in this management audit.

Status – Partially Implemented

Through the Illinois Public Labor Relations Act (5 ILCS 315/3(n)) (as amended by Public Act 97-1172), the State has removed certain positions, including managerial and supervisory, from the union, allowing for more defined responsibilities with respect to abilities to perform evaluations, discipline, and grievances. Based on the Department's response it has not addressed the issue of functional titles with significant authority within agencies that are classified as non-managers.

Recommendation #4 – Manpower Planning

Central Management Services should conduct research and planning regarding the total manpower needs of all offices as required by the Personnel Code (20 ILCS 415/9 (11)) or should obtain legislative relief from this mandate.

Status – Implemented

The Department has obtained legislative relief from this mandate. Public Act 098-0692 repealed this provision.

Recommendation #5 – Confidential Employees in Unions

The identified State agencies should assure all confidential assistants are not included in a collective bargaining unit or their confidential responsibilities as defined by the Public Labor Relations Act (5 ILCS 315/3) are transferred to non-union employees.

Status – Partially Implemented

Through the Illinois Public Labor Relations Act (5 ILCS 315/3(n)) (as amended by Public Act 97-1172), all 4D1 and 4D3 positions that were included in collective bargaining after December 2008 have been removed from the union. There remains a small number of lower level positions that were included in the union prior to the December 2008 date set forth in the Public Act.

ROAD FUND REVENUES AND EXPENDITURES

The Office of the Auditor General conducted a management audit of the Department of Central Management Services' Road Fund Revenue and Expenditures pursuant to Senate Resolution Number 788. The audit was released in May 2013 and contained three recommendations to the Illinois Department of Central Management Service (Department). As part of the fiscal years 2015 and 2014 financial audit and compliance examination of the Department of Central Management Service, we followed up on the status of the recommendations and whether or not they have been implemented.

Recommendation #3 – Guidance Over Calculating Employer Contributions For Group Health Insurance

The Department of Central Management Services should:

- *Develop policies, procedures, and methodologies for how the State calculates employer contributions for group health insurance;*
- *Document how the calculations for group health insurance is derived; and*
- *Implement proper segregation of duties in overseeing this process, including stronger checks and balances for understanding the process and ensuring its accuracy.*

Status – Implemented

The Department has hired Deloitte as the primary actuary and Gabriel Roeder also provides an actuarial review of the State reimbursement rates for the State plan. Secondly, Maximus also reviews the reimbursement rates for the State's filing to the federal government for the Statewide Cost Allocation Plan.

We reviewed the Statewide Cost Allocation Plan. The plan contains policies, procedures, and methodologies on the calculation of the state's portion of group health insurance contributions. The employer portion of group health insurance is derived from the State of Illinois Group Reimbursement Rate Calculations. After the reimbursement rates have been calculated, GOMB negotiates the funded headcount level with the impacted agencies and then tells CMS what the appropriation for group health will be, given the headcount level and CMS' anticipated cost for each person for the budgeted fiscal year. The procedures also confirm that the proper segregation of duties have been implemented.

Recommendation #4 – Overpayment from the Road Fund for Group Health Insurance

The Department of Central Management Services should:

- *Ensure that the Road Fund is not overcharged for employer contributions for group health insurance; and*
- *Document and support a consistent methodology for charging employer contributions for group health insurance from the Road Fund*

Status – Implemented

According to the Department, the Road Fund methodology is essentially the budgeted funded headcount level for the new fiscal year multiplied by the average budgeted group insurance rate per person. GOMB negotiates the funded headcount level with the impacted agencies and then tells the Department what the appropriation for group health will be, given the headcount level and the Department's anticipated cost for each person for the budgeted fiscal year.

We reviewed and compared the expenditures paid out the Road Fund to the GOMB rate. From our review, it appears the Department has ensured the Road Fund is not overcharged for employer contributions for group health insurance. Also, in the Statewide Cost Allocation Plan, the Department has documented a consistent methodology for charging employer contributions for Group Health Insurance.

Recommendation #5 – Road Fund Contribution for Workers' Compensation

The Department of Central Management Services should ensure that only workers' compensation costs attributable to employees that are paid out of the Road Fund are charged to the Road Fund.

<u>Status</u> – Implemented

Per the Department, the risk pool methodology does not contain any caps set on General Revenue Fund or any other fund. We noted in prior years, caps on the General Revenue Fund were the cause for the Road Fund to pay for more than the workers' compensation calculated liability. We compared the final transfer amount from the Road Fund to the calculated liability for both fiscal year 2014 and fiscal year 2015. For our analysis, it appears the Road Fund was not being charged more for workers' compensation costs and the caps were removed.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
FINANCIAL AUDIT
For the Year Ended June 30, 2015
AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2015

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Department of Central Management Services (Department) was performed by Sikich LLP.

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

SUMMARY OF FINDINGS

The auditors identified matters involving the Department's internal control over financial reporting that they considered to be material weaknesses and significant deficiencies. The material weakness is described in the accompanying Schedule of Findings on pages 12-15 of this report as item:

2015-001 Weaknesses in internal control over financial reporting

The significant deficiency is described in the accompanying Schedule of Findings on pages 16-17 of this report as item:

2015-002 Inadequate security and control over the midrange environment

EXIT CONFERENCE

The Department waived an exit conference. The responses to the recommendations were provided by Mr. Michael Hoffman, Acting Director, on February 1, 2016.

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INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Central Management Services, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Illinois, Department of Central Management Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the State of Illinois, Department of Central Management Services, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the State of Illinois, Department of Central Management Services are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the State of Illinois, Department of Central Management Services. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2015, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2(r), the State of Illinois, Department of Central Management Services adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during the year ended June 30, 2015. The implementation of this guidance resulted in changes to the pension-related expense and notes presented in the notes to the basic financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Defined Benefit Other Postemployment Benefit Plans – Schedule of Funding Progress and Defined Benefit Other Postemployment Benefit Plans – Schedule of Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted a management's discussion and analysis, budgetary comparison information, and pension-related supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit for the year ended June 30, 2015 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying supplementary information in the combining and individual fund financial statements, State Compliance Schedules 1 through 11, and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information for the year ended June 30, 2015, in the combining and individual fund financial statements and State Compliance Schedules 1, 3, 4, and 6 through 10 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2015, in the combining and individual fund financial statements and State Compliance Schedules 1, 3, 4, and 6 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying supplementary information for the year ended June 30, 2015, in the combining and individual fund financial statements and State Compliance Schedules 1, 3, 4, and 6 through 10 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the years ended June 30, 2014 and 2013 (not presented herein), and have issued our reports thereon dated January 13, 2015 and January 24, 2014, which contained unmodified opinions on governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The accompanying supplementary information for the years ended June 30, 2014 and 2013 in Schedules 2 through 11 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2014 and 2013 financial statements. The accompanying supplementary information for the years ended June 30, 2014 and June 30, 2013 in Schedules 2 through 11 has been subjected to the auditing procedures applied in the audits of the June 30, 2014 and June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financials statements or to those basic financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June

30, 2014 and June 30, 2013 in Schedules 2 through 11 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of the State of Illinois, Department of Central Management Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Department of Central Management Services' internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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

Sikich LLP

Springfield, Illinois
February 1, 2016, except for State Compliance Schedules
1, 3, 4, 6 through 10, for which the date is
March 25, 2016

State of Illinois
Department of Central Management Services

Statement of Net Position

June 30, 2015 (Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Unexpended appropriations	$ 32,202	$ -	$ 32,202
Cash equity with State Treasurer	271,122	4,820	275,942
Cash and cash equivalents	76,405	1,356	77,761
Securities lending collateral equity of State Treasurer	77,961	1,964	79,925
Receivables, net:			
Intergovernmental	2,098	87	2,185
Other	46,937	512	47,449
Due from other Department funds	15	-	15
Due from other Department fiduciary funds	58	-	58
Due from other State funds	756,647	-	756,647
Due from other State fiduciary funds	5	-	5
Due from State of Illinois component units	14,820	-	14,820
Investments	-		-
Inventories	3,190	-	3,190
Capital assets not being depreciated	40,110	-	40,110
Capital assets being depreciated, net	293,308	-	293,308
Total assets	1,614,878	8,739	1,623,617
Deferred outflows of resources - pensions	12,582	-	12,582
Total assets and deferred outflows of resources	$ 1,627,460	$ 8,739	$ 1,636,199
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Accounts payable and accrued liabilities	$ 1,797,508	$ 4,570	$ 1,802,078
Intergovernmental payables	13,685	2	13,687
Due to Department funds	-	15	15
Due to other State fiduciary funds	1,961	9	1,970
Due to other State funds	640	2	642
Due to State of Illinois component units	329	-	329
Obligations under securities lending of State Treasurer	77,961	1,964	79,925
Unearned revenue	7,413	41	7,454
Long term obligations:			
Due within one year	117,440	-	117,440
Due subsequent to one year	12,510,129	119	12,510,248
Net pension liability	100,252	-	100,252
Total liabilities	14,627,318	6,722	14,634,040
Deferred inflows of resources - pensions	8,554	-	8,554
Total liabilities and deferred inflows of resources	$ 14,635,872	$ 6,722	$ 14,642,594
NET POSITION			
Net investment in capital assets	$ 321,444	$ -	$ 321,444
Restricted for debt service	4,330	-	4,330
Unrestricted	(13,334,186)	2,017	(13,332,169)
Total net position	$ (13,008,412)	$ 2,017	$ (13,006,395)

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

State of Illinois

Department of Central Management Services

Statement of Activities

For the Year Ended June 30, 2015 (Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Total
Primary government					
Governmental activities					
General government	$ 3,455,642	$ 2,993,915	$ (461,727)		$ (461,727)
Education	225,851	-	(225,851)		(225,851)
Employment and economic development	89,577	-	(89,577)		(89,577)
Health and social services	1,046,643	-	(1,046,643)		(1,046,643)
Transportation	217,850	-	(217,850)		(217,850)
Public protection and justice	988,782	-	(988,782)		(988,782)
Environment and business regulation	212,652	-	(212,652)		(212,652)
Total governmental activities	6,236,997	2,993,915	(3,243,082)		(3,243,082)
Business type activities					
Insurance program	$ 37,883	$ 37,341		$ (542)	(542)
Total business-type activities	37,883	37,341		(542)	(542)
Total primary government	$ 6,274,880	$ 3,031,256			$ (3,243,624)
General revenues					
Appropriations from State Resources			1,751,122	-	1,751,122
Lapsed appropriations			(10,753)	-	(10,753)
Receipts collected and transmitted to State Treasury			(43)	-	(43)
Interest and investment income			844	9	853
Other revenues			10,027	58	10,085
Loss on disposition of assets			(46)	-	(46)
Capital contributions			3,498	-	3,498
Transfers-out			(257)	-	(257)
Total general revenues and transfers			1,754,392	67	1,754,459
Change in net position			(1,488,690)	(475)	(1,489,165)
Net position, July 1, 2014, as restated			(11,519,722)	2,492	(11,517,230)
Net position, June 30, 2015			$ (13,008,412)	$ 2,017	$ (13,006,395)

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

Balance Sheet - Governmental Funds

June 30, 2015 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Unexpended appropriations	$ 30,870	$ -	$ 1,332	$ 32,202
Cash equity with State Treasurer	1	-	1,353	1,354
Receivables, net:				
Other receivables	581	-	28	609
Due from other Department funds	15,352	-	-	15,352
Due from other State funds	-	-	45	45
Total assets and deferred outflows of resources	46,804	-	2,758	49,562
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable and accrued liabilities	1,437	-	1,527	2,964
Intergovernmental payables	63	-	6	69
Due to other State fiduciary funds	-	-	36	36
Due to other Department funds	1,414,214	86,352	239	1,500,805
Due to other State funds	5	-	-	5
Due to State of Illinois component units	53	-	1	54
Matured portion of long-term obligations	284	-	-	284
Total liabilities	1,416,056	86,352	1,809	1,504,217
Deferred inflows of resources - unavailable revenue	573	-	-	573
Total liabilities and deferred inflows of resources	1,416,629	86,352	1,809	1,504,790
FUND BALANCES (DEFICITS)				
Committed - General Government	-	-	949	949
Unassigned	(1,369,825)	(86,352)	-	(1,456,177)
Total fund balances (deficits)	(1,369,825)	(86,352)	949	(1,455,228)
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 46,804	$ -	$ 2,758	$ 49,562

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

State of Illinois
Department of Central Management Services
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2015
(Expressed in Thousands)

Total fund balances-governmental funds		$ (1,455,228)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		32,466
Revenues in the Statement of Activities that do not provide current financial resources are deferred in governmental funds.		573
Internal service funds are used to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported as governmental activities in the Statement of Net Position.		490,835
Deferred outflows of resources related to pensions.		12,582
Deferred inflows of resources related to pensions.		(8,554)
Some liabilities reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences	(1,550)	
Auto liability claims	(4,632)	
Net other postemployment benefit obligations	(11,974,652)	
Net pension liability	(100,252)	
		(12,081,086)
Net position of governmental activities		$ (13,008,412)

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

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

For the Year Ended June 30, 2015 (Expressed in Thousands)

	General Fund	Road Fund	Nonmajor funds	Total Governmental Funds
REVENUES				
Other	$ 45	$ -	$ 3,648	$ 3,693
Other charges for services	-	-	225	225
Total revenues	45	-	3,873	3,918
EXPENDITURES				
General government	170,590	-	3,969	174,559
Education	579,129	-	-	579,129
Employment and economic development	35,059	-	-	35,059
Health and social services	366,825	-	-	366,825
Transportation	30,515	131,094	-	161,609
Public protection and justice	364,715	-	-	364,715
Environment and business regulation	76,287	-	-	76,287
Capital outlays	-	-	4,477	4,477
Total expenditures	1,623,120	131,094	8,446	1,762,660
Excess (deficiency) of revenues over (under) expenditures	(1,623,075)	(131,094)	(4,573)	(1,758,742)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	1,607,965	123,372	14,982	1,746,319
Lapsed appropriations	(184)	-	(10,569)	(10,753)
Receipts collected and transmitted to State Treasury	(43)	-	-	(43)
Transfers-in	(4)	-	-	(4)
Transfers-out	-	-	(253)	(253)
Net other sources (uses) of financial resources	1,607,734	123,372	4,160	1,735,266
Net change in fund balances	(15,341)	(7,722)	(413)	(23,476)
Fund balances (deficits), July 1, 2014	(1,354,484)	(78,630)	1,362	(1,431,752)
Fund Balances (Deficits), June 30, 2015	$ (1,369,825)	$ (86,352)	$ 949	$ (1,455,228)

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

State of Illinois
Department of Central Management Services
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2015
(Expressed in Thousands)

Net change in fund balances	$ (23,476)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This amount represents the excess of capital outlays over depreciation expense.	4,391
Transfers of capital assets to and from proprietary funds and other funds of the State are not recorded in governmental funds. This amount represents the net transfers of capital assets between governmental funds and proprietary funds or other funds of the State in the Statement of Activities.	(3,062)
Gains and losses from capital assets no longer in use are not recorded in governmental funds but are reported as other revenues and expenses in the Statement of Activities. In the current year, these transactions include losses on capital assets scrapped, damaged, or stolen.	(46)
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported as governmental activities in the Statement of Activities.	20,643
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the decrease in unavailable revenue over the prior year.	(30)
Change in deferred outflows of resources.	11,099
Change in deferred inflows of resources.	(8,554)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Below are such activities.	
Increase in compensated absences obligation	(139)
Increase in auto liability claims	(1,454)
Increase in net other postemployment benefit obligations	(1,482,589)
Increase in net pension liability	(5,473)
Change in net position of governmental activities	$ (1,488,690)

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

Statement of Net Position - Proprietary Funds

June 30, 2015 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Enterprise Fund: Local Government Health Insurance Reserve Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash equity with State Treasurer	$ 269,768	$ 4,820
Cash and cash equivalents	76,405	1,356
Securities lending collateral equity of State Treasurer	77,961	1,964
Receivables, net:		
Intergovernmental	2,098	87
Other	46,328	512
Due from other Department fiduciary funds	58	-
Due from other State fiduciary funds	5	
Due from other Department funds	1,531,096	-
Due from other State funds	756,602	-
Due from State of Illinois component units	14,820	-
Inventories	3,190	-
Total current assets	2,778,331	8,739
Capital assets not being depreciated	39,581	-
Capital assets being depreciated, net	261,371	-
Total noncurrent assets	300,952	-
Total assets	3,079,283	8,739
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities	1,794,544	4,570
Intergovernmental payables	13,616	2
Due to other State fiduciary funds	1,925	9
Due to other Department funds	45,628	15
Due to other State funds	635	2
Due to State of Illinois component units	275	-
Obligations under securities lending of State Treasurer	77,961	1,964
Unearned Revenue	7,413	41
Current portion of long-term obligations	116,094	-
Total current liabilities	2,058,091	6,603
Noncurrent portion of long-term obligations	530,357	119
Total liabilities	2,588,448	6,722
NET POSITION		
Net investment in capital assets	288,978	-
Restricted for debt service	4,330	-
Unrestricted	197,527	2,017
Total net position	$ 490,835	$ 2,017

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

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Enterprise Fund: Local Government Health Insurance Reserve Fund
OPERATING REVENUES		
Charges for sales and services	$ 3,062,196	$ 37,341
Other	468	-
Total operating revenues	3,062,664	37,341
OPERATING EXPENSES		
Cost of sales and services	455,365	-
Claims and judgments	2,371,467	-
Benefit payments and refund	-	36,890
General and administrative	85,482	993
Depreciation	29,789	-
Other	46	-
Total operating expenses	2,942,149	37,883
Operating income (loss)	120,515	(542)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment income	844	21
Interest expense	(113,101)	(12)
Other revenue	5,866	58
Other expense	(41)	-
Income (loss) before contributions	14,083	(475)
Contributions of capital assets	6,560	-
Change in net position	20,643	(475)
Net position, July 1, 2014	470,192	2,492
Net position, June 30, 2015	$ 490,835	$ 2,017

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

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Governmental Activities - Internal Service Funds	Business-Type Activities - Enterprise Fund: Local Government Health Insurance Reserve Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales and services	$ 130,834	$ 37,427
Cash received from transactions with other funds	3,023,596	-
Cash payments to suppliers for goods and services	(2,717,430)	(37,331)
Cash payments to employees for services	(157,762)	(1,192)
Cash payments for workers compensation	(93,117)	-
Cash receipts from other operating activities	57,722	984
Net cash provided (used) by operating activities	243,843	(112)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid on revenue bonds and other borrowings	-	(12)
Transfers-out to other funds	-	-
Grants received	5,846	62
Other noncapital financing activities	(115,766)	-
Net cash provided (used) by noncapital financing activities	(109,920)	50
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,980)	-
Principal paid on capital debt	(3,545)	-
Interest paid on capital debt	(825)	-
Net cash (used) by capital and related financing activities	(17,350)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investment securities	517	
Interest and dividends on investments	815	21
Net cash provided (used) by investing activities	1,332	21
Net increase (decrease) in cash and cash equivalents	117,905	(41)
Cash and cash equivalents, July 1, 2014	228,268	6,217
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	346,173	6,176
Reconciliation of cash and cash equivalents to the statement of net assets:		
Total cash and cash equivalents per the statement of net assets	76,405	1,356
Add: cash equity with State Treasurer	269,768	4,820
CASH AND CASH EQUIVALENTS, JUNE 30, 2014	346,173	6,176
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
OPERATING INCOME (LOSS)	120,515	(542)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	29,789	-
Provision for uncollectible accounts	97	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(12,144)	(173)
(Increase) decrease in intergovernmental receivables	417	64
(Increase) decrease in due from other funds	89,001	-
(Increase) decrease in due from State of Illinois component units	(4,202)	-
(Increase) decrease in inventory	(1,231)	-
Increase (decrease) in accounts payable and accrued liabilities	10,747	537
Increase (decrease) in intergovernmental payables	4,536	(3)
Increase (decrease) in due to other State funds	6,661	(11)
Increase (decrease) in due to State of Illinois component units	124	-
Increase (decrease) in unearned revenues	1,772	22
Increase (decrease) in other liabilities	(2,239)	(6)
Total adjustments	123,328	430
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 243,843	$ (112)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Loss on sale of equipment	$ (41)	$ -
Transfer of capital assets, net of related debt, to/from other State funds	$ 6,560	$ -

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

Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2015 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Agency Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Cash equity with State Treasurer	$ 42,692	$ 16,464
Cash and cash equivalents	17,067	1,569
Investments:		
Equities	3,496,282	-
Fixed income	123,061	-
Other	466,471	-
Intergovernmental receivables	313	-
Other receivables, net	18,169	-
Due from other State funds	17,203	-
Loans and note receivable, net	34,280	-
Securities lending collateral equity of State Treasurer	15,526	5,684
Total assets and deferred inflows of resources	$ 4,231,064	$ 23,717
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities	182,709	17,995
Intergovernmental payables	4	-
Due to other Department funds	58	-
Due to other State fiduciary funds	13	-
Due to other State funds	92	-
Due to State of Illinois component units	-	38
Obligations under securities lending of State Treasurer	15,526	5,684
Current portion of long-term obligations	13	-
Noncurrent portion of long-term obligations	234	-
Total liabilities and deferred inflows of resources	$ 198,649	$ 23,717
NET POSITION		
Held in trust for:		
Other employee benefits	(93,046)	
Deferred compensation benefits	4,125,461	
Total net position	$ 4,032,415	

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

Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Pension (and Other Employee Benefit) Trust Funds
Deposits/Contributions:	
Employer	$ 85,710
State	105,462
Members/participants	416,995
Other contributions	9,319
Total contributions	617,486
Investment income:	
Interest, dividends and other investment income	209,576
Net decrease in fair value of investments	(82,149)
Reimbursement of investment expenses not separable from investment income	3,545
Less: investment expense	(2,058)
Net investment income	128,914
Other additions	406
Total additions	746,806
Deductions:	
Benefit payments	741,057
Refunds	59
Other Deductions	1,484
General and administration	13,541
Total deductions	756,141
Net additions (deductions)	(9,335)
Net position, July 1, 2014	4,041,750
Net position, June 30, 2015	$ 4,032,415

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

(1) Organization

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

The Department provides a variety of centralized services for the operation of State Government. The Department provides personnel services for State agencies; purchases goods and services for State agencies; supplies telecommunications, data processing, videoconferencing, and office automation; manages state property, and disseminates information about State Government to the news media and general public. It employs volume purchasing and economies of scale to reduce costs and improve government efficiency. The Department provides healthcare coverage for employees of the State of Illinois, local governments and schools through group insurance plan administration. The Department promotes the economic development of minority and female businesses as well as businesses hiring persons with disabilities.

(2) Summary of Significant Accounting Policies

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

(a) Financial Reporting Entity

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

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

2) Fiscal dependence on the primary government.

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

(b) Basis of Presentation

The financial statements of the State of Illinois, Department of Central Management Services, are intended to present the financial position, the changes in financial position, and the cash flows, when applicable, of only that portion of the governmental activities, each major fund of the State of Illinois, and the aggregate remaining fund information of the State of Illinois that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Illinois as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Statements. The government-wide statement of net position and statement of activities report the overall financial activity of the Department, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes, charges for services, and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

The Department administers the following major governmental funds (or portions thereof in the case of shared funds) - see the State of Illinois' Comprehensive Annual Financial Report:

General – This is the State's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. The services which are administered by the Department and accounted for in the general fund include, among others, general government services and healthcare benefits for State employees.

Road – This fund accounts for the activities of the Department for payment to the Health Insurance Reserve Fund for allocated costs associated with providing medical and dental benefits for State employees paid from the Road Fund.

Additionally, the Department reports the following fund types:

Governmental Fund Types:

Special Revenue – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds account for, among other things, federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Capital Projects – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities and other assets. Such resources are derived principally from proceeds of general and special obligation bond issues and certificates of participation.

Proprietary Fund Types:

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

Enterprise – This fund accounts for operations where the intent of the Department is that the cost providing goods or services for health insurance programs on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types:

Pension (and other Employee Benefit) Trust – These funds account for resources that are required to be held in trust for payment of postemployment benefits on-behalf of beneficiaries.

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

(c) Measurement Focus and Basis of Accounting

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

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

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

(d) Shared Fund Presentation

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

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

<u>Unexpended Appropriations</u>

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

Appropriations from State Resources

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

Lapsed Appropriations

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

Reappropriation to Future Year(s)

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

Receipts Collected and Transmitted to State Treasury

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

Amount of SAMS Transfers-In

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

(e) Eliminations

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

(f) Cash and Cash Equivalents

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

(g) Inventories

Inventories of the State Garage Revolving Fund, consisting primarily of automotive parts, accessories, and supplies, are valued at cost, principally on the weighted average method.

(h) Interfund Transactions

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

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

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

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

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

(i) Capital Assets

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

Capitalization thresholds and the estimated useful lives are as follows:

Capital Asset Category	Capitalization Threshold	Estimated Useful Life
Land	$100,000	N/A
Land Improvements	25,000	N/A
Buildings	100,000	10-60
Building Improvements	25,000	10-45
Site Improvements	25,000	20
Equipment	5,000	3-25

The Department does not capitalize its collections of works of art or historical treasures held for public exhibition, education, or research in furtherance of public service rather than capital gain. The collections are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale, exchange, or other disposal of any item belonging to non-capitalized collections of works of art or historical treasures for the Department must be applied to the acquisition of additional items for the same collection.

(j) Compensated Absences

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

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

(k) Pensions

In accordance with the Department's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the net pension liability, deferred outflows of resources, deferred inflows of resources, appropriations from State resources, and pension expense have been recognized in the government-wide financial statements.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and expenditures associated with the Department's contribution requirements, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

(l) Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The Department has recorded deferred outflows/inflows of resources in the government-wide financial statements in connection with the net pension liability reported and explained in Note 8. In addition, the Department has record deferred inflows in the governmental funds financial statements in connection with unavailable revenues.

(m) Fund Balances

In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable- This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted- This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed- This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Department removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Department's highest level of decision-making authority rests with the Illinois State legislature and the Governor. The State passes "Public Acts", to commit their fund balances.

Assigned- This consists of net amounts that are constrained by the Department's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned- This consists of residual fund balance that has not been restricted, committed, or assigned within the general fund and deficit fund balances of other governmental funds.

When both restricted and unrestricted (committed, assigned, and unassigned) resources are available for use, it is the Department's policy to use restricted resources first. When only unrestricted resources are available, the Department uses committed resources first, followed by assigned, and then unassigned.

(n) Net Position

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

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

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

Unrestricted – This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The government-wide statement of net position reports $4.33 million of restricted assets which are restricted by enabling legislation.

(o) Use of Estimates

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

(p) State Employees' Deferred Compensation Plan Administration

By State statute the Department is responsible for administering the State Employees' Deferred Compensation Plan (Plan). The Department contracts with Invesco Ltd. for investment management services and T. Rowe Price Retirement Plan Services, Inc. to provide recordkeeping services for the Plan. Additional investment management fees are paid to mutual fund managers before any dividends are declared in accordance with customary industry practices. Asset charges intended to cover the costs of administration, including investment management and recordkeeping fees, are computed monthly and withdrawn from participants' accounts on a monthly or quarterly basis. Effective January 1, 2014, the annual fee of $30 per participant was reinstated. This fee had been waived for 2008 through 2013.

(q) Health Benefits Claim Processing

By State statute, the Department is responsible for administering the State's health benefit programs. The Department contracts with third party administrators to process health, dental, and prescription claims submitted by healthcare service providers relating to the applicable self-insured portions of the health benefit programs accounted for in the Local Government Health Insurance Reserve Fund, Teacher Health Insurance Security Fund, Community College Health Insurance Security Fund and Health Insurance Reserve Fund. It is the Department's policy to recognize claims expense and accrue any unpaid liability relating to claims incurred but not reported (IBNR) based on actuarial projections and reports of processed claims provided by the third-party administrators.

(r) New Accounting Pronouncements

Effective for the year ending June 30, 2015, the Department adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, expenses, and expenditures. The statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of this Statement significantly impacted the Department's government-wide financial statements and footnote disclosures with the recognition of a net pension liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position as well as appropriations from State resources and pension expense on the Statement of Activities.. Additionally, the requirements of this statement resulted in the restatement of beginning net position. Information regarding the Department's participation in SERS is disclosed in Note 8.

Effective for the year ending June 30, 2015, the Department adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* which addresses an issue regarding the application of the transition provisions of GASB Statement No. 68. The statement clarifies the accounting for contributions to a defined benefit pension plan after the measurement date of a government's beginning net pension liability. The provisions of this statement were incorporated with the implementation of GASB Statement No. 68.

(s) Future Adoption of GASB Statements

Effective for the year ending June 30, 2016, the Department will adopt the following GASB statements:

Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which establishes requirements for those pensions and pension plans that are not administered through a trust not covered by Statements 67 and 68.

Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* which is intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. This will improve the usefulness of financial statement information for making decisions and assessing accountability in addition to enhancing the comparability of financial statement information among governments. This Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements.

Effective for the year ending June 30, 2017, the Agency will adopt the following GASB statements:

Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. This Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. In addition, this Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

Statement 77, *Tax Abatement Disclosures,* which is intended to improve financial reporting by requiring disclosure of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.

Effective for the year ending June 30, 2018, the Agency will adopt the following GASB statements:

Statement 75, Accounting *and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. This Statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

The Agency has not yet determined the impact of adopting these statements on its financial statements.

(3) Deposits and Investments

(a) Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. Deposits in the custody of the State Treasurer are pooled and invested with other State funds in accordance with the investment authority and guidelines for the Treasurer's published investment policy found in Section 22.8 of the Deposit of State Moneys Act (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Detail on the nature of these deposits and investments is available within the State of Illinois' Comprehensive Annual Financial Report.

Funds maintained outside the State Treasury have independent statutory authority to manage their own deposits and investments. The investment authority of the Illinois State Board of Investments ("ISBI") is governed by the Illinois Pension Code (40 ILCS 5). ISBI has published investment policies incorporating these guidelines.

The carrying amount and bank balance of cash deposits held outside of the State Treasury at June 30, 2015 was $1.495 million which was uninsured and uncollateralized.

(b) Investments

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

As of June 30, 2015 the Department had the following fixed income investments outside of the State Treasury:

	Book Value (Thousands)	Fair Value (Thousands)	Weighted Average Maturity (Years)
Governmental Activities			
Money market mutual funds	$ 2,833	$ 2,833	0.096
Public Treasurer's Investment Pool	72,077	72,077	0.110
Total fixed income investments	$ 74,910	$ 74,910	
Fiduciary Funds			
Money market mutual funds	$ 28,980	$ 28,980	0.153
Debt mutual funds	66,539	66,539	7.800
Bond mutual funds	30,415	30,415	7.740
Public Treasurer's Investment Pool	15,763	15,763	0.110
Total fixed income investments	141,697	141,697	
Business-Type Activities			
Public Treasurer's Investment Pool	1,356	1,356	0.110
Total fixed income investments	$ 1,356	$ 1,356	

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

Credit Risk: The Department does not have a formal investment policy that limits investment choices. The Governmental Activities money market mutual funds were rated AAAm by Standard and Poor’s. The Fiduciary Funds money market mutual funds were unrated. The Fiduciary Funds debt mutual funds were also unrated.

Custodial Credit Risk: The Department does not have a formal investment policy which restricts investments to address custodial credit risk. Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the Department would not be able to recover the value of investment or collateral securities in the possession of an outside party.

(c) Reconciliation to Statement of Net Position and Statement of Fiduciary Net Position

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

Governmental Activities	**Deposits**	**Investments**
Amounts Per Note 3(a) & (b)	$ 1,495	$ 74,910
Cash equivalents	74,910	(74,910)
Amounts per Statement of Net Position	$ 76,405	$ -

Fiduciary Funds	**Deposits**	**Investments**
Amounts Per Note 3(b)	$ -	$ 141,697
Cash equivalents	18,636	(18,636)
Equity mutual funds	-	583,857
Blended mutual funds	-	2,530,822
Annuities	-	666
Equity trust funds	-	381,602
Guaranteed investment contracts	-	465,806
Amounts per Statement of Fiduciary Net Position	$ 18,636	$ 4,085,814

Business-type Activities	**Deposits**	**Investments**
Amounts Per Note 3(b)	$ -	$ 1,356
Cash equivalents	1,356	(1,356)
Amounts per Statement of Net Position	$ 1,356	$ -

(d) Securities Lending Transactions

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During Fiscal Year 2015, Deutsche Bank AG lent U.S. Treasury and U.S. Agency securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during the fiscal year on the amount of the loans available or the eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or Deutsche Bank AG.

During Fiscal Year 2015, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2015 were $4,007,450,623 and $3,980,606,070, respectively.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, paragraph 9, the Office of the State Treasurer has allocated the assets and obligations at June 30, 2015 arising from securities lending agreements to the various funds of the State. The total allocated to the Department at June 30, 2015 was $101.135 million.

(4) Interfund Balances and Activity

(a) Balances Due to/from Other Funds

The following balances (amounts expressed in thousands) at June 30, 2015 represent amounts due from other Department and State of Illinois funds.

	Due from				
Fund	**Other Department Funds**	**Other Department Fiduciary Funds**	**Other State Funds**	**Other State Fiduciary Funds**	**Description/Purpose**
General	$ 15,352	$ -	$ -	$ -	Due from other Department funds for reimbursement of advances on expenditures incurred.
Non-major governmental funds	-	-	45	-	Due from other Department funds and other State funds for sales of federal surplus property.
Internal service funds	1,531,096	58	756,602	5	Due from other Department funds, other Department fiduciary funds and other State funds for services provided.
Fiduciary funds	-	-	17,203	-	Due from other State funds for insurance benefits
	$ 1,546,448	$ 58	$ 773,850	$ 5	

The following balances (amounts expressed in thousands) at June 30, 2015 represent amounts due to other Department and State of Illinois funds.

	Due to			
Fund	**Other Department Funds**	**Other State Funds**	**Other State Fiduciary Funds**	**Description/Purpose**
General	$ 1,414,214	$ 5	$ -	Due to other Department funds for internal service fund services received including healthcare claims and other State funds for services received.
Road	86,352	-	-	Due to other Department internal service funds for payment of healthcare claims.
Non-major governmental funds	239	-	36	Due to other Department funds for internal service fund services received, other State funds for services received.
Internal service funds	45,628	635	1,925	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
Fiduciary funds	58	92	13	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
Non-major enterprise fund	15	2	9	Due to other Department funds for internal service fund services received, other State funds for services received and other State fiduciary funds for retirement contributions.
	$ 1,546,506	$ 734	$ 1,983	

(b) Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) from other State funds for the year ended June 30, 2015 were as follows:

Fund	Transfers in from Other Department Funds	Description/Purpose
General	$ 4	Transfer from other Department funds pursuant to statute.

Interfund transfers out (amounts expressed in thousands) to other State funds for the year ended June 30, 2015 were as follows:

	Transfers out to		
Fund	Other Department Funds	Other State Funds	Description/Purpose
Non-major governmental funds	$ 4	$ (257)	Transfer to other Department and State funds pursuant to statute.

(5) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Net Transfers	Balance June 30, 2015
Governmental activities:					
Capital assets not being depreciated:					
Land and land improvements	$ 38,894	$ -	$ -	$ -	$ 38,894
Nondepreciable historical treasures and works of art	4	-	-	-	4
Construction in Progress	351	-	-	861	1,212
Total capital assets not being depreciated	39,249	-	-	861	40,110
Capital assets being depreciated:					
Site improvements	3,889	-	-	-	3,889
Buildings and building improvements	684,335	1,373	-	1,840	687,548
Equipment	186,929	19,748	11,213	510	195,974
Depreciable historical treasures and works of art	970	-	-	-	970
Infrastructure	58,663	205	-	-	58,868
Other Intangible Assets-Fiber Optic Rights	3,841	40	-	-	3,881
Total capital assets being depreciated	938,627	21,366	11,213	2,350	951,130
Less accumulated depreciation:					
Site improvements	3,477	174	-	-	3,651
Buildings and building improvements	483,059	13,179	-	(179)	496,059
Equipment	149,828	13,249	11,126	(98)	151,853
Depreciable historical treasures and works of art	970	-	-	-	970
Infrastructure	1,467	2,940	-	-	4,407
Other Intangible Assets-Fiber Optic Rights	549	333	-	-	882
Total accumulated depreciation	639,350	29,875	11,126	(277)	657,822
Total capital assets being depreciated, net	299,277	(8,509)	87	2,627	293,308
Governmental activity capital assets, net	$ 338,526	$ (8,509)	$ 87	$ 3,488	$ 333,418

Depreciation expense for governmental activities (amounts expressed in thousands) for the year ended June 30, 2015 was charged to functions as follows:

Governmental activities – General Government	$ 29,875

(6) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2015 were as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 12,519	$ 8,414	$ 8,669	$ 12,264	$ 1,220
Certificates of participation	15,515	-	3,545	11,970	3,755
Workers' compensation claim obligations	625,612	117,268	119,113	623,767	111,236
Auto liability claim obligations	3,590	2,705	1,379	4,916	1,229
Net other postemployment benefit obligation	10,492,063	1,482,589	-	11,974,652	-
Net pension liability	94,779	5,473	-	100,252	-
Total governmental activities	$ 11,244,078	$ 1,616,449	$ 132,706	$ 12,727,821	$ 117,440
Business-Type activities:					
Compensated absences	$ 125	$ 48	$ 54	$ 119	$ -
Total business-type activities	$ 125	$ 48	$ 54	$ 119	$ -
Fiduciary funds:					
Compensated absences	$ 246	$ 120	$ 119	$ 247	$ 13
Total fiduciary funds	$ 246	$ 120	$ 119	$ 247	$ 13

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

(b) Certificates of participation

The Department has financed the purchase of office buildings and land. The office buildings have a historical cost and accumulated depreciation of $48.740 and $21.071 million, respectively and the land has a historic cost of $2.794 million. This non-state issued certificate is sold by a private concern and is repaid by Department appropriations pursuant to an installment purchase agreement. Future debt service requirements under certificates of participation (amounts expressed in thousands) at June 30, 2015 are as follows:

Year Ending June 30	Principal	Interest	Total
2016	3,755	606	4,361
2017	3,990	373	4,363
2018	4,225	127	4,352
	$ 11,970	$ 1,106	$ 13,076

(7) Risk Management

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

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

The Department's risk financing of auto liability for the State's non-Department of Transportation liability, $4.916 million, has been determined using an estimate of claims outstanding. Claims that will be liquidated with expendable available financial resources have been recorded as a liability in the General Revenue Fund, a subaccount of the General Fund, in the amount of $.284 million. The remaining portion of the liability, $4.632 million, as of June 30, 2015, is included in the Department-wide financial statements and is expected to be paid from future resources of the General Fund.

The Department's workers' compensation liability, $623.767 million, is based on third-party actuarial estimates using information provided by the Department. The actuaries have used claims outstanding, a projection of claims to be submitted, payroll and headcount data combined with state benefit provisions. The projection is also based on actuarial assumptions predicting paid loss development, claim inflation, mortality, and other factors.

The Department administers the State of Illinois' risk management for employee health and dental insurance benefit programs of the State. The Health Insurance Reserve Fund, an internal service fund, is used to account for these benefit programs, which are partially self-funded. Employees of the State may obtain health care services through participation in the State's group health insurance plan or through membership in one of eight health maintenance organization plans under contract with the State. The State maintains the risk of insurance for employees who participate in the State's group health insurance plan. Expenses and liabilities for claims, which include incurred but not reported or not processed benefit claims, have been recorded as liabilities in the amount of $611.854 million. Payments to the Health Insurance Reserve Fund are based on estimates of amounts needed to pay prior year unprocessed and current year claims.

The following is a reconciliation of the Department's claims liabilities for the years June 30, 2014 and June 30, 2015 (amounts expressed in thousands).

	Changes in Claims Liability Balances			
Year Ended June 30	**Beginning Balance**	**Current Year Claims and Changes in Estimates**	**Claim Payments**	**Ending Balance**
Primary Government-Governmental Activities:				
2014				
Auto Liability	$ 2,954	$ 1,320	$ 684	$ 3,590
Workers' Compensation	579,166	200,115	153,669	625,612
Health claims incurred but not reported	702,196	822,379	909,488	615,087
Total:	$ 1,284,316	$ 1,023,814	$ 1,063,841	$ 1,244,289
2015				
Auto Liability	$ 3,590	$ 2,705	$ 1,379	$ 4,916
Workers' Compensation	625,612	117,268	119,113	623,767
Health claims incurred but not reported	615,087	885,790	889,023	611,854
Total:	$ 1,244,289	$ 1,005,763	$ 1,009,515	$ 1,240,537

(8) Pension

Plan Description. Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255.

Benefit Provisions. SERS provides retirement benefits based on the member's final average compensation and the number of years of credited service that have been established. The retirement benefit formula available to general State employees is 1.67% for each year of covered service and 2.2% for each year of noncovered service. The maximum retirement annuity payable is 75% of final average compensation as calculated under the regular formula. The minimum monthly retirement annuity payable is $15.00 for each year of covered employment and $25.00 for each year of noncovered employment.

Participants in SERS under the regular formula Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>A member must have a minimum of eight years of service credit and may retire at:
Age 60, with 8 years of service credit.
Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service.
Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).
The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.

Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.

If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td><td>A member must have a minimum of 10 years of credited service and may retire at:
Age 67, with 10 years of credited service.
Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).
The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2014 rate is $110,631.

If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum</td></tr>
</table>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State policemen, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service to the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2015, this amount was $111,572.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2015, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2015, the employer contribution rate was 42.339%. The Department's contribution amount for fiscal year 2015 was $32.615 million.

Pension liability, deferred outflows of resources, deferred inflows of resources, appropriations from State resources and expense related to pensions. At June 30, 2015, the Department reported a liability of $100.252 million for its proportionate share of the State's net pension liability for SERS on the statement of net position. The net pension liability was measured as of June 30, 2014 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2014. As of the current year measurement date of June 30, 2014, the Department's proportion was .3699%.

For the year ended June 30, 2015, the Department recognized pension benefit of $4.803 million and pension expense of $7.731 million. At June 30, 2015, the Department reported deferred outflows and deferred inflows of resources related to the pension liability from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 437	$ -
Changes of assumptions	9,091	-
Net difference between projected and actual investment earnings on pension plan investments	-	3,574
Change in proportion	1,489	4,980
Agency contributions subsequent to the measurement date	1,565	-
Total	$ 12,582	$ 8,554

$1.565 million reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts expressed in thousands):

Year Ending June 30	Amount
2016	$ 789
2017	789
2018	789
2019	96
Total	$ 2,463

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015.

Inflation: 3.0%

Investment Rate of Return: 7.25%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lessor of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2014, valuation pursuant to an experience study of the period July 1, 2009 to June 30, 2013.

The long-term expected real rate of return on pension plan investments was determined based on the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation, calculated as of the measurement date of June 30, 2014, the best estimates of the geometric real rates of return as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	100%	5.03%

Discount Rate. A discount rate of 7.09% was used to measure the total pension liability. This single blended discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 4.29%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under Illinois law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2066. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2066, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 6.09%	Discount Rate 7.09%	1% Increase 8.09%
Agency's proportionate share of the net pension liability	$ 120,799	$ 100,256	$ 83,194

Payables to the pension plan. At June 30, 2015, the Department reported a payable of $1.552 million to SERS for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

(9) Post-employment Benefits

Plan Description: The State Employees Group Insurance Act of 1971 ("Act"), as amended, authorizes the State to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all State and university component unit employees become eligible for these other postemployment benefits ("OPEB") if they eventually become annuitants of one of the State sponsored pensions plans. The Department of Central Management Services administer these benefits for annuitants with the assistance of the public retirement systems sponsored by State (General Assembly Retirement Systems, Judges Retirement Systems, State Employees Retirement System, Teachers' Retirement Systems, and the State Universities Retirement System). The portions of the Act related to other postemployment benefits establishes a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation for employees of the State's component unit universities. The plan does not issue a stand-alone financial report.

However, Public Act 97-0695, effective, July 1, 2012, alters the contributions to be paid by the State, annuitants, survivors, and retired employees under the State Employees Group Insurance Act. This Act requires the Director of the Department to, on an annual basis, determine the amount that the State should contribute. The remainder of the cost of coverage shall be the responsibility of the annuitant, survivor, or retired employee. The costs were to be assessed beginning July 1, 2013. However, four putative class actions were filed challenging the validity of this legislation under, among other things, the pension protection clause of the Illinois Constitution of 1970. The four class actions were consolidated in the circuit court of Sangamon County. The circuit court dismissed each of them for failure to state a cause of action, without certifying any classes. The Illinois Supreme Court allowed direct appeal. On July 3, 2014, the Illinois Supreme Court issued an opinion in the retiree health insurance premium case. The Illinois Supreme Court disagreed with the circuit court and determined the circuit court should not have dismissed the case. The Supreme Court sent the case back to the circuit court for reconsideration. As a result, the Sangamon County Circuit Court has directed all retirement systems to discontinue withholding, as soon as possible, the retiree and survivor health insurance premiums that have been in effect since July 2013. The refunding of these premiums was repaid from an escrow account by June 15, 2015.

The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with the limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time the benefit amount becomes $5,000.

Funding Policy and Annual Other Postemployment Benefit Cost: In accordance with the Act, the State contributes towards the cost of an annuitant's coverage under the basic program of health, dental, and vision benefits an amount equal to five percent of that cost for each full year of creditable service up to a maximum of one hundred percent for an annuitant with twenty or more years of creditable service. For fiscal year 2015, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $9,094 ($4,590 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organizations and $11,909 ($4,310) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as-you-go amount necessary to provide the current benefits to retirees.

For current employees, contributions are dependent upon annual salary and whether or not the employee chooses to receive benefits through a health maintenance organization. Current employee contribution rates to the plan are as follows:

	Annual Employee Health, Dental and Vision Contribution Requirements	
Employee Annual Salary	**Benefits Provided Through a Health Maintenance Organization**	**Benefits Provided Through Other Than a Health Maintenance Organization**
$30,200 and below	$816	$1,116
$30,201 - $45,600	$1,032	$1,332
$45,601 - $60,700	$1,236	$1,524
$60,701 - $75,900	$1,428	$1,728
$75,901 - $100.000	$1,644	$1,944
$100,000 - and above	$2,232	$2,532

The State's AOPEBC for the current year and related information (amounts expressed in thousands) are as follows:

Actuarially required contributions ("ARC")	$	2,170,058
Plus: Interest on net other postemployment benefit obligation ("NOPEBO")		472,143
Adjustment to the ARC		(349,736)
Annual other postemployment benefits cost		2,292,465
Benefits paid during the year		(809,876)
Increase in NOPEBO		1,482,589
NOPEBO at June 30, 2014		10,492,063
NOPEBO at June 30, 2015	$	11,974,652

The State funds its annual OPEB (AOPEBC) cost on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit. Only for financial statement purposes is the State required to report the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess). The following table shows the components of the State's AOPEBC for the year and changes in the State's net OPEB obligation (NOPEBO).

The AOPEBC, the percentage of AOPEBC contributed for the year, and the NOPEBO at the end of the current fiscal year and the two preceding fiscal years (amounts expressed in thousands) are as follows:

		June 30, 2015
Annual Other Post employment Benefit Cost		
June 30, 2013	$	2,377,627
June 30, 2014	$	2,344,439
June 30, 2015	$	2,292,465
Percentage AOPEBC Contributed		
June 30, 2013		26.27%
June 30, 2014		38.62%
June 30, 2015		35.33%
Net Other Postemployment Benefit Obligation		
June 30, 2013	$	9,053,038
June 30, 2014	$	10,492,063
June 30, 2015	$	11,974,652

Funding Status and Funding Progress: The funding status and funding progress of the State's OPEB plan (amounts expressed in thousands) are as follows:

	(a)	(b)	(c)	(d)	(e)	(f)
Actuarial Valuation Date	**Actuarial Value of Assets**	**Actuarial Accrued Liability ("AAL") Projected Unit Credit**	**Unfunded AAL ("UAAL") (b-a)**	**Funded Ratio (a/b)**	**Covered Payroll**	**UAAL as a Percentage of Covered Payroll (c/e)**
6/30/2014	$ -	33,051,281	33,051,281	0.00%	$ 7,660,475	431.45%

Actuarial Methods and Assumptions. Actual valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress of the State's OPEB plan, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and do not include the potential effects of legal or contractual funding limitations on the pattern of cost sharing between employer and plan members in the future. Information about actuarial methods and assumptions used in the actuarial valuation of the plan are as follows:

Actuarial valuation date of the actuarial required contributions	6/30/2014
Actuarial valuation date of the unfunded actuarial accrued liability	6/30/2014
Actuarial cost method	Proj. Unit Credit Cost
Amortization method	Level % of pay
Remaining amortization period	30 years, Open
Asset valuation method	Fair Value
Actuarial assumptions:	
Investment rate of return*	4.50%
Projected salary increases*	4.50%
Inflation Rate	3.00%
Healthcare cost trend rate:	
Medical (Pre-Medicare)	8.5% grading down .5% in the first year to 8.0%, then grading down .05% in the second year to 7.95%, followed by grading down of .5% per year over 7 years to 4.95% in year 9.
Medical (Post-Medicare)	8.5% grading down .5% per year over 8 years to 4.5%
Dental	7.5% grading down .5% per year over 6 years to 4.5%
Vision	3.00%

*Includes inflation rate listed

(10) Commitments and Contingencies

(a) Operating leases

The Department leases parking lots, warehouses, and buildings, under the terms of noncancelable operating lease agreements that require the Department to make minimum lease payments plus pay a pro rata share of certain operating costs. Rent expense under operating leases was $86.528 million for the year ended June 30, 2015.

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

Year Ending June 30	Total
2016	71,034
2017	51,993
2018	41,337
2019	23,940
2020	6,100
2021-2024	221
	$ 194,625

(b) Fiber Optics Network

The Department entered into construction contracts for purposes of statewide fiber optic expansion. The project was authorized for $51.895 million and was completed prior to June 30, 2014. The fiber optic network is now utilized by the Department and the rights to use the network have been leased to various organizations. As of June 30, 2015, the Department had recorded $669 thousand in fiber optics lease income as well as $7.2 million in unearned revenue relating to signed lease agreements of which $627 thousand will be recognized in the next year.

(c) Federal Service Charges

The Department's internal service funds receive revenue from charges for services provided to various federal grants of the State which are subject to review and audit by federal grantor agencies. The Department believes that it is probable that a payback representing the federal share of excess fund balances will be required from the Statistical Services Revolving Fund (SSRF) and the Communications Revolving Fund (CRF) for activities in fiscal years 2012 through 2015. The Department estimates the SSRF refund may result in a payment of up to $6.440 million and the CRF refund may result in payment of up to $4.513 million. The Department has recorded a liability in the respective funds.

(c) Litigation

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

(11) Change in Accounting Principle

The Department's financial statements have been restated as of July 1, 2014. The Governmental Activities were restated as a result implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which requires net pension liability to be reported as a component of long-term obligations in accrual-basis financial statements. In addition, deferred outflows and deferred inflows of resources related to changes in the net pension liability are required to be reported.

	Governmental Activities
Net Position, June 30, 2014, as previously reported	$ (11,426,426)
Beginning of year net pension liability	(94,779)
Beginning of year deferred outflow of resources	1,483
Net Position, June 30, 2014, as restated	$ (11,519,722)

(12) Local Government Health Insurance Fund Risk Pool Disclosure

The Local Government Health Insurance Reserve Fund (LGHIRF) was established to provide health and dental insurance to participating local governments entities. Financial statements for the LGHIRF may be obtained from the Department. As of June 30, 2015, there were 260 local governmental entities participating with approximately 2,798 employees, 1,847 dependents and 204 retirees covered. Each participating local governmental unit is required to enter into written agreement with the Department. The agreement sets forth the responsibilities of both parties. The Department issues a publicly available financial report that includes financial statements and required information for LGHIRF. The financial report may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Billing and collection of monthly premiums from local governmental units
- Enrollment and termination of members and dependents after notification by the local governmental unit
- Establishment of a Local Governmental Health Plan Advisory Board, consisting of seven advisors from the participating local governmental units
- Processing and payment of authorized claims
- Establishment of the Local Government Health Insurance Reserve Fund

The responsibilities required of the local government units are:

- Enrollment of all employees and dependents that meet eligibility guidelines and who elect to participate
- Collection and transmission of monthly member and dependent premiums
- Designation of a Health Plan Representative
- Participation in the program for a minimum of two years

The LGHIRF had previously contracted with third-party reinsurers for reinsurance coverage. However, no such coverage was in place for the year ended June 30, 2015.

The basis used in calculating the estimated liability for the future claims is based on claims reported but not paid during the fiscal year plus an estimate of claims incurred but not reported (IBNR). The estimate for claims incurred but not reported was calculated using a factor based on historical experience stated as a percentage of claims reported vs. total claims incurred during the policy cycle. For the year ended June 30, 2015, all claims are paid on a two-year claim cycle.

Based on the above method, the liability for future claims (amount expressed in thousands) at June 30, 2015 is as follows:

Claims incurred and reported but not paid as of June 30	$ 3,019
Estimated liability for claims incurred but not reported	1,473
Total estimated liability for future claims	$ 4,492

A reconciliation of total benefit payments and refunds including claims adjustment expense is as follows (amount expressed in thousands):

	2014	2015
Payments made for benefit claims	$34,102	$ 36,314
Less: liability for unpaid claims, beginning of year	5,607	3,916
Subtotal	28,495	32,398
Add: liability for unpaid claims, end of year	3,916	4,492
Total benefit claim payments and refunds	$32,411	$ 36,890

(13) Other Post-Employment Benefit Plans

The Department administrators, along with the retirement systems listed below, two funds which account for cost-sharing, multiple-employer defined benefit postemployment benefit plans (other than pension plans) for non-State employees.

For both plans, plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Department issues a publicly available financial report that includes financial statements and required supplementary information for each plan. The financial reports may be obtained from the Department of Central Management Services, 704 Stratton Office Building, Springfield, Illinois, 62706.

(a) Teacher Retirement Insurance Plan (TRIP)

The TRIP is accounted for in the Teacher Health Insurance Security Fund which was established to provide health insurance for the Illinois Teachers' Retirement System (TRS) annuitants and dependent beneficiaries. As of June 30, 2015 there were 989 school districts participating with approximately 265,166 covered participants. The Department works in conjunction with the Illinois Teachers' Retirement System to administer the TRIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Teacher Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the TRS are:

- Enrollment of annuitants and dependent that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.97 percent contribution from active teachers and 0.72 percent contributions from school districts for program funding purposes

(b) Community College Insurance Plan (CCIP)

The CCIP is accounted for in the Community College Health Insurance Security Fund which was established to provide health and dental insurance for the Illinois community college retirees and dependent beneficiaries. As of June 30, 2015, there were 38 community colleges and 1 community college association participating with approximately 34,332 covered participants. The Department works in conjunction with the State Universities Retirement Systems (SURS) to administer the CCIP.

The responsibilities required of the Department are:

- Setting and adjusting premium rates
- Establishment of the Community College Health Insurance Security Fund
- Processing and payment of authorized claims
- Other matters noted in the administration of the fund

The responsibilities required of the SURS are:

- Enrollment of annuitants and dependents that meet eligibility guidelines and who elect to participate
- Termination of membership for annuitants and dependents
- Collection and transmission of monthly annuitant and dependent premiums
- Collection and transmission of 0.5 percent contributions from active community college employees and community college districts for program funding purposes

(14) State Employees' Deferred Compensation Plan General Description

Under State Employees' Deferred Compensation Plan (Plan) provisions, all State employees are eligible to voluntarily elect to contribute a portion of their compensation to the Plan through payroll deduction. The Plan was created in accordance with the Illinois Compiled Statutes (40 ILCS 5/24-101) and Section 457 of the Internal Revenue Code. The financial position and results of operations of the Plan for fiscal year 2015 are included in the State's Comprehensive Annual Financial Report for the year ended June 30, 2015. The Plan issues separate financial statements on a calendar year basis that may be obtained by writing to the Deferred Compensation Plan, 201 E. Madison, Suite 1C, P.O. Box 19208, Springfield, Illinois 62794-9208.

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

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

In compliance with Section 457 of the Internal Revenue Code, the Plan limits the amount of an individual's annual contribution to 100 percent of their annual taxable compensation, not to exceed $18,000 and $17,500 ($24,000 and $23,000 for participants age 50 or older) for calendar years 2015 and 2014, respectively. The State does not make any contributions to the Plan. The Plan allows participants a limited make-up on deferrals in the three years prior to the year a participant reaches normal retirement age. For each of these three years, a participant can defer the regular limit plus an additional amount based on actual underutilized deferrals, which were made in prior years, up to a maximum of $35,000 for calendar years 2015 and 2014.

Participants may withdraw the current value of funds contributed thirty days after termination of employment with the State of Illinois. Loans of up to 50% of a participant's balance or $50,000, whichever is less, are available in a new program begun 1/1/13. These loans are repaid to the participant's account. Withdrawals can also be made due to financial hardship if approved by a committee established by the Plan. Upon retirement, participants may select various payment options, including lump sum or periodic payments. The participants may also elect to delay the distribution of their accounts to a specific future date, but are required by the IRS to begin taking minimum distributions the year in which they turn 70 1/2. Death beneficiaries may select similar payment options as retired employees. All investments are assets of the Plan until such time as payments are made to participants.

(15) Subsequent Events

The State of Illinois has not adopted a fiscal year 2016 operating budget as of the date of this report. The Department is part of the executive branch of government and operates under a budget where resources are appropriated for the use of the Department. Consequently, the Department is presently unable to make payments from appropriated accounts. Payments to Department employees for work performed are being made pursuant to a July 2015 court order.

On January 25, 2016, Governor Bruce Rauner signed Executive Order 16-01 to create the Illinois Department of Innovation and Technology (DoIT). Effective July 1, 2016 the Department's Bureau of Communications and Computer Services (BCCS) will be consolidated into DoIT and information technology personnel will be transferred to DoIT. Additionally, as of July 1, 2016, the authority of the Department to expend or obligate funds of the Statistical Services Revolving Fund and the Communications Revolving Fund shall be transferred to DoIT.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Required Supplementary Information

June 30, 2015

Defined Benefit Other Postemployment Benefit Plans
Schedule of Funding Progress
(amounts expressed in thousands)
(unaudited)

The following schedule of funding progress for the State of Illinois' other postemployment retirement benefits (health, dental, vision, and life insurance) is provided for the three most recent actuarial valuations.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Projected Unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/2011	$ -	$ 33,295,354	$ 33,295,354	0.00%	$ 7,375,559	451.43%
6/30/2013	$ -	$ 34,488,085	$ 34,488,085	0.00%	$ 7,631,281	451.93%
6/30/2014	$ -	$ 33,051,281	$ 33,051,281	0.00%	$ 7,660,475	431.45%

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

Required Supplementary Information

June 30, 2015

Schedule of Employer Contributions
(amounts expressed in thousands)
(unaudited)

Year Ended June 30	Annual Required Contribution (ARC)	Benefits Paid During The Year	Percentage ARC Contributed
2013	$ 2,292,460	$ 624,668	27.25%
2014	$ 2,238,820	$ 905,414	40.44%
2015	$ 2,170,058	$ 809,876	37.32%

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2015 (Expressed in Thousands)

	Special Revenue		Capital Projects	
	Illinois Prescription Drug Discount Program 0316	State Surplus Property Revolving 0903	Capital Development 0141	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Unexpended appropriations	$ -	$ -	$ 1,332	$ 1,332
Cash equity with State Treasurer	-	1,353	-	1,353
Receivables, net:				
Other	-	28	-	28
Due from other State funds	-	45	-	45
Total assets and deferred outflows of resources	-	1,426	1,332	2,758
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable and accrued liabilities	-	195	1,332	1,527
Intergovernmental payables	-	6	-	6
Due to other State fiduciary funds	-	36	-	36
Due to other Department funds	-	239	-	239
Due to State of Illinois component units	-	1	-	1
Total liabilities and deferred inflows of resources	-	477	1,332	1,809
FUND BALANCES				
Committed - General Government	-	949	-	949
Total fund balances	-	949	-	949
Total liabilities and deferred inflows of resources and fund balances	$ -	$ 1,426	$ 1,332	$ 2,758

State of Illinois
Department of Central Management Services

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

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Special Revenue		Capital Projects	
	Illinois Prescription Drug Discount Program 0316	State Surplus Property Revolving 0903	Capital Development 0141	Total
REVENUES				
Other revenues	$ -	$ 3,648	$ -	$ 3,648
Other charges for services	-	225	-	225
Total revenues	-	3,873	-	3,873
EXPENDITURES				
General government	-	3,969	-	3,969
Capital outlay	-	64	4,413	4,477
Total expenditures	-	4,033	4,413	8,446
Excess (deficiency) of revenues over (under) expenditures	-	(160)	(4,413)	(4,573)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES				
Appropriations from State resources	-	-	14,982	14,982
Lapsed appropriations	-	-	(10,569)	(10,569)
Transfers-out	(257)	4	-	(253)
Net other sources (uses) of financial resources	(257)	4	4,413	4,160
Net change in fund balances	(257)	(156)	-	(413)
Fund balances, July 1, 2014	257	1,105	-	1,362
Fund Balances, June 30, 2015	$ -	$ 949	$ -	$ 949

State of Illinois
Department of Central Management Services

Combining Statement of Net Position
Internal Service Funds

June 30, 2015 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Cash equity with State Treasurer	$ 11,903	$ 23,314	$ 8,236	$ 12,930	$ 8,487	$ 26,449	$ 178,449	$ -	$ 269,768
Cash and cash equivalents	-	-	-	4,328	-	8,324	63,753	-	76,405
Securities lending collateral equity of State Treasurer	-	-	-	4,074	3,936	9,598	60,353	-	77,961
Receivables, net:									
Intergovernmental	-	-	745	-	-	-	1,353	-	2,098
Other	22	20	1,698	7	4	9	30,378	14,190	46,328
Due from other Department fiduciary funds	-	36	1	12	-	-	-	9	58
Due from other State fiduciary funds		1	4						5
Due from other Department funds	309	5,353	50,924	26,279	650	-	1,441,697	5,884	1,531,096
Due from other State funds	15,028	61,210	40,674	41,834	5,689	590,191	1,920	56	756,602
Due from State of Illinois component units	4	27	716	135	-	-	13,535	403	14,820
Inventories	3,190	-	-	-	-	-	-	-	3,190
Total current assets	30,456	89,961	102,998	89,599	18,766	634,571	1,791,438	20,542	2,778,331
Capital assets not being depreciated	-	-	-	39,581	-	-	-	-	39,581
Capital assets being depreciated, net	10,949	18,449	72,424	159,545	-	-	4	-	261,371
Total noncurrent assets	10,949	18,449	72,424	199,126	-	-	4	-	300,952
Total assets	41,405	108,410	175,422	288,725	18,766	634,571	1,791,442	20,542	3,079,283
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Accounts payable and accrued liabilities	10,405	10,709	11,200	26,277	1,051	1,045	1,728,667	5,190	1,794,544
Intergovernmental payables	36	6,581	4,561	2,385	15	1	37	-	13,616
Due to other State fiduciary funds	197	795	255	531	74	17	56	-	1,925
Due to other Department funds	782	26,454	462	602	100	9	1,867	15,352	45,628
Due to other State funds	9	25	150	283	39	21	108	-	635
Due to State of Illinois component units	37	-	86	152	-	-	-	-	275
Obligations under securities lending of State Treasurer	-	-	-	4,074	3,936	9,598	60,353	-	77,961
Unearned revenue	-	-	7,173	240	-	-	-	-	7,413
Current portion of long-term obligations	220	522	68	3,948	51	111,271	14	-	116,094
Total current liabilities	11,686	45,086	23,955	38,492	5,266	121,962	1,791,102	20,542	2,058,091
Noncurrent portion of long-term obligations	867	3,973	1,262	11,056	250	512,609	340	-	530,357
Total liabilities	12,553	49,059	25,217	49,548	5,516	634,571	1,791,442	20,542	2,588,448
NET POSITION									
Net investment in capital assets	10,949	18,449	72,424	187,156	-	-	-	-	288,978
Restricted for debt services	-	-	-	4,326	-	-	4	-	4,330
Unrestricted	17,903	40,902	77,781	47,695	13,250	-	(4)	-	197,527
Total net position	$ 28,852	$ 59,351	$ 150,205	$ 239,177	$ 13,250	$ -	$ -	$ -	$ 490,835

State of Illinois

Department of Central Management Services

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

For the Year Ended June 30, 2015 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
OPERATING REVENUES									
Charges for sales and services	$ 53,329	$ 147,363	$ 118,049	$ 188,228	$ 6,202	$ 100,028	$ 2,431,511	$ 17,486	$ 3,062,196
Other	468	-	-	-	-	-	-	-	468
Total operating revenues	53,797	147,363	118,049	188,228	6,202	100,028	2,431,511	17,486	3,062,664
OPERATING EXPENSES									
Cost of sales and services	35,576	132,486	86,085	173,549	10,124	-	-	17,545	455,365
Claims and judgments	-	-	-	-	-	100,117	2,271,350	-	2,371,467
General and administrative	10,861	1,898	9,380	9,093	-	-	54,245	5	85,482
Depreciation	4,957	4,905	6,534	13,389	-	-	4	-	29,789
Other	46	-	-	-	-	-	-	-	46
Total operating expenses	51,440	139,289	101,999	196,031	10,124	100,117	2,325,599	17,550	2,942,149
Operating income (loss)	2,357	8,074	16,050	(7,803)	(3,922)	(89)	105,912	(64)	120,515
NONOPERATING REVENUES (EXPENSES)									
Interest and investment income	-	-	-	59	52	89	580	64	844
Interest expense	(6)	(6)	(12)	(719)	-	-	(112,358)	-	(113,101)
Other revenue	-	-	-	-	-	-	5,866	-	5,866
Other expenses	(14)	(2)	(25)	-	-	-		-	(41)
Income (loss) before contributions	2,337	8,066	16,013	(8,463)	(3,870)	-	-	-	14,083
Contributions of capital assets	124	3,537	-	2,899	-	-	-	-	6,560
Change in net position	2,461	11,603	16,013	(5,564)	(3,870)	-	-	-	20,643
Net position, July 1, 2014	26,391	47,748	134,192	244,741	17,120	-	-	-	470,192
Net position, June 30, 2015	$ 28,852	$ 59,351	$ 150,205	$ 239,177	$ 13,250	$ -	$ -	$ -	$ 490,835

State of Illinois

Department of Central Management Services

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from sales and services	$ 1,288	$ -	$ 16,716	$ 788	$ -	$ -	$ 112,042	$ -	$ 130,834
Cash received from transactions with other funds	53,083	143,558	86,675	175,913	8,880	112,061	2,431,734	11,692	3,023,596
Cash payments to suppliers for goods and services	(29,916)	(71,598)	(70,869)	(129,526)	(9,672)	(9,073)	(2,384,503)	(12,273)	(2,717,430)
Cash payments to employees for services	(18,571)	(64,863)	(26,957)	(42,280)	-	-	(5,091)	-	(157,762)
Cash payments for workers compensation	-	-	-	-	-	(93,117)	-	-	(93,117)
Cash receipts from other operating activities	468	-	-	-	-	-	57,254	-	57,722
Net cash provided (used) by operating activities	6,352	7,097	5,565	4,895	(792)	9,871	211,436	(581)	243,843
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Grants received	-	-	-	-	-	-	5,846	-	5,846
Other noncapital financing activities	(6)	-	(2)	-	-	-	(115,758)	-	(115,766)
Net cash provided (used) by noncapital financing activities	(6)	-	(2)	-	-	-	(109,912)	-	(109,920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(4,542)	(4,643)	(3,690)	(105)	-	-	-	-	(12,980)
Principal paid on capital debt	-	-	-	(3,545)	-	-	-	-	(3,545)
Interest paid on capital debt	-	-	-	(825)	-	-	-	-	(825)
Net cash (used) by capital and related financing activities	(4,542)	(4,643)	(3,690)	(4,475)	-	-	-	-	(17,350)
CASH FLOWS FROM INVESTING ACTIVITIES									
Proceeds from sale and maturities of investment securities	-	-	-	-	-	-	-	517	517
Interest and dividends on investments	-	-	-	59	51	87	554	64	815
Net cash provided by investing activities	-	-	-	59	51	87	554	581	1,332
Net increase (decrease) in cash and cash equivalents	1,804	2,454	1,873	479	(741)	9,958	102,078	-	117,905
Cash and cash equivalents, July 1, 2014	10,099	20,860	6,363	16,779	9,228	24,815	140,124	-	228,268
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	$ 11,903	$ 23,314	$ 8,236	$ 17,258	$ 8,487	$ 34,773	$ 242,202	$ -	$ 346,173
Reconciliation of cash and cash equivalents to the statement of net position:									
Total cash and cash equivalents per the statement of net assets	-	-	-	4,328	-	8,324	63,753	-	76,405
Add: cash equity with State Treasurer	11,903	23,314	8,236	12,930	8,487	26,449	178,449	-	269,768
CASH AND CASH EQUIVALENTS, JUNE 30, 2015	$ 11,903	$ 23,314	$ 8,236	$ 17,258	$ 8,487	$ 34,773	$ 242,202	$ -	$ 346,173

State of Illinois
Department of Central Management Services

Combining Statement of Cash Flows
Internal Service Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Health Insurance Reserve 0907	Group Life Insurance Premium 1457	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:									
OPERATING INCOME (LOSS)	$ 2,357	$ 8,074	$ 16,050	$ (7,803)	$ (3,922)	$ (89)	$ 105,912	$ (64)	$ 120,515
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	4,957	4,905	6,534	13,389	-	-	4	-	29,789
Provision for uncollectible accounts	-	-	97	-	-	-	-	-	97
Changes in assets and liabilities:									
(Increase) decrease in accounts receivable	1	(11)	1,026	-	-	-	(8,396)	(4,764)	(12,144)
(Increase) decrease in intergovernmental receivables	8	-	409	-	-	-	-	-	417
(Increase) decrease in due from other funds	(801)	(10,205)	(18,719)	(11,469)	2,678	12,040	116,380	(903)	89,001
(Increase) decrease in due from component units	12	(9)	108	(71)	-	-	(4,115)	(127)	(4,202)
(Increase) decrease in inventories	(1,231)	-	-	-	-	-	-	-	(1,231)
Increase (decrease) in accounts payable and accrued liabilities	1,547	1,709	(2,274)	9,647	459	(227)	767	(881)	10,747
Increase (decrease) in intergovernmental payables	4	3,014	777	944	3	(1)	(204)	(1)	4,536
Increase (decrease) in due to other funds	(330)	(443)	(61)	206	3	28	1,099	6,159	6,661
Increase (decrease) in due to component units	-	(8)	75	61	(4)	-	-	-	124
Increase (decrease) in unearned revenues	-	-	1,743	29	-	-	-	-	1,772
Increase (decrease) in other liabilities	(172)	71	(200)	(38)	(9)	(1,880)	(11)	-	(2,239)
Total adjustments	3,995	(977)	(10,485)	12,698	3,130	9,960	105,524	(517)	123,328
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 6,352	$ 7,097	$ 5,565	$ 4,895	$ (792)	$ 9,871	$ 211,436	$ (581)	$ 243,843
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES									
Gain (loss) on sale of property and equipment	$ (14)	$ (2)	$ (25)	$ -	$ -	$ -	$ -	$ -	$ (41)
Transfer of capital assets, net of related debt, to/from other State funds	$ 124	$ 3,537	$ -	$ 2,899	$ -	$ -	$ -	$ -	$ 6,560

Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2015 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash equity with State Treasurer	$ 38,823	$ 949	$ 2,920	$ 42,692
Cash and cash equivalents	13,115	1,079	2,873	17,067
Investments:				
Equities	-	-	3,496,282	3,496,282
Fixed income	-	-	123,061	123,061
Other	-	-	466,471	466,471
Intergovernmental receivables	312	1	-	313
Other receivables, net	16,375	1,165	629	18,169
Due from other State funds	16,831	372	-	17,203
Loans and note receivable, net	-	-	34,280	34,280
Securities lending collateral equity of State Treasurer	13,586	565	1,375	15,526
Total assets and deferred outflows of resources	99,042	4,131	4,127,891	4,231,064
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable and accrued liabilities	151,581	30,325	803	182,709
Intergovernmental payables	2	-	2	4
Due to other Department funds	21	5	32	58
Due to other State fiduciary funds	11	2	-	13
Due to other State funds	28	4	60	92
Obligations under securities lending of State Treasurer	13,586	565	1,375	15,526
Current portion of long-term obligations	13	-	-	13
Noncurrent portion of long-term obligations	72	4	158	234
Total liabilities and deferred inflows of resources	165,314	30,905	2,430	198,649
NET POSITION				
Held in trust for:				
Other employee benefits	(66,272)	(26,774)	-	(93,046)
Deferred compensation benefits	-	-	4,125,461	4,125,461
Total net position	$ (66,272)	$ (26,774)	$ 4,125,461	$ 4,032,415

Combining Statement of Changes in Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Teacher Health Insurance Security 0203	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	Total
Deposits/Contributions:				
Employer	$ 81,415	$ 4,295	$ -	$ 85,710
State	100,983	4,479	-	105,462
Members/participants	233,553	16,504	166,938	416,995
Other contributions	2,868	271	6,180	9,319
Total contributions	418,819	25,549	173,118	617,486
Investment income:				
Interest, dividends and other investment income	161	9	209,406	209,576
Net decrease in fair value of investments	-	-	(82,149)	(82,149)
Reimbursement of investment expenses not separable from investment income	-	-	3,545	3,545
Less: investment expense	-	-	(2,058)	(2,058)
Net investment income	161	9	128,744	128,914
Other additions	-	406	-	406
Total additions	418,980	25,964	301,862	746,806
Deductions:				
Benefit payments	389,280	32,125	319,652	741,057
Refunds	-	-	59	59
Other Deductions	-	-	1,484	1,484
General and administration	8,417	2,000	3,124	13,541
Total deductions	397,697	34,125	324,319	756,141
Net additions (deductions)	21,283	(8,161)	(22,457)	(9,335)
Net position, July 1, 2014	(87,555)	(18,613)	4,147,918	4,041,750
Net position, June 30, 2015	$ (66,272)	$ (26,774)	$ 4,125,461	$ 4,032,415

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2015 (Expressed in Thousands)

	Flexible Spending Account 0202	Group Insurance Premium 0457	Total
ASSETS			
Cash equity with State Treasurer	$ 5,368	$ 11,096	$ 16,464
Cash and cash equivalents	1,569	-	1,569
Securities lending collateral equity of State Treasurer	-	5,684	5,684
Total assets	$ 6,937	$ 16,780	$ 23,717
LIABILITIES			
Accounts payable and accrued liabilities	$ 6,899	$ 11,096	$ 17,995
Due to State of Illinois component units	38	-	38
Obligations under securities lending of State Treasurer	-	5,684	5,684
Total liabilities	$ 6,937	$ 16,780	$ 23,717

Combining Statement of Changes in Assets and Liabilities
Agency Funds

For the Year Ended June 30, 2015 (Expressed in Thousands)

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Flexible Spending Account Fund (0202):				
ASSETS				
Cash equity with State Treasurer	$ 4,809	$ 30,028	$ 29,469	$ 5,368
Cash and cash equivalents	600	26,900	25,931	1,569
Total assets	$ 5,409	$ 56,928	$ 55,400	$ 6,937
LIABILITIES				
Accounts payable and accrued liabilities	$ 5,373	$ 29,652	$ 28,126	$ 6,899
Intergovernmental payables	36	376	374	38
Total liabilities	$ 5,409	$ 30,028	$ 28,500	$ 6,937
Group Insurance Premium Fund (0457):				
ASSETS				
Cash equity with State Treasurer	$ 6,821	$ 82,011	$ 77,736	$ 11,096
Other receivables, net	1,837	-	1,837	-
Securities lending collateral equity of State Treasurer	4,261	80,104	78,681	5,684
Total assets	$ 12,919	$ 162,115	$ 158,254	$ 16,780
LIABILITIES				
Accounts payable and accrued liabilities	$ 8,658	$ 82,011	$ 79,573	$ 11,096
Obligations under securities lending of State Treasurer	4,261	80,104	78,681	5,684
Total liabilities	$ 12,919	$ 162,115	$ 158,254	$ 16,780
Total				
ASSETS				
Cash equity with State Treasurer	$ 11,630	$ 112,039	$ 107,205	$ 16,464
Cash and cash equivalents	600	26,900	25,931	1,569
Other receivables, net	1,837	-	1,837	-
Securities lending collateral equity of State Treasurer	4,261	80,104	78,681	5,684
Total assets	$ 18,328	$ 219,043	$ 213,654	$ 23,717
LIABILITIES				
Accounts payable and accrued liabilities	$ 14,031	$ 111,663	$ 107,699	$ 17,995
Intergovernmental payables	36	376	374	38
Obligations under securities lending of State Treasurer	4,261	80,104	78,681	5,684
Total liabilities	$ 18,328	$ 192,143	$ 186,754	$ 23,717

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

    Schedule of Appropriations, Expenditures and Lapsed Balances
        Fiscal Year 2015
        Fiscal Year 2014
    Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
    Schedule of Changes in State Property
        Fiscal Year 2015
        Fiscal Year 2014
    Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller
    Analysis of Significant Variations in Expenditures
    Analysis of Significant Variations in Receipts
    Analysis of Significant Lapse Period Spending
    Analysis of Accounts Receivable
        June 30, 2015
        June 30, 2014

- Analysis of Operations (Unaudited):

    Agency Functions and Planning Program (Unaudited)
    Average Number of Employees (Unaudited)
    Schedule of Interest Payments (Unaudited)
    Emergency Purchases (Unaudited)
        Year Ended June 30, 2015 (Unaudited)
        Year Ended June 30, 2014 (Unaudited)
    Memorandum of Understanding (Unaudited)
    Service Efforts and Accomplishments (Unaudited)

The auditor's report that covers the Supplementary Information for State Compliance Purposes states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects in relation to the basic financial statements as a whole from which it has been derived. The auditor's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

Schedule 1

Fourteen Months Ended August 31, 2015

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2015	Lapse Period Expenditures July 1 to August 31, 2015	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
General Revenue - 0001	$ 1,607,965,000	$ 1,604,257,648	$ 3,523,726	$ 1,607,781,374	$ 183,626
Road - 0011	123,372,000	123,372,000	-	123,372,000	-
Capital Development - 0141	14,982,872	3,081,367	1,400,326	4,481,693	10,501,179
State Garage Revolving - 0303	78,277,300	39,059,519	10,715,157	49,774,676	28,502,624
Statistical Services Revolving - 0304	175,200,200	128,084,556	13,620,887	141,705,443	33,494,757
Communications Revolving - 0312	157,824,400	86,779,801	12,089,020	98,868,821	58,955,579
Facilities Management Revolving - 0314	279,379,400	156,977,373	29,721,584	186,698,957	92,680,443
Professional Services - 0317	12,500,000	8,782,503	1,239,878	10,022,381	2,477,619
Workers' Compensation Revolving - 0332	140,891,000	100,959,803	39,899,129	140,858,932	32,068
Group Insurance Premium - 0457	95,452,100	75,289,006	15,134,942	90,423,948	5,028,152
State Employees' Deferred Compensation Plan - 0755	1,500,000	1,169,961	61,637	1,231,598	268,402
State Surplus Property Revolving - 0903	4,758,700	3,522,867	439,395	3,962,262	796,438
Health Insurance Reserve - 0907	3,063,092,600	2,202,343,864	252,858,886	2,455,202,750	607,889,850
Total appropriated funds	$ 5,755,195,572	4,533,680,268	380,704,567	4,914,384,835	$ 840,810,737
NON-APPROPRIATED FUNDS					
Local Government Health Insurance Reserve - 0193		35,219,685	4,348,746	39,568,431	
Flexible Spending Account - 0202		27,482,372	4,541,454	32,023,826	
Teacher Health Insurance Security - 0203		375,978,612	51,685,388	427,664,000	
Community College Health Insurance Security - 0577		24,243,180	3,286,769	27,529,949	
Kanerva vs. State Trust - 0234		26,177,766	-	26,177,766	
State Employees' Deferred Compensation Plan - 0755		172,282,236	5,672,721	177,954,957	
Total non-appropriated funds		661,383,851	69,535,078	730,918,929	
TOTAL		$ 5,195,064,119	$ 450,239,645	$ 5,645,303,764	

Note 1: Appropriated amounts were authorized by Public Act 98-0675, 98-0679, 98-0680, and 99-0001.
Note 2: All data in this schedule has been obtained from Department records and reconciled to records of the State Comptroller. No balances were reappropriated as of July 1, 2015. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2014

Schedule 2

Fourteen Months Ended August 31, 2014

	Appropriations (Net after Transfers)	Expenditures Through June 30, 2014	Lapse Period Expenditures July 1 to August 31, 2014	Total Expenditures	Balances Reappropriated July 1, 2014	Balances Lapsed
APPROPRIATED FUNDS						
General Revenue - 0001	$ 1,514,370,900	$ 1,473,549,056	$ 39,385,834	$ 1,512,934,890	$ -	$ 1,436,010
Road - 0011	131,300,000	120,773,000	-	120,773,000	-	10,527,000
Capital Development - 0141	20,492,481	5,509,609	-	5,509,609	14,982,872	-
State Garage Revolving - 0303	78,296,700	46,526,823	13,688,466	60,215,289	-	18,081,411
Statistical Services Revolving - 0304	175,200,200	131,661,495	12,131,312	143,792,807	-	31,407,393
Communications Revolving - 0312	184,843,200	107,365,883	14,559,081	121,924,964	-	62,918,236
Facilities Management Revolving - 0314	301,958,300	163,316,259	18,646,064	181,962,323	-	119,995,977
Professional Services - 0317	11,451,200	8,871,038	812,653	9,683,691	-	1,767,509
Workers' Compensation Revolving - 0332	140,891,000	127,726,510	3,695,372	131,421,882	-	9,469,118
Group Insurance Premium - 0457	95,452,100	73,139,502	14,717,662	87,857,164	-	7,594,936
State Employees' Deferred Compensation Plan - 0755	1,500,000	1,094,013	63,183	1,157,196	-	342,804
State Surplus Property Revolving - 0903	4,758,700	3,314,298	582,345	3,896,643	-	862,057
Health Insurance Reserve - 0907	2,943,502,400	2,342,578,238	283,802,218	2,626,380,456	-	317,121,944
Total appropriated funds	$ 5,604,017,181	4,605,425,724	402,084,190	5,007,509,914	$ 14,982,872	$ 581,524,395
NON-APPROPRIATED FUNDS						
Local Government Health Insurance Reserve - 0193		30,450,949	3,625,655	34,076,604		
Flexible Spending Account - 0202		23,913,222	2,986,712	26,899,934		
Teacher Health Insurance Security - 0203		480,865,153	49,845,278	530,710,431		
Community College Health Insurance Security - 0577		34,732,278	4,007,445	38,739,723		
State Employees' Deferred Compensation Plan - 0755		166,657,978	931,112	167,589,090		
Total non-appropriated funds		736,619,580	61,396,202	798,015,782		
TOTAL		$ 5,342,045,304	$ 463,480,392	$ 5,805,525,696		

Note 1: Appropriated amounts were authorized by Public Act 98-0017, 98-0050, 98-0064, and 98-0642.
Note 2: All data in this schedule has been obtained from Department records and reconciled to records of the State Comptroller. Expenditure amounts are vouchers approved for payment by the Department and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS

Schedule 3

DEPARTMENT OF CENTRAL MANAGEMENT SERVICES

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
General Revenue - 0001			
Appropriations (net after transfers)	$ 1,607,965,000	$ 1,514,370,900	$ 1,481,692,400
Expenditures:			
Personal services	11,536,960	-	10,394,002
Contribution to social security	841,909	-	768,130
Group insurance	1,565,374,200	1,446,000,000	1,450,000,000
Contractual services	23,975,732	34,965,300	14,630,700
Travel	43,088	-	-
Commodities	23,931	-	-
Printing	20,748	-	-
Equipment	463	-	-
Electronic data processing	907,430	-	-
Telecommunications services	147,351	-	-
Operation of automotive equipment	5,134	-	-
Automobile liability claims	1,251,155	936,373	-
Auto Liability SP Settlement	-	-	1,169,998
Payment of employee wage claims	1,040,134	1,108,095	1,112,716
Civil lawsuits - claims	1,177,900	1,112,460	1,128,683
Veterans job program	134,354	270,084	215,604
Vito Marzullo intern program	229,664	432,178	532,927
State Surplus Property	-	-	327,229
Nurses tuition	71,221	74,734	-
Operational expenses	-	28,035,508	940,821
Employee Suggestion Award Board	-	158	-
Deposit into Communications Revolving Fund	1,000,000	-	-
Total expenditures	1,607,781,374	1,512,934,890	1,481,220,810
Lapsed balances	$ 183,626	$ 1,436,010	$ 471,590
Road - 0011			
Appropriations (net after transfers)	$ 123,372,000	$ 131,300,000	$ 176,323,000
Expenditures:			
Group insurance	123,372,000	120,773,000	120,773,000
Total expenditures	123,372,000	120,773,000	120,773,000
Lapsed balances	$ -	$ 10,527,000	$ 55,550,000

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
Capital Development - 0141			
Appropriations (net after transfers)	$ 14,982,872	$ 20,492,481	$ 37,339,261
Expenditures:			
Infrastructure improvement	3,081,367	2,054,542	8,065,551
For IL Century Network	1,400,326	3,455,067	8,781,230
Total expenditures	4,481,693	5,509,609	16,846,781
Reappropriations	-	14,982,872	-
Lapsed balances	$ 10,501,179	$ -	$ 20,492,480
State Garage Revolving - 0303			
Appropriations (net after transfers)	$ 78,277,300	$ 78,296,700	$ 76,605,400
Expenditures:			
Personal services	10,247,188	10,591,272	9,991,774
Contribution to SERS	4,343,139	4,275,696	3,798,867
Contribution to social security	752,866	777,739	740,297
Group insurance	2,832,988	3,159,943	3,547,906
Contractual services	1,528,900	1,278,411	1,264,448
Travel	10,254	16,969	16,199
Commodities	89,049	74,236	81,020
Printing	8,764	3,424	2,117
Equipment	3,259,788	7,301,620	8,540,293
Electronic data processing	866,499	951,119	918,512
Telecommunications services	123,579	136,202	60,767
Operation of automotive equipment	25,283,563	31,215,893	25,692,101
For General and Regulatory/ Shared Services Center	426,771	432,268	448,625
Refunds	1,328	497	378
Total expenditures	49,774,676	60,215,289	55,103,304
Lapsed balances	$ 28,502,624	$ 18,081,411	$ 21,502,096

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
Statistical Services Revolving - 0304			
Appropriations (net after transfers)	$ 175,200,200	$ 175,200,200	$ 182,705,200
Expenditures:			
Personal services	37,542,229	37,823,562	39,121,054
Contribution to SERS	15,921,937	15,272,708	14,884,126
Contribution to social security	2,730,121	2,727,467	2,849,734
Group insurance	7,742,779	8,374,974	9,873,098
Contractual services	693,386	788,720	769,087
Travel	22,880	51,161	43,654
Commodities	26,703	23,592	34,472
Printing	94,950	89,138	13,642
Equipment	10,870	77,299	36,938
Electronic data processing	71,309,179	75,475,595	70,878,758
Telecommunications services	4,487,978	1,711,042	19,040
Operation of automotive equipment	36,885	59,745	60,638
For General and Regulatory/Shared Services Center	1,085,546	1,317,755	1,404,428
Refunds	-	49	2,438,984
Total expenditures	141,705,443	143,792,807	142,427,653
Lapsed balances	$ 33,494,757	$ 31,407,393	$ 40,277,547
Communications Revolving - 0312			
Appropriations (net after transfers)	$ 157,824,400	$ 184,843,200	$ 185,688,200
Expenditures:			
Ordinary and contingent expenditures			
Personal services	10,761,177	10,751,531	10,932,312
Contribution to SERS	4,563,020	4,340,622	4,158,870
Contribution to social security	790,692	788,528	809,166
Group insurance	2,434,675	2,661,092	3,120,722
Contractual services	3,288,634	2,546,956	2,412,722
Travel	49,427	68,309	61,123
Commodities	45,124	37,796	41,558
Printing	14,636	20,373	17,686
Equipment	155,544	124,806	71,980
Electronic data processing	980,724	1,097,499	1,061,716
Telecommunications services	62,088,677	73,496,217	66,671,334
Operation of automotive equipment	42,751	58,911	66,421
For General and Regulatory/Shared Services Center	915,073	1,078,421	1,000,926
Broadband network	12,512,644	24,803,703	50,924,867
Refunds	226,023	50,200	3,140,075
Total expenditures	98,868,821	121,924,964	144,491,478
Lapsed balances	$ 58,955,579	$ 62,918,236	$ 41,196,722

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

Schedule 3

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
Facilities Management Revolving - 0314			
Appropriations (net after transfers)	$ 279,379,400	$ 301,958,300	$ 300,577,900
Expenditures:			
Personal services	18,356,869	18,358,847	17,637,453
Contribution to SERS	7,787,064	7,412,736	6,709,766
Contribution to social security	1,350,665	1,341,920	1,304,076
Group insurance	4,346,104	4,770,499	5,271,140
Contractual services	120,101,902	116,527,607	123,225,164
Travel	30,225	47,486	55,320
Commodities	366,568	381,321	347,889
Printing	64	86	82
Equipment	50,003	62,635	35,359
Electronic data processing	496,489	559,938	437,465
Telecommunications services	243,975	222,449	191,936
Operation of automotive equipment	79,528	100,484	96,440
Lump sums	32,040,868	30,882,804	31,700,813
For General and Regulatory/Shared Services Center	1,448,633	1,293,511	1,356,924
Total expenditures	186,698,957	181,962,323	188,369,827
Lapsed balances	$ 92,680,443	$ 119,995,977	$ 112,208,073
Professional Services - 0317			
Appropriations (net after transfers)	$ 12,500,000	$ 11,451,200	$ 10,500,000
Expenditures:			
Consolidation	10,022,381	9,683,691	8,941,305
Total expenditures	10,022,381	9,683,691	8,941,305
Lapsed balances	$ 2,477,619	$ 1,767,509	$ 1,558,695
Workers' Compensation Revolving - 0332			
Appropriations (net after transfers)	$ 140,891,000	$ 140,891,000	$ 165,890,500
Expenditures:			
Workers' compensation claims (4420 Line)	-	-	80,136,728
Admin. expenses and payment of temporary disability (1900)	-	-	44,701,794
WC All Inclusive Lump Sum Line (1900)	140,858,932	131,421,882	-
Total expenditures	140,858,932	131,421,882	124,838,522
Lapsed balances	$ 32,068	$ 9,469,118	$ 41,051,978

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

Schedule 3

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
Group Insurance Premium - 0457			
Appropriations (net after transfers)	$ 95,452,100	$ 95,452,100	$ 95,740,100
Expenditures:			
Life insurance coverage	90,423,948	87,857,164	83,882,817
Total expenditures	90,423,948	87,857,164	83,882,817
Lapsed balances	$ 5,028,152	$ 7,594,936	$ 11,857,283
State Employees' Deferred Compensation Plan - 0755			
Appropriations (net after transfers)	$ 1,500,000	$ 1,500,000	$ 1,500,000
Expenditures:			
Administration	1,231,598	1,157,196	1,125,215
Total expenditures	1,231,598	1,157,196	1,125,215
Lapsed balances	$ 268,402	$ 342,804	$ 374,785
State Surplus Property Revolving - 0903			
Appropriations (net after transfers)	$ 4,758,700	$ 4,758,700	$ 4,413,700
Expenditures:			
Record processing/I-Cycle program	3,962,262	3,896,643	2,961,166
Total expenditures	3,962,262	3,896,643	2,961,166
Lapsed balances	$ 796,438	$ 862,057	$ 1,452,534
Health Insurance Reserve - 0907			
Appropriations (net after transfers)	$ 3,063,092,600	$ 2,943,502,400	$ 2,900,775,800
Expenditures:			
Cost containment	-	-	2,228
For General and Regulatory/Shared Services Center	536,358	485,957	369,517
Health care coverage	2,454,666,392	2,625,894,499	2,174,923,947
Total expenditures	2,455,202,750	2,626,380,456	2,175,295,692
Lapsed balances	$ 607,889,850	$ 317,121,944	$ 725,480,108

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	Fiscal Year		
	2015	2014	2013
	P.A. 98-0675 P.A. 98-0679 P.A. 98-0680 P.A. 99-0001	P.A. 98-0017 P.A. 98-0050 P.S. 98-0064 P.A. 98-0642	P.A. 98-0001 P.A. 98-0017 P.A. 97-0727
Grand Total, All Appropriated Funds			
Appropriations (net after transfers)	$ 5,755,195,572	$ 5,604,017,181	$ 5,619,751,461
Total expenditures	4,914,384,835	5,007,509,914	4,546,277,570
Reappropriations	-	14,982,872	-
Total lapsed balances	$ 840,810,737	$ 581,524,395	$ 1,073,473,891
State Officers' Payroll			
Appropriations (through Comptroller's Office)	$ 384,500	$ 384,500	$ 384,600
Expenditures:			
For the Director	140,226	142,566	142,339
For Assistant Directors	218,957	208,678	95,414
Total expenditures	359,183	351,244	237,753
Lapsed balances	$ 25,317	$ 33,256	$ 146,847

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Balance June 30, 2014	Additions	Deletions	Net Transfers	Balance June 30, 2015
Department-wide Capital Assets					
Land and land improvements	$ 529	$ -	$ -	$ -	$ 529
Building and building improvements	213,665	42	-	(240)	213,467
Equipment	1,756	3,104	(208)	(3,052)	1,600
Total Department-wide Capital Assets	215,950	3,146	(208)	(3,292)	215,596
Local Government Health Insurance Reserve Fund - 0193					
Equipment	-	-	-	-	-
Total Local Government Health Insurance Reserve Fund - 0193	-	-	-	-	-
State Garage Revolving Fund - 0303					
Equipment	16,895	5,156	(26)	2,397	24,422
Total State Garage Revolving Fund - 0303	16,895	5,156	(26)	2,397	24,422
Statistical Services Revolving Fund - 0304					
Equipment	68,185	4,847	(2,618)	1,185	71,599
Total Statistical Services Revolving Fund - 0304	68,185	4,847	(2,618)	1,185	71,599
Paper and Printing Revolving Fund - 0308					
Equipment	15	-	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	-	15
Communications Revolving Fund - 0312					
Equipment	97,566	3,445	(5,697)	(2,699)	92,615
Intangibles	3,841	40	-	-	3,881
Leases: Buildings and Building Improvements	696	-	-	393	1,089
Construction in Process	350	-	-	(350)	-
Total Communications Revolving Fund - 0312	102,453	3,485	(5,697)	(2,656)	97,585
Facilities Management Revolving Fund - 0314					
Land and land improvements	38,365	-	-	-	38,365
Site improvements	3,889	-	-	-	3,889
Buildings and building improvements	421,235	-	-	1,686	422,921
Leases: Buildings and building improvements	48,740	-	-	-	48,740
Equipment	1,023	99	(33)	47	1,136
Works of Art	974	-	-	-	974
Construction in Process	-	-	-	1,213	1,213
Total Facilities Management Revolving Fund - 0314	514,226	99	(33)	2,946	517,238
Health Insurance Reserve Fund - 0907					
Equipment	33	-	-	-	33
Total Health Insurance Reserve Fund - 0907	33	-	-	-	33
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 917,757	$ 16,733	$ (8,582)	$ 580	$ 926,488

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

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

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

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

(5) This summary schedule was prepared from quarterly filed Agency Reports of State Property (C-15's). The C-15's only included asset greater than $5,000. This schedule has not been corrected for this error.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF CHANGES IN STATE PROPERTY
For Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Schedule 5

	Balance June 30, 2013	Additions	Deletions	Net Transfers	Balance June 30, 2014
Department-wide Capital Assets					
Land and land improvements	$ 469	$ -	$ -	$ 60	$ 529
Building and building improvements	173,499	-	-	40,166	213,665
Equipment	1,925	5,543	-	(5,712)	1,756
Total Department-wide Capital Assets	175,893	5,543	-	34,514	215,950
Local Government Health Insurance Reserve Fund - 0193					
Equipment	15	-	-	(15)	-
Total Local Government Health Insurance Reserve Fund - 0193	15	-	-	(15)	-
State Garage Revolving Fund - 0303					
Equipment	10,542	7,521	(615)	(553)	16,895
Total State Garage Revolving Fund - 0303	10,542	7,521	(615)	(553)	16,895
Statistical Services Revolving Fund - 0304					
Equipment	77,591	3,664	(173)	(12,897)	68,185
Total Statistical Services Revolving Fund - 0304	77,591	3,664	(173)	(12,897)	68,185
Paper and Printing Revolving Fund - 0308					
Equipment	15	-	-	-	15
Total Paper and Printing Revolving Fund - 0308	15	-	-	-	15
Communications Revolving Fund - 0312					
Equipment	93,988	7,200	(353)	(3,269)	97,566
Intangibles	1,711	2,130	-	-	3,841
Leases: Buildings and Building Improvements	696	-	-	-	696
Construction in Process	48,686	6,713	(58,855)	3,806	350
Total Communications Revolving Fund - 0312	145,081	16,043	(59,208)	537	102,453
Facilities Management Revolving Fund - 0314					
Land and land improvements	38,365	-	-	-	38,365
Site improvements	3,889	-	-	-	3,889
Buildings and building improvements	417,060	-	-	4,175	421,235
Leases: Buildings and building improvements	50,202	-	-	(1,462)	48,740
Equipment	877	58	(71)	159	1,023
Works of Art	974	-	-	-	974
Construction in Process	-	-	-	-	-
Total Facilities Management Revolving Fund - 0314	511,367	58	(71)	2,872	514,226
Health Insurance Reserve Fund - 0907					
Equipment	17	-	-	16	33
Total Health Insurance Reserve Fund - 0907	17	-	-	16	33
TOTAL PROPERTY AND EQUIPMENT, AT COST	$ 920,521	$ 32,829	$ (60,067)	$ 24,474	$ 917,757

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

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

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

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

(5) This summary schedule was prepared from quarterly filed Agency Reports of State Property (C-15's). The C-15's only included asset greater than $5,000. This schedule has not been corrected for this error.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER
For the Fiscal Years Ended June 30, 2015, 2014 and 2013

	2015	2014	2013
General Revenue - 0001			
Miscellaneous	$ -	$ 1,539,550	$ 210,998
Repay State-upward mobility	40,938	47,979	67,696
Other	1,523	6,895	(8)
Total cash receipts per Department	42,461	1,594,424	278,686
Less - In transit at End of Year	(930)	-	(451)
Less - Adjustments	-	(16)	-
Plus - In transit at Beginning of Year	-	451	-
Plus - PY Refunds / Warrant Voids	1,962	4,881	1,133
Total cash receipts per State Comptroller's Records	$ 43,493	$ 1,599,740	$ 279,368
Local Government Health Insurance Reserve - 0193			
Insurance Premiums	$ 37,427,967	$ 35,387,621	$ 38,764,969
Third Party Reimbursements	795,769	444,757	341,254
Federal Medicare Part D	61,634	48,773	68,389
Total cash receipts per Department	38,285,370	35,881,151	39,174,612
Less - In transit at End of Year	-	-	(225,296)
Plus - In transit at Beginning of Year	-	225,296	-
Total cash receipts per State Comptroller's Records	$ 38,285,370	$ 36,106,447	$ 38,949,316
Flexible Spending Account - 0202			
Payroll deductions	$ 30,307,052	$ 28,885,943	$ 28,812,056
Total cash receipts per Department	30,307,052	28,885,943	28,812,056
Less - In transit at End of Year	(12,460)	-	(906)
Plus - In transit at Beginning of Year	-	906	-
Total cash receipts per State Comptroller's Records	$ 30,294,592	$ 28,886,849	$ 28,811,150
Teachers Health Insurance Security - 0203			
Insurance Premiums	$ 316,290,075	$ 339,565,664	$ 347,220,775
Third Party Reimbursements	15,445,175	18,861,243	18,681,542
Transfers in from other funds	84,152,500	90,430,000	86,683,000
Federal Medicare Part D	2,821,374	21,351,381	24,454,450
Total cash receipts per Department	418,709,124	470,208,288	477,039,767
Less - In transit at End of Year	(208,186)	-	-
Plus - Due from Other Funds at End of Year	8,415,250	-	-
Total cash receipts per State Comptroller's Records	$ 426,916,188	$ 470,208,288	$ 477,039,767
Kanerva vs. State Trust - 0234			
Court Disputed Retiree Health Insurance Premiums	$ 40,318,125	$ 22,811,701	$ -
Total cash receipts per State Comptroller's Records	$ 40,318,125	$ 22,811,701	$ -
State Garage Revolving - 0303			
Charges to user agencies	$ 54,910,263	$ 63,447,728	$ 44,853,631
Total cash receipts per Department	54,910,263	63,447,728	44,853,631
Less - In transit at End of Year	(3,264)	(54)	(6,798)
Less - Due from Other Funds at Beginning of Year	(2,545,317)	(6,094,504)	(1,210,919)
Plus - In transit at Beginning of Year	54	6,798	-
Plus - Due from Other Funds at End of Year	3,506,974	2,545,317	6,094,504
Plus - PY Refunds / Warrant Voids	1,407	2,893	480
Total cash receipts per State Comptroller's Records	$ 55,870,117	$ 59,908,178	$ 49,730,898

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER
For the Fiscal Years Ended June 30, 2015, 2014 and 2013

Schedule 6

	2015	2014	2013
Statistical Services Revolving - 0304			
Charges to user agencies	$ 143,561,039	$ 169,676,897	$ 133,503,883
Total cash receipts per Department	143,561,039	169,676,897	133,503,883
Less - In transit at End of Year	(578)	(367)	(3,660)
Less - Due from Other Funds at Beginning of Year	(998,963)	(13,798,520)	(5,041,694)
Plus - In transit at Beginning of Year	367	3,660	144
Plus - Due from Other Funds at End of Year	22,161,240	998,963	13,798,520
Plus - PY Refunds / Warrant Voids	13,539	-	-
Total cash receipts per State Comptroller's Records	$ 164,736,644	$ 156,880,633	$ 142,257,193
Communications Revolving - 0312			
Charges to user agencies	$ 99,258,782	$ 108,084,324	$ 100,596,100
Federal Stimulus Package	-	21,427,510	25,230,531
Total cash receipts per Department	99,258,782	129,511,834	125,826,631
Less - In transit at End of Year	(314,601)	(106,078)	(189,031)
Less - Due from Other Funds at Beginning of Year	(14,206,852)	(16,324,004)	(20,759,693)
Plus - In transit at Beginning of Year	106,078	189,031	1,756
Plus - Due from Other Funds at End of Year	21,076,176	14,206,852	16,324,004
Plus - PY Refunds / Warrant Voids	50,638	784	17,789
Total cash receipts per State Comptroller's Records	$ 105,970,221	$ 127,478,419	$ 121,221,456
Facilities Management Revolving - 0314			
Rental income	$ 178,082,664	$ 199,016,600	$ 184,375,738
Total cash receipts per Department	178,082,664	199,016,600	184,375,738
Less - In transit at End of Year	-	(2,008,234)	(39,497)
Less - Due from Other Funds at Beginning of Year	(5,228,997)	(9,355,383)	(11,349,578)
Plus - In transit at Beginning of Year	2,008,234	39,497	-
Plus - Due from Other Funds at End of Year	41,802,346	5,228,997	9,355,383
Plus - PY Refunds / Warrant Voids	23,163	17,185	-
Total cash receipts per State Comptroller's Records	$ 216,687,410	$ 192,938,662	$ 182,342,046
State Police Vehicle Maintenance - 0328			
State property sales	$ 406,454	$ 264,309	$ 283,647
Total cash receipts per State Comptroller's Records	$ 406,454	$ 264,309	$ 283,647
Workers' Compensation Revolving - 0332			
Receipts due to subrogation of workers' compensation claims	$ 2,488,205	$ 941,233	$ 1,595,819
Total cash receipts per Department	2,488,205	941,233	1,595,819
Less - Interest Income	-	-	-
Less - In transit at End of Year	(53,099)	-	(35,065)
Plus - In transit at Beginning of Year	-	35,065	-
Plus - PY Refunds / Warrant Voids	27,293	133,279	6,375
Total cash receipts per State Comptroller's Records	$ 2,462,399	$ 1,109,577	$ 1,567,129

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE COMPTROLLER
For the Fiscal Years Ended June 30, 2015, 2014 and 2013

	2015	2014	2013
Group Insurance Premium - 0457			
Direct payments of insurance premiums by employees	$ 1,420,489	$ 1,195,136	$ 893,207
Optional life deductions	54,929,597	53,847,426	51,041,315
Carrier refunds	11,863,196	4,926,742	9,799,178
Employer reimbursement for basic life coverage	11,095,571	11,559,390	12,887,309
Transfers in from other funds	15,000,000	15,000,000	9,000,000
Total cash receipts per Department	94,308,853	86,528,694	83,621,009
Less - Interest Income	-	-	(1,458)
Less - In transit at End of Year	(560,542)	(780)	(5,433)
Less - Due from Other Funds at Beginning of Year	(5,000,000)	(6,000,000)	-
Plus - In transit at Beginning of Year	780	5,433	-
Plus - Due from Other Funds at End of Year	5,000,000	5,000,000	6,000,000
Total cash receipts per State Comptroller's Records	$ 93,749,091	$ 85,533,347	$ 89,614,118
Community College Health Insurance Security - 0577			
Transfers in from other funds	$ 4,087,919	$ 4,398,720	$ 6,743,493
Federal Medicare Part D	275,579	2,093,724	2,369,792
Third Party Reimbursement	1,781,830	1,832,850	1,978,925
Total cash receipts per Department	6,145,328	8,325,294	11,092,210
Less - In transit at End of Year	(19,341)	-	(3,223)
Less - Due from Other Funds at Beginning of Year	-	-	(2,564,450)
Plus - In transit at Beginning of Year	-	3,223	-
Plus - Due from Other Funds at End of Year	371,628	-	-
Total cash receipts per State Comptroller's Records	$ 6,497,615	$ 8,328,517	$ 8,524,537
State Employees' Deferred Compensation Plan - 0755			
Benefit receipts	$ 5,366,175	$ 4,289,412	$ 5,661,716
Payroll deductions	167,331,377	162,974,231	159,290,204
Record keeping reimbursements	1,500,000	-	-
Other	75	2,940	1,295
Total cash receipts per Department	174,197,627	167,266,583	164,953,215
Less - In transit at End of Year	(145,564)	(297,927)	(41,949)
Less - Interest Income	-	-	(18,349)
Plus - In transit at Beginning of Year	297,927	41,949	91,089
Total cash receipts per State Comptroller's Records	$ 174,349,990	$ 167,010,605	$ 164,984,006
State Surplus Property Revolving - 0903			
Sales of surplus property	$ 3,851,076	$ 4,144,270	$ 2,881,493
Total cash receipts per Department	3,851,076	4,144,270	2,881,493
Less - In transit at End of Year	(441,660)	-	(22,117)
Plus - PY Refunds / Warrant Voids	182	-	15,717
Plus - In transit at Beginning of Year	-	22,117	20,696
Total cash receipts per State Comptroller's Records	$ 3,409,598	$ 4,166,387	$ 2,895,789

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
RECONCILIATION OF CASH RECEIPTS TO
DEPOSITS REMITTED TO THE COMPTROLLER
For the Fiscal Years Ended June 30, 2015, 2014 and 2013

	2015	2014	2013
Health Insurance Reserve - 0907			
Reimbursement of insurance premiums from federal trusts, other funds, and employers	$ 157,649,224	$ 218,462,963	$ 187,070,065
Direct payments of insurance premiums by employees	3,396,614	3,477,958	4,447,852
Refunds from insurance carriers	48,933,711	40,684,297	40,737,180
Optional health deductions	359,464,379	363,520,625	246,763,016
Health facilities	230,368,759	242,110,651	273,464,169
Transfers in from other funds	1,773,746,200	1,802,773,000	1,214,773,000
Federal Medicare Part D	5,845,852	32,763,705	37,129,730
Total cash receipts per Department	2,579,404,739	2,703,793,199	2,004,385,012
Less - In transit at End of Year	(725,606)	(8,427)	(261,191)
Less - Due from Other Funds at Beginning of Year	(100,000,000)	(350,000,000)	(8,000,000)
Plus - In transit at Beginning of Year	8,427	261,191	-
Plus - Due from Other Funds at End of Year	-	100,000,000	350,000,000
Plus - PY Refunds / Warrant Voids	887	9,535	28,267
Total cash receipts per State Comptroller's Records	$ 2,478,688,447	$ 2,454,055,498	$ 2,346,152,088
GRAND TOTAL - ALL FUNDS	$ 3,864,277,162	$ 4,092,298,148	$ 3,302,677,409
Less - In transit at End of Year	(2,485,831)	(2,421,867)	(834,617)
Less - Due from Other Funds at Beginning of Year	(127,980,129)	(401,572,411)	(48,926,334)
Less - Adjustments	-	(16)	-
Less - Interest Income	-	-	(19,807)
Plus - In transit at Beginning of Year	2,421,867	834,617	113,685
Plus - Due from Other Funds at End of Year	102,333,614	127,980,129	401,572,411
Plus - PY Refunds / Warrant Voids	119,071	168,557	69,761
Total cash receipts per State Comptroller's Records - All Funds	$ 3,838,685,754	$ 3,817,287,157	$ 3,654,652,508

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Fiscal Years Ended June 30, 2015 and 2014

The State of Illinois, Department of Central Management Services' (Department) explanations for significant fluctuations in expenditures within appropriated and non-appropriated funds greater than $500,000 and 20% of total expenditures in that category as presented in the "Comparative Schedule of Net Appropriations, Expenditure and Lapsed Balances" (Schedule 3) are explained below.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2014 AND 2013

General Revenue – 0001

Personal services, contributions to social security, and operational expenses

The change in personal services expenditures and contributions to social security is due to the change in the appropriation process by the General Assembly for operating expenses paid out of the General Revenue Fund. In fiscal year 2013, the Department received appropriations designated for the specific purposes of personal services and contributions to social security, while in fiscal year 2014 the expenditures were included in the lump sum appropriation for operational expenses.

Contractual services

Contractual services expenditures within this fund increased by 139%. According to the Department, contractual spending came from two appropriations: a dedicated line in Property Management and a general operations lump sum appropriation. In fiscal year 2014, the Property Management contractual services line received a supplemental appropriation of $21,975,900 causing the variance.

Automobile liability claims and auto liability SP settlement

The change in expenditures is due to the change in the appropriation process by the General Assembly for the automobile liability claims. The appropriation code changed from fiscal year 2013 to fiscal year 2014, but the appropriations were for the same purposes. Overall, expenditures for this purpose decreased less than the threshold defined above.

Capital Development – 0141

For IL Century Network

The decrease in expenditures is due to the conclusion of the American Recovery and Reinvestment Act of 2009 (ARRA) project in fiscal year 2013. The majority of the project spending occurred in fiscal year 2013, but the Department was able to process the final invoices for the fiscal year 2013 contracts in fiscal year 2014 to close out the ARRA project.

Infrastructure improvement

The decrease in expenditures is due the conclusion of the Infrastructure Improvement project in fiscal year 2013. The project included hardware purchases and EDP related items and repairs and a few remaining invoices were processed for the roof/ventilation project in fiscal year 2014. The decrease is also due to the Capital Development Board not initiating new projects in fiscal year 2014 and fewer EDP hardware projects since the majority of the hardware was purchased in fiscal year 2013.

State Garage Revolving – 0303

Operation of automotive equipment expenditures increased due to additional costs incurred related to parts, repair services and fuel for the vehicle fleet. The increase costs can be attributed to the rising age and mileage of the vehicle fleet.

Statistical Services Revolving – 0304

Telecommunication services expenditures increased due to the payment of a fiscal year 2010 catch up bill owed to the Communications Revolving Fund.

Communications Revolving – 0312

Broadband network

The decrease in expenditures is due to the conclusion of the ARRA project in fiscal year 2013. The majority of the project spending occurred in fiscal year 2013, but the Department was able to process the final invoices for the fiscal year 2013 contracts in fiscal year 2014 to close out the ARRA project.

Refunds

The decrease in refunds is due to a refund to the Department of Human Services in fiscal year 2013 for overcharges to the federal government per the settlement. There was no such refund in fiscal year 2014.

Workers' Compensation Revolving – 0332

Workers' compensation claims, admin expenses and payment of temporary disability, and WC all inclusive lump sum line

The change in the workers' compensation claims and admin. expenses and payment of temporary disability expenditures is due to the change in the appropriation process by the General Assembly. In fiscal year 2013 these lines were dedicated appropriations, while in fiscal year 2014, the expenditures were combined into the WC all inclusive lump sum line.

State Surplus Property Revolving – 0903

The Record Processing/I-Cycle Program expenditures increased by 32% in fiscal year 2014. According to the Department, payroll was shifted in fiscal year 2013 from the fund and added to the General Revenue Fund payroll when the fund was experiencing cash flow difficulties. In fiscal year 2014, the payroll was shifted back to this fund. According to the Department, the savings from the payroll move was approximately $500,000, once retirement and group insurance were factored into the equation. In addition, other operational spending was slowed due to cash constraints and attributed to the overall lower expenditures in fiscal year 2013.

Health Insurance Reserve – 907

Health care coverage expenditures increased due to the increase in funds available to spend during fiscal year 2014 in comparison to fiscal year 2013. The expenditures are dependent upon receipts made into the fund and available to spend during the fiscal year.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2014

General Revenue – 0001

Personal services, contributions to social security, electronic data processing and operational expenses

The increase in personal services expenditures, contributions to social security, and electronic data processing expenditures is due to the change in the appropriation process by the General Assembly for operating expenses paid out of the General Revenue Fund. In fiscal year 2014 the expenditures were included in the lump sum appropriations for operational expenses, while in fiscal year 2015 the Department received appropriations designated for the specific purposes of personal services and contributions to social security.

Operational expenses within this fund decreased by 100%. According to the Department, in fiscal year 2015, various General Revenue Fund operational lines were designated for specific purposes. In fiscal year 2014, the appropriation process adopted by the General Assembly resulted in lump sum appropriations for operational expenses rather than individual appropriations designed for specific purposes. Also, in fiscal year 2014, the Department was appropriated a General Revenue Fund supplemental appropriation to facilitate payment of Department of Corrections invoices owed to the Department's revolving funds. This appropriation was not renewed in fiscal year 2015.

Contractual services

Contractual services expenditures within this fund decreased by 31%. This decrease is due to a supplemental appropriation received in fiscal year 2014 but not received in fiscal year 2015, and due to the change in the appropriation process by the General Assembly for operating expenses paid out of the General Revenue Fund. In fiscal year 2014, the contractual services expenditures were dedicated in only Property Management. All other portions of contractual services were included in the lump sum appropriations. For fiscal year 2015, the Department received appropriations designated for contractual services and no supplemental appropriation was received.

Deposit into Communications Revolving Fund

Deposit into Communication Revolving Fund within this fund did not have any activity in fiscal year 2014, but had significant activity in fiscal year 2015. According to the Department, in fiscal year 2015, the Bureau of Communications and Computer Services received an appropriation and subsequently expended $1,000,000 for the Broadband Network.

Capital Development – 0141

For IL Century Network

The decrease in expenditures was due to the conclusion of the ARRA project in fiscal year 2013. The majority of the project spending occurred in fiscal year 2013, but the Department processed the final invoices for the fiscal year 2013 contracts in fiscal year 2014. No new projects were initiated in fiscal year 2015.

Infrastructure improvement

The increase in expenditures was due to new infrastructure projects added during fiscal year 2015. The projects included hardware purchases and EDP related to the Cisco Load Balancer project and the Virtual Tape subsystem project.

State Garage Revolving – 0303

Equipment expenditures decreased by 55%. According to the Department, over $3.54M was spent in fiscal year 2014 procuring vehicles from various vendors to increase the vehicle fleet. A similar level of procurement did not occur in fiscal year 2015.

Statistical Services Revolving – 0304

Telecommunication services expenditures increased due to the payment of current year telecommunication invoice and payments to catch up on invoices from prior years.

Communications Revolving – 0312

Contractual services

The increase in expenditures is due to the increased overhead costs in providing services such as graphic design, mail messenger, and other communication services during fiscal year 2015.

Broadband network

The decrease in expenditures is due to the additional costs paid in fiscal year 2014 for the conclusion of the ARRA project. The project included construction costs, indefeasible rights of use contract costs, and purchases of fiber and hardware to accommodate the network project during fiscal year 2014.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Fiscal Years Ended June 30, 2015 and 2014

The Illinois Department of Central Management Services' (Department) explanations for significant fluctuations in receipts greater than $500,000 and 20% as presented in the "Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the Comptroller" (Schedule 6) are detailed below:

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2013 AND 2014

General Revenue – 0001

The miscellaneous receipts increased due to the sale of property to the City of Springfield during fiscal year 2014.

Kanerva vs. State Trust – 0234

Revenues increased in direct accordance and compliance with the Kanerva court order. The court order specified the amounts and timing of the dollars originally collected into the Health Insurance Reserve Fund that had to be moved into the Kanerva vs. State Trust Fund for distribution of amounts collected from retirees.

State Garage Revolving – 0303

Receipts within this fund increased due to the timing of receipts from the General Revenue Fund and from various agencies. These receipts were cash holds from the General Revenue Fund and late payments from various agencies.

Statistical Services Revolving – 0304

The charges to user agencies increased due to the increased payments from the state agencies to pay current year invoices and prior year outstanding invoices.

Workers' Compensation Revolving – 0332

Receipts within this fund decreased due to the decrease in collections of subrogation recoveries from third parties during the fiscal year.

Group Insurance Premium – 0457

Carrier Refunds

Receipts decreased due to the change in rates and the timing of receipts relating to the favorable experience ratings for optional life insurance coverage. Fiscal year 2014 refunds were the result of fiscal year 2013 experience.

Transfers in from other funds

Receipts increased due to payments relating to the fiscal year 2013 operating transfers still outstanding at the end of the prior fiscal year.

Community College Health Insurance Security – 0577

Receipts decreased due to the timing of General Revenue Fund transfers into the fund. The prior year included additional receipts for prior year transfers outstanding.

State Employees' Deferred Compensation Plan – 0755

Benefit receipts decreased as a result of fewer participants transferring money from other accounts than in the prior year.

State Surplus Property Revolving – 0903

Receipts for the sales of surplus property increased due to the collection and corresponding sales of equipment and vehicles received from the Illinois Department of Transportation during fiscal year 2014.

Health Insurance Reserve – 0907

Direct payments of insurance premiums by employees

Receipts decreased due to the decrease of Quality Care Health Plan members paying insurance premiums during the fiscal year.

Optional health deductions

Receipts increased due to the increase in rates during the fiscal year.

Transfers in from other funds

Fiscal year 2014 receipts increased due to Comptroller transferring funds from General Revenue Fund relating to the fiscal year 2013 due from other funds at year end.

ANALYSIS OF SIGNIFICANT VARIATIONS BETWEEN FISCAL YEARS 2014 AND 2015

General Revenue – 0001

Miscellaneous receipts decreased due to the sale of property to the City of Springfield during fiscal year 2014. There were no such property sales in fiscal year 2015.

Teachers Health Insurance Security – 0203

The Federal Medicare Part D receipts decreased due to the Medicare enrollment demographic shift from self-insured carriers to the (fully insured) Medicare Advantage carriers resulting in less Medicare D revenues.

Kanerva vs. State Trust – 0234

Revenues increased in direct accordance and compliance with the Kanerva court order. Court order specified the amounts and timing of the dollars originally collected into the Health Insurance Reserve Fund that had to be moved into the Kanerva vs. State Trust Fund for distribution of amounts collected from retirees.

Communications Revolving – 0312

Federal Stimulus Package receipts decreased due to fiscal year 2014 being the last year of the grant. There were no such receipts received in fiscal year 2015.

Workers' Compensation Revolving – 0332

Receipts within this fund increased due to the increase in collections of subrogation recoveries from third parties during the fiscal year.

Group Insurance Premium – 0457

Carrier refunds receipts increased due to a change in the prescription drug true-up guarantee formula causing an increase in revenues in fiscal year 2015 compared to fiscal year 2014.

Community College Health Insurance Security – 0577

Federal Medicare Part D receipts decreased due to the significant Medicare enrollment demographic shift to the Medicare Advantage product resulting in less Medicare Part D revenues received during the fiscal year.

State Employees' Deferred Compensation Plan – 0755

Benefit receipts

Benefit receipts increased due to an increase in participants rolling over money from other plans into the Illinois' Deferred Compensation Plan compared to the prior year.

Record keeping reimbursements

The reimbursement receipts increased due to the resuming of the monthly reimbursements during the fiscal year. In fiscal year 2013 and fiscal year 2014 the reimbursements were not performed based upon an agreement with the Department and the Illinois State Board of Investments in order to draw down reserves in the proprietary portion of the Fund.

Health Insurance Reserve – 0907

Reimbursement of insurance premiums from federal trusts, other funds, and employers

Receipts decreased due the expectation that the reimbursement of insurance premiums from employers would decrease based upon the rates previously set for the fiscal year. It was anticipated that retirees would contribute a portion of their annuities for premiums.

Refunds from insurance carriers

Refund receipts increased due to a change in the prescription drug true-up guarantee formula which caused an increase in revenues in fiscal year 2015 compared to fiscal year 2014.

Federal Medicare Part D

Receipts decreased due to the significant Medicare enrollment demographic shift to the Medicare Advantage product resulting in less Medicare Part D revenues received during the fiscal year.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Fiscal Years Ended June 30, 2015 and 2014

The State of Illinois, Department of Central Management Services' (Department) explanations for significant lapse period spending greater than $500,000 and 20% as presented in the "Schedule of Appropriations, Expenditures and Lapsed Balances" (Schedules 1 and 2) by fund for fiscal years 2014 and 2015 are detailed below. Other fluctuations were also included that fell outside of that threshold because they were considered qualitatively significant by the accountants.

FISCAL YEAR 2014

State Garage Revolving – 0303

Approximately 23% of total expenditures within this fund were paid during the lapse period for fiscal year 2014. This is due to the timing of cash flows as there was a push to collect amounts from agencies and pay remaining fiscal year bills.

FISCAL YEAR 2015

Capital Development – 0141

Approximately 31% of total expenditures within this fund were paid during the lapse period in fiscal year 2015. The Department stated that a contract for the purchase of Cisco router hardware, parts and labor was signed April 2015. The invoices were received between May 7th and June 3rd, 2015 and once all approvals were completed, the vouchers were processed during lapse period.

State Garage Revolving – 0303

Approximately 22% of total expenditures within this fund were paid during the lapse period in fiscal year 2015. This is due to the fund being cash managed for the entire fiscal year, paying bills when cash was available. In addition, vehicles purchased during the fiscal year are usually received and paid for during the lapse period.

Workers' Compensation Revolving – 0332

Approximately 28% of total expenditures within this fund were paid during the lapse period in fiscal year 2015. In order to fund the Workers' Compensation third party administrator with amounts necessary to pay claims and reimbursements, an account was established through the State Treasurer's Illinois Funds to hold funds for claims and reimbursements approved for release until such time as the individual payments are presented to the vendor's bank. Funding is made from the applicable Treasury Held Fund for deposit into the Illinois Funds Account. These funding payments for June 2015 were paid in the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2015
(Expressed in Thousands)

Schedule 10

	General Revenue 0001	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Insurance Premium 0457	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	State Surplus Property Revolving 0903	Health Insurance Reserve 0907	Group Insurance 1457
Accounts receivable - intergovernmental	$ -	$ 87	$ 312	$ -	$ -	$ 873	$ -	$ -	$ -	$ -	$ 1	$ -	$ -	$ 1,353	$ -
Accounts receivable - other	643	512	21,163	22	26	1,731	7	4	9	-	1,746	629	62	30,378	14,190
Total accounts receivable	643	599	21,475	22	26	2,604	7	4	9	-	1,747	629	62	31,731	14,190
Allowance for doubtful accounts	62	-	-	-	6	161	-	-	-	-	-	-	34	-	-
Net accounts receivable	$ 581	$ 599	$ 21,475	$ 22	$ 20	$ 2,443	$ 7	$ 4	$ 9	$ -	$ 1,747	$ 629	$ 28	$ 31,731	$ 14,190

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

The Department assesses collectability based on age of receivables and specific identification of amounts not likely to be collected. The Department utilizes the Comptroller's offset system for non-State agency receivables.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2014
(Expressed in Thousands)

Schedule 11

	General Revenue 0001	Local Government Health Insurance Reserve 0193	Teacher Health Insurance Security 0203	State Garage Revolving 0303	Statistical Services Revolving 0304	Communications Revolving 0312	Facilities Management Revolving 0314	Professional Services 0317	Workers' Compensation Revolving 0332	Group Insurance Premium 0457	Community College Health Insurance Security 0577	State Employees' Deferred Compensation Plan 0755	State Surplus Property Revolving 0903	Health Insurance Reserve 0907	Group Insurance 1457
Accounts receivable - Intergovernmental	$ -	$ 155	$ 374	$ 8	$ -	$ 1,282	$ -	$ -	$ -	$ -	$ 1	$ -	$ -	$ 1,333	$ -
Accounts receivable - other	669	339	18,955	23	9	2,757	7	3	7	1,837	1,337	896	82	21,956	9,426
Total accounts receivable	669	494	19,329	31	9	4,039	7	3	7	1,837	1,338	896	82	23,289	9,426
Allowance for doubtful accounts	61	-	-	-	-	64	-	-	-	-	-	-	35	-	-
Net accounts receivable	$ 608	$ 494	$ 19,329	$ 31	$ 9	$ 3,975	$ 7	$ 3	$ 7	$ 1,837	$ 1,338	$ 896	$ 47	$ 23,289	$ 9,426

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

The Department assesses collectability based on age of receivables and specific identification of amounts not likely to be collected. The Department utilizes the Comptroller's offset system for non-State agency receivables.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Years Ended June 30, 2015 and 2014
(Unaudited)

The Department of Central Management Services provides a wide variety of centralized services to other State and local governmental agencies.

The Department is administered from the seventh floor of the Stratton Office Building in Springfield, Illinois. Four individuals led the Department during the engagement period, the most recent being Michael Hoffman who was appointed Acting Director January 16, 2016. Please refer to the Agency Officials listing earlier in this report for the previous directors and their tenures with the Department during the reporting period.

The Department is organized into the following nine major division/bureaus:

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

The different areas of administrative management of the Bureau of Administrative Operations include but are not limited to the Director's Office, Legal Services, Governmental Affairs, Internal Audit, Office of Finance and Management, and the Vendor Payment Program.

The current organizational structure of the Department was developed to provide streamlined management, improved accountability and improved efficiency in the delivery of service to other agencies. The Department is responsible for the coordination of data processing and data communications; providing personnel, procurement, vehicles, and property management services; management of State employee benefit plans; centralized accounting for revolving and trust funds under its control; and administration of the State's Business Enterprises Program for Minorities, Females and Persons with Disabilities.

Agency Planning Program

Internal budget reports are prepared monthly for all appropriated funds. Internal financial statements are also prepared monthly for the revolving funds. Various other management reports are prepared monthly or as required by Department management.

Subject matter experts have been identified in each bureau and serve as liaisons to the planning and performance measurement program. Performance data is requested as needed from the bureau liaisons for inclusion in the Comptroller's Service, Efforts and Accomplishments (SEA) reporting, as well as annual reporting for the Budgeting-for-Results initiative as led by the Governor's Office of Management and Budget (GOMB). Data is derived from various bureau generated reports. The reports are reviewed by bureau managers, Chief Operating Officer

(COO), Deputy COO, Assistant Directors and Director prior to submission, and subject to random detailed review as necessary. Significant variances in performance need to be justified to the Office of Finance and Management and any metric changes need to be approved both internally and by GOMB. The Comptroller's Office also requires the Department to explain any significant variations in SEA performance data.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
AVERAGE NUMBER OF EMPLOYEES
For the Fiscal Years Ended June 30, 2015, 2014, and 2013
(Unaudited)

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

Bureau	2015	2014	2013
Agency Services	179	181	-
Administrative Operations	103	112	103
Communication and Computer Services	509	514	533
Personnel	97	95	98
Benefits	75	73	98
Property Management	268	274	303
Information Services	38	42	66
Business Enterprise Program	13	10	12
Strategic Sourcing	26	28	181
Total	1,308	1,329	1,394

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF INTEREST PAID
For the Fiscal Years Ended June 30, 2015, 2014 and 2013
(Unaudited)

	2015	2014	2013
General Revenue Fund - 0001			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	1,644	688	1,033
Total Interest Paid	$ 1,644	$ 688	$ 1,033
Total Expenditures of Fund	$ 1,607,781,374	$ 1,512,934,890	$ 1,481,220,810
Interest % from Total Expenditures of Fund	0.00010%	0.00005%	0.00007%
Local Government Health Insurance Reserve Fund - 0193			
Healthcare Coverage Interest Paid	$ 11,672	$ 15,268	$ 60,852
Operational Interest Paid	-	-	-
Total Interest Paid	$ 11,672	$ 15,268	$ 60,852
Total Expenditures of Fund	$ 39,568,431	$ 34,076,604	$ 40,315,674
Interest % from Total Expenditures of Fund	0.02950%	0.04480%	0.15094%
Teachers Health Insurance Security Fund - 0203			
Healthcare Coverage Interest Paid	$ 2,926,674	$ 8,072,722	$ 4,282,980
Operational Interest Paid	-	-	-
Total Interest Paid	$ 2,926,674	$ 8,072,722	$ 4,282,980
Total Expenditures of Fund	$ 427,664,000	$ 530,710,431	$ 455,011,619
Interest % from Total Expenditures of Fund	0.68434%	1.52112%	0.94129%
State Garage Revolving Fund - 0303			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	2,141	-	41,860
Total Interest Paid	$ 2,141	$ -	$ 41,860
Total Expenditures of Fund	$ 49,774,676	$ 60,215,289	$ 55,103,304
Interest % from Total Expenditures of Fund	0.00430%	0.00000%	0.07597%
Statistical Services Revolving Fund - 0304			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	5,841	358,643	780,685
Total Interest Paid	$ 5,841	$ 358,643	$ 780,685
Total Expenditures of Fund	$ 141,705,443	$ 143,792,807	$ 142,427,653
Interest % from Total Expenditures of Fund	0.00412%	0.24942%	0.54813%
Communications Revolving Fund - 0312			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	2,003	925	18,162
Total Interest Paid	$ 2,003	$ 925	$ 18,162
Total Expenditures of Fund	$ 98,868,821	$ 121,924,964	$ 144,491,478
Interest % from Total Expenditures of Fund	0.00203%	0.00076%	0.01257%
Facilities Management Revolving Fund - 0314			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	439	1,922	182,120
Total Interest Paid	$ 439	$ 1,922	$ 182,120
Total Expenditures of Fund	$ 186,698,957	$ 181,962,323	$ 188,369,827
Interest % from Total Expenditures of Fund	0.00024%	0.00106%	0.09668%

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
SCHEDULE OF INTEREST PAID
For the Fiscal Years Ended June 30, 2015, 2014 and 2013
(Unaudited)

	2015	2014	2013
Professional Services Fund - 0317			
Healthcare Coverage Interest Paid	$ -	$ -	$ -
Operational Interest Paid	16	46	13
Total Interest Paid	$ 16	$ 46	$ 13
Total Expenditures of Fund	$ 10,022,381	$ 9,683,691	$ 8,941,305
Interest % from Total Expenditures of Fund	0.00016%	0.00048%	0.00015%
Community College Health Insurance Security Fund - 0577			
Healthcare Coverage Interest Paid	$ 1,035,827	$ 975,759	$ 3,259,700
Operational Interest Paid	-	-	-
Total Interest Paid	$ 1,035,827	$ 975,759	$ 3,259,700
Total Expenditures of Fund	$ 27,529,949	$ 38,739,723	$ 58,978,857
Interest % from Total Expenditures of Fund	3.76255%	2.51876%	5.52690%
Health Insurance Reserve Fund - 0907			
Healthcare Coverage Interest Paid	$ 106,387,293	$ 133,820,910	$ 111,625,031
Operational Interest Paid	-	-	-
Total Interest Paid	$ 106,387,293	$ 133,820,910	$ 111,625,031
Total Expenditures of Fund	$ 2,455,202,750	$ 2,626,380,456	$ 2,175,295,692
Interest % from Total Expenditures of Fund	4.33314%	5.09526%	5.13149%
TOTAL INTEREST PAID IN ALL FUNDS			
Healthcare Coverage Interest Paid	$ 110,361,466	$ 142,884,659	$ 119,228,563
Operational Interest Paid	12,084	362,224	1,023,873
Total Interest Paid	$ 110,373,550	$ 143,246,883	$ 120,252,436
Total Expenditures of Funds that Paid Interest	$ 5,044,816,782	$ 5,260,421,178	$ 4,750,156,219
Interest % from Total Expenditures of Fund	2.18786%	2.72311%	2.53155%

Note: This schedule was prepared from the Object Expense/Expenditures By Quarter Reports (SA02) from the Illinois Office of the Comptroller's website.

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
EMERGENCY PURCHASES
For the Fiscal Year Ended June 30, 2015
(Unaudited)

Description	Amount	
Procurement for extension of truck fleet repair services to allow time to complete the procurement process for a new contract.	$ 268,246	
Procurement for elevator repairs and maintenance at 100 Randolph, Chicago to allow time to complete the new contract.	213,581	
Procurement for extension of statewide telecommunication maintenance of base phone systems to continue repair and maintenance while replacement contract is put into place.	592,254	
Procurement of lease extension for Illinois Department of Employment Security (IDES) in the City of Burbank to allow time to complete the procurement process for a new contract.	13,910	
Procurement of lease extension for Illinois Department of Human Services (DHS) at Industrial Drive in Springfield to allow time to complete the procurement process for a new contract.	320,488	
Procurement of lease extension for the DHS 119th Street office in Chicago to allow time to complete the procurement process for a new contract.	53,504	
Procurement of lease extension for DHS 35th Street field office in Chicago to allow time to complete the procurement process for a new contract.	36,049	
Procurement for the removal of water from the damaged main line of the fire suppression system at the State facility in Springfield due to roof collapse.	10,000	*
Procurement of emergency building stabilization services for roof collapse at the State facility in Springfield.	17,000	*
Procurement of lease extension for IDES Lombard office to allow time to complete the procurement process for a new contract.	30,256	
Procurement of coal for Quincy Veterans Administration and Logan Correctional Center to purchase coal for electricity, water and heat until a new contract is in place.	267,878	
Procurement of janitorial services for Carpentersville with a State Use vendor. This is a new lease and janitorial services could not be procured in time with the start of the new lease.	6,486	
Procurement of repairs for water heater at Carbondale.	6,350	

Description	Amount
Procurement of two doors/frame repairs at Illinois State Police in East Moline.	$ 5,794
Procurement of repairs for passenger elevator in Springfield.	77,560
Procurement of tree removal at Sterling to prevent further building damage.	1,140
	$ 1,920,496

* Estimated Cost

STATE OF ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
EMERGENCY PURCHASES
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Description	Amount
Procurement of lease extension for Illinois Department of Human Services (DHS) Charleston office to allow time to complete the procurement process for a new contract.	$ 12,605
Procurement of lease extension for Illinois Department of Employment Security (IDES) Springfield lease to allow time to complete the procurement process for a new contract.	37,069
Procurement of lease extension for Illinois Department of Revenue (IDOR) lease to allow time to complete the procurement process for a new contract.	19,875
Procurement of lease extension for Illinois Finance Authority (IFA) Peoria lease to allow time to complete the procurement process for a new contract.	1,362
Procurement of waste disposal and recycling in the Chicago area.	134,100
Procurement of waste disposal and recycling downstate.	163,900
Procurement of insurance coverage for the Illinois State Fair Grandstand Concerts in the event of cancellations due to weather.	110,500
Procurement of lease extension for Illinois State Police (ISP) in Tinley Park to allow time to complete the procurement process for a new contract.	5,668
Procurement of contract to allow state agencies to continue to purchase Navistar parts as needed until final contract is completed.	339,161
Procurement of contract with Motorola to provide statewide radio maintenance services while procurement process is being finalized.	306,132
Procurement of statewide radio tower maintenance.	6,843
Procurement of lease extension for ISP Morton lease to allow time to complete the procurement process for a new contract.	34,386
Procurement of lease extension for Illinois Healthcare and Family Services (HFS) Springfield lease to allow time to complete the procurement process for a new contract.	764,850
	$ 1,936,451

MEMORANDUM OF UNDERSTANDING

For the Fiscal Years Ended June 30, 2015 and 2014
(Unaudited)

The Illinois Department of Central Management Services (Department) entered into the following Memorandum of Understanding during the engagement period.

DEFENSE LOGISTICS AGENCY

The Department entered into an agreement with the Defense Logistics Agency for the purpose of transferring excess Department of Defense personal property to suitable law enforcement activities in the State.

Benefits

Mission Statement: To administer high-quality benefit programs that contribute positively to the health, well-being, and financial security of statutorily-specified groups of Illinois government employees, retirees and their families.

Program Goals: Objectives:

1. Develop, promote, and implement a comprehensive Wellness program to improve health of members and realize savings negotiated in the Union contract. Raise awareness of current Wellness options under existing group health plans.
2. Identify savings and efficiencies in benefits programs that can be negotiated as part of the collective bargaining process for fiscal year 2015.
3. Ensure clear communication of plan design changes resulting from the prior Union contract to all eligible participants during the benefits choice period.
4. Work towards improving long-term health of eligible members by providing access to healthcare and life insurance coverage.

Source of Funds: General Revenue Fund, Road Fund, Group Insurance Premium Fund, Health Insurance Reserve Fund

Statutory Authority: 5 ILSC 375;IRS 125.45.CFR1

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$3,832,691.1	$4,284,407.2	$4,851,192.2	$4,237,985.3	$5,090,148.8
* Total expenditures - state appropriated funds (in thousands)	$3,832,691.1	$4,284,407.2	$4,851,192.2	$4,237,985.3	$5,090,148.8
* Average monthly full-time equivalents	71.0	67.0	83.0	56.0	83.0
Output Indicators					
* Lives Covered (Group Health): Total	361,656	361,861	361,047	362,696	363,018
* Lives Covered (Group Health): Active Employees	103,059	103,077	102,088	103,085	101,923
* Lives Covered (Group Health): Retired	88,826	88,300	88,532	88,423	89,653
* Lives Covered (Group Health): Dependents of Active Participants	131,073	131,517	131,116	131,869	131,120
* Lives Covered (Group Health): Dependents of Retired Participants	38,698	38,967	39,311	39,319	40,322
* Lives Covered (Life Insurance): Total	289,081	295,220	295,400	300,910	305,000
* Lives Covered (Life Insurance): Active	103,040	104,078	104,100	104,914	105,547
* Lives Covered (Life Insurance): Retired	87,529	89,647	89,700	91,687	93,122
* Lives Covered (Life Insurance): Dependents of Active Participants	77,596	80,385	80,400	82,748	84,550
* Lives Covered (Life Insurance): Dependents of Retired Participants	20,916	21,110	21,200	21,561	21,781
* Flexible Spending Account Participants	14,560	14,630	15,011	15,259	15,564
Outcome Indicators					
* Percent of Medicare Coordination of Benefits Cases Completed Within 30 Days	69 %	66 %	85 %	95 %	90 %
* Percentage of Group Insurance coverage disputes resolved within 30 days	73 %	96 %	95 %	98 %	95 %
Efficiency/Cost-Effectiveness Indicators					
* State FICA Savings From Commuter Savings Program (in thousands)	$502.3	$231.1	$233.4	$237.4	$242.2
* State FICA Savings From Flexible Spending Programs (in thousands)	$1,874.3	$1,930.5	$1,949.8	$2,028.5	$2,069.1

Business Enterprise Program

Mission Statement: To promote and encourage the economic development of businesses owned and operated by minorities, females, persons with disabilities, veterans and service-disabled veterans by providing education and encouraging participation as prime or sub-contractors in the State's procurement process.

Program Goals: Objectives:

1. Create economic opportunities for businesses owned by minorities, females, persons with disabilities, veterans, and service-disabled veterans.
2. Promote the participation of BEP vendors as prime and subcontractors.
3. Ensure State agencies and universities comply with procurement rules related to contracting with BEP certified vendors.
4. Create an online application that allows vendors to track the application process and for the Bureau to respond to requests for information.
5. Increase the number of certified veteran-owned businesses for the Veteran Business Program (VBP).
6. Increase outreach and training to minority communities and agencies across the State.
7. Monitor the efforts of agencies towards their achievement of BEP prime and sub-contracting goals for all state contracts.

Source of Funds: General Revenue Fund ***Statutory Authority:*** 30 ILCS 575

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$1,108.4	$980.5	$1,659.0	$1,173.8	$1,659.1
* Total expenditures - state appropriated funds (in thousands)	$1,108.4	$980.5	$1,659.0	$1,173.8	$1,659.1
* Average monthly full-time equivalents	12.0	10.0	17.0	16.0	17.0
Output Indicators					
* BEP applications received	2,237	2,200	2,300	2,137	2,250
* Newly certified venders	275.0	226.0	300.0	248.0	235.0
* Certified Business Enterprise Program (BEP) vendors	1,525	1,712	1,600	1,799	1,800

Department of Central Management Services

(Appropriated Spending in Thousands)

	FY2014		FY2015	
Reporting Programs	**Expenditures**	**Headcount**	**Expenditures**	**Headcount**
Benefits	$4,284,407.2	67.0	$4,237,985.3	56.0
Facilities Management	$217,099.7	295.0	$210,192.8	282.0
Information Technology	$145,963.1	410.0	$144,910.3	406.0
Workers' Compensation and Risk Management	$133,576.6	10.0	$143,410.2	8.0
Communications and Broadband Services	$125,933.0	199.0	$101,806.9	186.0
Vehicles and Surplus Property	$64,162.8	166.0	$53,782.8	163.0
Personnel	$8,793.6	97.0	$9,565.1	94.0
Labor Relations and Legal Services	$8,069.7	39.0	$8,075.6	36.0
Strategic Sourcing	$2,365.6	29.0	$2,249.4	27.0
Deferred Compensation	$1,158.1	9.0	$1,232.6	9.0
Business Enterprise Program	$980.5	10.0	$1,173.8	16.0
Non-Reporting Programs				
Other / Non Programs	$15,000.0	N/A	$0.0	N/A
Totals	$5,007,509.9	1,331.0	$4,914,384.8	1,283.0

Communications and Broadband Services

Mission Statement: To provide state-of-the-art, reliable, cost-effective, high quality communications and broadband services to state agencies, boards, commissions, constitutional offices, educational entities and participating units of local and county government.

Program Goals: Objectives:

1. Migrate phone lines leased from outside vendors to the State's owned Voice over Internet Protocol (VOIP) infrastructure to reduce operating costs.
2. Complete transition of all state call centers to the State's VOIP infrastructure to lower cost, improve tracking and reporting, and modernize functionality
3. Expand the reach of the Illinois Century Network (ICN) to provide service to additional schools and units of local government
4. Increase and improve the State's online presence to improve information availability, increase transparency, and reduce operating expenses.
5. Provide professional quality media materials to increase awareness of state programs and initiatives in a cost-effective manner.

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

Statutory Authority: 20 ILCS 405/405-20; 405-27

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$153,884.2	$125,933.0	$167,673.6	$101,806.9	$167,292.2
* Total expenditures - state appropriated funds (in thousands)	$153,884.2	$125,933.0	$167,673.6	$101,806.9	$167,292.2
* Average monthly full-time equivalents	207.0	199.0	222.0	186.0	222.0
Output Indicators					
* Leased phone lines managed	N/A	55,376	55,376	54,415	52,000
* Phones converted to Voice Over Internet Protocol (VOIP) technology	N/A	3,296	9,185	3,464	15,000
* Average Telecommunications Voice Orders (TSR) processed per month	875.0	688.0	850.0	981.0	980.0
* Non-Smartphone wireless devices managed	13,005	13,291	13,200	12,535	12,000
* Smartphone devices managed	4,184	4,531	4,000	4,540	5,000
* Network data circuits managed	6,204	3,487	3,500	4,872	4,500
Outcome Indicators					
* Illinois' Century Network (ICN) anchor institutions	N/A	6,026	6,026	5,246	5,000
* Percent of incidents resolved within performance standards set for third-party telecommunication providers	N/A	96 %	90 %	99 %	99 %
* Average bandwidth in Gbps (all customers)	N/A	74.9	97.3	56.0	80.0
Efficiency/Cost-Effectiveness Indicators					
* Network availability	N/A	99.99 %	99.99 %	99.99 %	99.99 %

Deferred Compensation

Mission Statement: To administer high-quality investment programs that enhance the prosperity of employees by providing an alternative pre-tax savings option for retirement.

Program Goals: Objectives:

1. Provide eligible employees additional opportunities to prepare for retirement.
2. Establish a Roth 457 option for eligible employees to increase savings opportunities.
3. Modify program rules and regulations to give participants full access to deferred compensation program benefits, as permitted under law.

Source of Funds: State Employees Deferred Compensation Plan Fund

Statutory Authority: 40 ILCS 5/24 / IRS Code

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$1,126.0	$1,158.1	$1,501.2	$1,232.6	$1,601.4
* Total expenditures - state appropriated funds (in thousands)	$1,126.0	$1,158.1	$1,501.2	$1,232.6	$1,601.4
* Average monthly full-time equivalents	9.0	9.0	9.0	9.0	9.0
Output Indicators					
* Investment options offered	19.0	18.0	17.0	16.0	16.0
* New program participants	2,750	2,517	2,750	3,448	2,800
* Employees currently contributing	29,819	29,929	30,200	31,790	31,000
* Total program participants	51,285	51,459	51,600	52,415	52,500
Outcome Indicators					
* Participant dollars deferred (in thousands)	$158,700.0	$163,400.0	$165,000.0	$166,938.0	$167,000.0
* Average annual contribution by actively contributing employees (in dollars)	$5,324.00	$5,454.00	$5,464.00	$5,251.00	$5,300.00
Efficiency/Cost-Effectiveness Indicators					
* Average annual administrative cost per participant (in dollars)	$21.94	$22.49	$23.00	$25.24	$26.00
External Benchmarks					
* Investments exceeding benchmark 1 year rolling return	44 %	50 %	53 %	44 %	50 %

Facilities Management

Mission Statement: To maintain and optimize the use of state-owned facilities consolidated under CMS and to provide access to additional space as needed through cost-efficient leasing to ensure agencies have space available to meet their operating needs. To manage the daily operations of and public access to facilities by maintaining grounds, structures, utilities, and environmental systems. To acquire, manage and dispose of real and personal property through the surplus property program in an efficient and cost-effective manner.

Program Goals: Objectives:

1. Maximize the utilization of state-owned space.
2. Reduce annual maintenance cost of state-owned space and the utility cost of all state-occupied space.
3. Reduce the amount and cost per square foot of leased space.
4. Implement a new system to track the utilization and operating costs of space.
5. Increase the energy efficiency of state facilities.
6. Increase the use of alternative energy.

Source of Funds: General Revenue Fund, Facilities Management Revolving Fund

Statutory Authority: 20 ILCS 405/405-300 & EO 03-10

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$203,473.2	$217,099.7	$283,506.7	$210,192.8	$282,142.5
* Total expenditures - state appropriated funds (in thousands)	$203,473.2	$217,099.7	$283,506.7	$210,192.8	$282,142.5
* Average monthly full-time equivalents	300.0	295.0	309.0	282.0	307.0
Output Indicators					
* State facilities (owned and leased)	N/A	9,083	9,083	9,083	9,083
* Square feet of State space (owned and leased)	N/A	122,448,129	122,449,000	128,352,789	128,352,798
* Facilities under CMS management	N/A	610.0	614.0	689.0	650.0
* Square feet managed by CMS	N/A	13,007,965	12,974,119	15,005,453	15,000,000
* Leases under CMS management	N/A	393.0	390.0	359.0	350.0
* State-owned facilities managed by CMS	N/A	207.0	207.0	330.0	300.0
* Surplus real properties managed by CMS	9.0	10.0	17.0	17.0	16.0
* Completed facilities consolidations	15.0	6.0	12.0	7.0	11.0
* Facility work orders completed	N/A	23,446	25,000	25,000	25,000
* Capital spending on CMS managed state-owned facilities (in thousands)	$6,267.8	$1,453.4	$2,000.0	$3,442.5	$1,500.0
Outcome Indicators					
* Percentage of negotiated leases with average square footage per employee within guidelines established by the Procurement Policy Board and CMS policy	N/A	84 %	86 %	86 %	86 %

Information Technology

Mission Statement: To provide consolidated Information Technology (IT) services including desktop support, helpdesk, application management, data security, data center and disaster recovery services that are state-of-the-art, reliable, cost-effective, secure, and high quality to our customers.

Program Goals: Objectives:

1. Use technology effectively to reduce administration costs.
2. Encourage agencies to upgrade and replace legacy mainframe systems.
3. Continue consolidation of state agencies into the shared data center to reduce capital investment and operating expense for the state.
4. Complete the refresh of desktop and laptop computers, upgrading users to Windows 7 and Office 2010 to increase employee efficiency and improve information security.
5. Support the rollout of the statewide ERP system and ensure successful integration with existing applications.
6. Continue to measure and improve reliability, security, and availability of services.
7. Standardize service offerings to provide consistent cost effective services to all state agencies.

Source of Funds: Capital Development Fund, Statistical Services Revolving Fund ***Statutory Authority:*** 20 ILCS 450 & EO 06-12

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$150,600.9	$145,963.1	$182,210.6	$144,910.3	$224,176.4
* Total expenditures - state appropriated funds (in thousands)	$150,600.9	$145,963.1	$182,210.6	$144,910.3	$224,176.4
* Average monthly full-time equivalents	437.0	410.0	499.0	406.0	501.0
Output Indicators					
* State employee users supported	N/A	40,875	43,000	40,865	41,000
* E-mail users supported	N/A	44,240	45,000	43,500	43,935
* Websites supported	N/A	76.0	85.0	108.0	115.0
* Statewide applications supported	N/A	29.0	29.0	29.0	29.0
* Personal Identity Certificates (PKI) issued to the public	N/A	260,871	320,000	312,104	325,900
* Help Desk calls answered	N/A	196,366	215,000	154,608	165,000
* Midrange computing environment availability	N/A	99 %	99 %	99 %	99 %
* Virtualized servers managed	N/A	2,500	2,875	2,650	2,875
* Megabytes of Direct Access Storage Device (DASD) billed per month	39,910,495	41,107,810	42,500,000	48,918,294	50,385,843
* Legacy systems supported and maintained	N/A	35.0	32.0	32.0	32.0
Outcome Indicators					
* Percentage of mainframe transactions completed within one second	98 %	99 %	99 %	99 %	99 %
* Mainframe system availability	99 %	99 %	99 %	99 %	99 %
* Systems for which Disaster Recovery Services are provided	N/A	100 %	100 %	100 %	100 %
External Benchmarks					
* Mainframe transactions completed within 2 seconds (Per Gartner Group Research)	98 %	98 %	98 %	98 %	98 %

Labor Relations and Legal Services

Mission Statement: To promote a constructive working relationship between management and organized labor through negotiating and ensuring compliance with statewide collective bargaining agreements. To provide legal support to negotiate, interpret and enforce agreements on Statewide issues including labor and other concerns.

Program Goals: Objectives:

1. Negotiate collective bargaining agreements that allow for the efficient management of statewide operations and provide for equitable treatment of employees.
2. Ensure continuity of services in case of strike or job action.
3. Provide support to agencies to ensure compliance with all collective bargaining agreements.

Source of Funds: Professional Services Fund

Statutory Authority: 20 ILCS405;5 ILCS 315;EO 03-10

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$7,380.5	$8,069.7	$10,433.3	$8,075.6	$9,853.2
* Total expenditures - state appropriated funds (in thousands)	$7,380.5	$8,069.7	$10,433.3	$8,075.6	$9,853.2
* Average monthly full-time equivalents	39.0	39.0	46.0	36.0	46.0
Output Indicators					
* Union agreements managed	34.0	34.0	32.0	32.0	32.0
* Code-covered bargaining unit employees represented	42,485	41,122	41,150	42,315	42,000
* Grievances processed (a)	1,252	1,075	N/A	1,072	1,000
* Disciplinary actions processed including discharges, probationary discharges, and suspensions over 30 days (a)	373.0	443.0	N/A	460.0	513.0
* Sick Leave Bank requests processed	103.0	105.0	99.0	94.0	85.0
* INA Tuition Reimbursement requests processed	17.0	34.0	34.0	34.0	34.0

Footnotes

(a) Projection data for these measures was not forecasted for fiscal year 2015.

Personnel

Mission Statement: To ensure that qualified individuals are hired into code-covered positions, that those employees are compensated and promoted equitably and appropriately, and that agencies comply with the rules set forth in the State's Personnel Code, Personnel Rules, Pay Plan, Position Classification Plan, current collective bargaining agreements and other applicable laws and hiring procedures.

Program Goals: Objectives:

1. Recruit and counsel qualified employees with an emphasis on maintaining a diverse employee pool that includes minorities, women, veterans, and persons with disabilities.
2. Develop and administer more efficient testing and selection instruments.
3. Improve on efforts to administer the Rutan Supreme Court decision and related Administrative Orders.
4. Efficiently process employee and agency transactions and payroll certifications.
5. Develop and implement updated classification and compensation studies.

Source of Funds: General Revenue Fund ***Statutory Authority:*** 20 ILCS 405; 20 ILCS 415

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$8,562.6	$8,793.6	$9,064.9	$9,565.1	$1,000.6
* Total expenditures - state appropriated funds (in thousands)	$8,562.6	$8,793.6	$9,064.9	$9,565.1	$1,000.6
* Average monthly full-time equivalents	99.0	97.0	114.0	94.0	114.0
Output Indicators					
* Code covered state employees (a)	43,800	44,085	44,000	45,189	45,000
* Employee transactions processed	78,247	146,364	115,000	125,886	115,000
* Job applications received	200,064	244,819	240,000	188,308	140,000
* Participants at Diversity Enrichment job fairs	9,007	11,928	12,000	12,683	12,000
* Automated exams for employment candidates	80,000	120,270	100,000	99,357	80,000
* Training and experience (TRAEX) exams graded	73,391	76,142	75,000	50,742	40,000
* Veterans counseled on employment opportunities	385.0	335.0	600.0	305.0	600.0
* Job description revisions (104s) processed	7,627	8,720	8,000	8,630	8,000
* Rutan reviews of positions processed	1,800	1,595	2,500	1,853	1,800
* Employees trained on Rutan hiring process	443.0	607.0	500.0	798.0	500.0
* New Upward Mobility Program (UMP) participants certified	915.0	1,145	1,000	895.0	1,000
* Employees enrolled in Upward Mobility Program	2,353	2,204	2,200	4,033	2,200
Outcome Indicators					
* Percent of full-time permanent state employees in code agencies that represent a minority group (includes women)	59 %	59 %	59 %	59.7 %	59 %
* Average number of days to review and approve job descriptions	31.0	30.0	45.0	27.5	45.0

Footnotes

(a) Best estimate due to budget impasse at the time of submission.

Strategic Sourcing

Mission Statement: To reduce the cost of state government through a center led sourcing approach; To carry out efficient, effective and sound procurement and contract management practices as well as provide quality service through teamwork and communication with governmental entities in addition to the Chief Procurement Office.

Program Goals: Objectives:

1. Create and increase utilization of master, state use and joint purchasing contracts via the Strategic Sourcing process to maximize the State's buying power and reduce duplicate work across agencies.
2. Increase overall efficiency of operations while containing cost.
3. Implement an eProcurement system to increase efficiency, reduce cycle times, reduce transaction costs, improve availability of information and modernize the tools and resources available to incorporate best practices.
4. Work to improve the procurement process and to reduce the procurement timeline.
5. Ensure contract compliance by state vendors.

Source of Funds: General Revenue Fund

Statutory Authority: 30 ILCS 500, 20 ILCS 405

	Fiscal Year 2013 Actual	***Fiscal Year 2014 Actual***	***Fiscal Year 2015 Target/Projected***	***Fiscal Year 2015 Actual***	***Fiscal Year 2016 Target/Projected***
Input Indicators					
* Total expenditures - all sources (in thousands)	$2,116.5	$2,365.6	$2,808.5	$2,249.4	$3,046.3
* Total expenditures - state appropriated funds (in thousands)	$2,116.5	$2,365.6	$2,808.5	$2,249.4	$3,046.3
* Average monthly full-time equivalents	28.0	29.0	34.0	27.0	34.0
Output Indicators					
* Equipment, Commodities, and General Services Procurement Business Cases (PBC) processed	1,643	1,720	1,750	1,546	1,650
* Information Technology and Telecom Procurement Business Cases (PBC) processed	903.0	871.0	900.0	759.0	800.0
* Facilities Procurement Business Cases (PBC) processed	418.0	463.0	425.0	416.0	425.0
* New Contracts executed using the competitive procurement process (Invitation for Bid and Request for Proposals)	201.0	212.0	220.0	459.0	300.0
* Contract renewals executed	361.0	171.0	175.0	186.0	175.0
* Contracts managed by Strategic Sourcing	1,188	1,169	1,200	1,063	1,200
* Number of statewide Master contracts (yielding over 8,500 individual core items)	N/A	519.0	525.0	468.0	500.0
* Joint purchasing contracts available to local and county governments (yielding over 4,500 individual core items)	251.0	257.0	260.0	259.0	260.0
* State Use contracts	269.0	269.0	270.0	291.0	280.0
* Qualified Not-for-profit entities with State Use contracts	51.0	51.0	55.0	54.0	55.0

* Disabled persons employed under State Use contracts	2,236	2,446	2,400	2,656	2,500
Outcome Indicators					
* Procurement Business Cases (PBC) processed within 5 days for Equipment, Commodities, and General Services (percent)	87 %	97 %	95 %	90 %	95 %
* Procurement Business Cases (PBC) processed within 5 days for Information Technology and Telecom (percent)	91 %	90 %	90 %	95 %	95 %
* Procurement Business Cases (PBC) processed within 5 days for Facilities (percent)	86 %	73 %	90 %	82 %	90 %
* Procurement Business Cases (PBC) processed within 10 days for equipment, commodities, and general services (percent)	96 %	99 %	98 %	96 %	98 %
* Procurement Business Cases (PBC) processed within 10 days for Information Technology and Telecom (percent)	97 %	97 %	95 %	99 %	98 %
* Procurement Business Cases (PBC) processed within 10 days for Facilities (percent)	98 %	92 %	95 %	96 %	95 %

Vehicles and Surplus Property

Mission Statement: To maximize efficiency, reduce costs and streamline operations through efficient utilization of state vehicles and garages. Assist organizations to reduce costs through the proper re-utilization of state assets, vehicles, recycling and office equipment.

Program Goals: Objectives:

1. Ensure that vehicle fleet is utilized effectively and that agencies are using the most cost-effective mode of transportation.
2. Ensure vehicle repair and maintenance is completed in a timely and cost-efficient manner.
3. Modernize the state fleet to reduce the cost of repairs and consumption of fuel.
4. Reduce expense by deploying more fuel-efficient vehicles.
5. Increase assistance to state agencies through the transfer of surplus property.
6. Deploy new IT infrastructure to provide better tracking of state assets, ensure utilization and timely maintenance and provide state-of-the-art tracking and reporting.
7. Increase communication and participation with the local units of government in both the Federal Surplus program and iBid.

Source of Funds: State Garage Revolving Fund

Statutory Authority: 20 ILCS 405;30 ILCS 605

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$58,106.0	$64,162.8	$83,102.8	$53,782.8	$78,103.5
* Total expenditures - state appropriated funds (in thousands)	$58,106.0	$64,162.8	$83,102.8	$53,782.8	$78,103.5
* Average monthly full-time equivalents	168.0	166.0	176.0	163.0	176.0
Output Indicators					
* Total vehicles managed by CMS	12,118	12,290	12,040	12,400	12,400
* Passenger vehicles managed by CMS	9,064	9,276	9,000	8,813	8,813
* Other vehicles managed by CMS	3,054	3,041	3,040	3,587	3,587
* Vehicles in CMS Vehicle Use Program	4,272	4,144	4,125	4,192	4,143
* Electric vehicles	15.0	56.0	60.0	55.0	55.0
* Electric vehicle charging stations	16.0	26.0	34.0	30.0	34.0
* Gallons of fuel purchased (all blends)	677,258	631,254	620,000	524,732	600,000
* Fleet Consumption- Biodiesel (gallons)	2,100,000	2,214,200	2,214,200	2,175,800	2,200,000
* Fleet Consumption- E-85 (gallons)	160,000	150,832	150,832	127,700	135,000
* Registered iBid bidders (State Surplus Property)	18,069	21,209	23,500	26,944	30,000
Outcome Indicators					
* Percentage of obsolete vehicles (8+ years old and/or 150,000+ miles) in the state fleet	46 %	46 %	42 %	44 %	44 %
* Total value of federal equipment transferred to statewide organizations (in thousands)	$62,289.9	$44,472.1	$46,000.0	$70,000.0	$45,000.0
* Items transferred to other state agencies for re-use	2,198	2,462	2,750	2,210	2,450
* Items Sold via I-Bid	2,657	3,220	3,500	7,058	5,500

Workers' Compensation and Risk Management

Mission Statement: To provide healthcare and financial security to employees and their families when the employee is injured while performing their duties for the State, to efficiently manage the collection and payment of funds for damaged property, and to minimize the State's exposure to various risks.

Program Goals: Objectives:

1. Reduce overall program costs.
2. Conduct face-to -face meetings with the 3 agencies with the most claims to coordinate efforts to reduce the number and severity of employee claims.
3. Provide monthly agency-specific financial and statistical reports.
4. Negotiate with the Union to implement a Preferred Provider Network.
5. Avoid increased costs and litigation through early communication with the injured/damaged party.
6. Reduce the State's self-insured liability by obtaining outside insurance coverage for certain state property, when appropriate.
7. Protect the State's interest while hosting external events and protect elected officials from unnecessary personal liability exposure through a comprehensive insurance plan.

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

Statutory Authority: 5 ILCS 350 / 20 ILCS 405

	Fiscal Year 2013 Actual	*Fiscal Year 2014 Actual*	*Fiscal Year 2015 Target/Projected*	*Fiscal Year 2015 Actual*	*Fiscal Year 2016 Target/Projected*
Input Indicators					
* Total expenditures - all sources (in thousands)	$127,228.2	$133,576.6	$142,299.8	$143,410.2	$143,520.5
* Total expenditures - state appropriated funds (in thousands)	$127,228.2	$133,576.6	$142,299.8	$143,410.2	$143,520.5
* Average monthly full-time equivalents	21.0	10.0	10.0	8.0	10.0
Output Indicators					
* New Workers' Compensation (WC) injuries	5,013	5,660	5,600	5,269	5,460
* Open workers compensation claims (per statute)	21,179	25,594	25,600	20,150	22,800
* Active workers compensation claims (per 3rd Party Administrator)	N/A	4,556	5,000	5,282	5,000
* WC claimants returned to work at modified duty	1,752	316.0	1,000	540.0	600.0
* Independent medical evaluations performed	253.0	776.0	800.0	1,179	1,200
* New auto liability claims	1,459	1,853	1,900	1,562	1,750
* Open auto liability claims	202.0	362.0	350.0	313.0	335.0
* Auto liability claims settled out of court	1,447	1,711	1,800	1,552	1,630
External Benchmarks					
* WC claims denied/non-compensable claims (percent)	21 %	17 %	16 %	16 %	16 %
* Savings from Workers' Compensation Physicians PPO Network (in thousands)	$5,500.0	$3,000.0	$3,500.0	$6,444.0	$6,500.0
* Bill review savings to total billed medical expenses (percent)	50 %	72.56 %	64 %	72 %	72 %
* Claim disputes resolved each month (percent)	98 %	92 %	92 %	99 %	96 %
* Claimants contacted within 5 days of accident report (percent)	100 %	100 %	98 %	100 %	98 %
* Average days to close a property damage liability claim	60.0	37.0	90.0	55.0	60.0

* Average days to close a bodily injury liability claim	60.0	96.0	180.0	91.0	180.0
* G.A.A.P. reported maximum Auto Liability rollover amounts from prior fiscal year (in thousands)	$8,439.0	$9,359.0	$11,234.0	$12,778.0	$13,500.0
Efficiency/Cost-Effectiveness Indicators					
* Annual Change in Workers' Compensation Spending	4 %	5 %	5 %	7 %	5 %
* Bill review (BR) savings ($ in thousands) (in thousands)	$.0	$118,200.0	$114,500.0	$91,900.0	$106,000.0