

State of Illinois

ILLINOIS POWER AGENCY  
REPORT

For the Fiscal Years Ended June 30, 2009 and 2008

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

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

For the Fiscal Years Ended June 30, 2009 and 2008

TABLE OF CONTENTS

	Page
Agency Officials	1
Management Assertion Letter	2
Financial Statement Report	
Summary	3
Compliance Report	
Summary	4
Schedule of Findings	5
Accountants' Reports	8
Current Findings - State Compliance	11
Supplemental Information for State Compliance Purposes	
Summary	42
<u>Fiscal Schedules and Analysis - Not Examined</u>	
Schedule of Appropriations, Expenditures and Lapsed Balances	
Fiscal Year 2009	43
Fiscal Year 2008	44

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

For the Fiscal Years Ended June 30, 2009 and 2008

TABLE OF CONTENTS - CONTINUED

	Page
Supplemental Information for State Compliance Purposes - Continued	
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	45
Schedule of Locally Held Funds	46
Schedule of Changes in State Property	47
Comparative Schedule of Cash Receipts	48
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	49
Analysis of Significant Variations in Expenditures	50
Analysis of Significant Variations in Receipts	51
Analysis of Significant Lapse Period Spending	52
Analysis of Accounts Receivable and Accounts Payable	53
Schedule of Bid Participation Fees and Auditor's Confirmation Results	54
Schedule of Supplier Fees and Auditor's Confirmation Results	57
Description and Purpose of State Treasury Funds	58
Analysis of Operations - Not Examined	
Agency Functions and Planning Program	59

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

For the Fiscal Years Ended June 30, 2009 and 2008

AGENCY OFFICIALS

Director  
(effective April 21, 2008 through current)

Mark Pruitt

Agency offices are located at:

100 West Randolph  
Suite 3-355  
Chicago, IL 60601



February 9, 2010

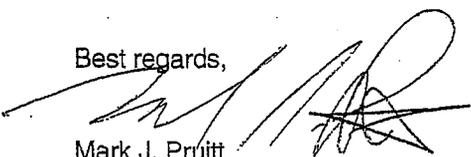
Kerber, Eck & Braeckel, LLP  
Certified Public Accountants  
1000 Myers Building  
1 West Old State Capital Plaza  
Springfield, Illinois 62701-1268

Ladies and Gentlemen:

I am 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 Agency. I am responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. I have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2009. Based on this evaluation, I assert that during the years ended June 30, 2009 and 2008, the Agency has materially complied with the assertions below.

- A. The agency 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 agency 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 agency has provided all available accounting, fiscal and financial information maintained by the Agency.
- D. State revenues and receipts collected by the agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is accurate.
- E. Money or negotiable securities or similar assets handled by the agency on behalf of the State or held in trust by the agency have been administered to the best ability of the Agency and all available accounting and recordkeeping relating thereto has been provided.

Best regards,

  
Mark J. Pruitt  
Director

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

FINANCIAL STATEMENT REPORT  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

As Special Assistant Auditors for the Auditor General, Kerber, Eck & Braeckel LLP was engaged to perform a financial audit of the Illinois Power Agency as of June 30, 2009 and 2008. However, the Illinois Power Agency did not provide financial statements and related note disclosures. It is the responsibility of the Illinois Power Agency's management to provide the financial statements and related note disclosures.

As a result, we were unable to issue an opinion on the financial statements and were unable to issue a "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."

According to the Illinois Power Agency Act, 20 ILCS 3855/1-125 the "Agency shall report annually to the Governor and the General Assembly on the operations and transactions of the Agency. The annual report shall include, but not be limited to, each of the following...(10) Basic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis."

See findings section of the report.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

COMPLIANCE REPORT  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

The compliance testing performed during this examination was conducted in accordance with the Illinois State Auditing Act. As Special Assistant Auditors for the Illinois Auditor General we were engaged to conduct a Compliance Attestation Examination in accordance with Government Auditing Standards and in accordance with the Illinois State Auditing Act. However, due to incomplete and inadequate records we were unable to and did not perform an Attestation Examination in accordance with Government Auditing Standards.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes contains scope limitations, disclaimers and other significant non-standard language.

Summary of Findings

<u>Number of</u>	<u>This Report</u>
Findings	22
Repeated Findings	N/A*
Prior recommendations implemented or not repeated	N/A*

\*This is the first State Compliance Examination of the Illinois Power Agency.

Details of findings are presented in a separate report section.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

COMPLIANCE REPORT  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
09-1	11	Lack of Financial Information
09-2	12	Failure to Follow the Requirements of the Statewide Accounting Management System (SAMS) and the Financial Reporting Process
09-3	13	Failure to Provide Requested Engagement Documentation in a Timely Manner or At All
09-4	15	Lack of Appropriate Internal Controls
09-5	17	Lack of Formal Budgeting Process
09-6	19	Formal Agency Rules Not Adopted
09-7	21	Failure to Establish Required Bureaus and Lack of Adequate Staffing
09-8	23	State Funds Improperly Held Outside of Treasury
09-9	25	Inadequate Fee Assessment
09-10	26	Failure to Make Procurement Plan Public
09-11	27	Agency Did Not Have Basic Office Equipment

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

COMPLIANCE REPORT  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
09-12	28	Lack of Appropriate Documentation to Support Vouchers
09-13	30	Untimely Submission of Vouchers
09-14	31	Excessive Phone Charges
09-15	32	Billing in Excess of Approved Contract Obligation Document and Late Filing of Contract Documents
09-16	34	No Rules for Development of Prequalified Supplier Lists
09-17	35	No Plan for Post-Performance Review
09-18	36	Agency Not Party to Contracts for Bidder and Supplier Fees
09-19	38	Failure to Submit Reports
09-20	39	Untimely Filing of Statement of Economic Interests
09-21	40	Improper Timekeeping Practices
09-22	41	Failure to Pay Travel Vouchers

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

COMPLIANCE REPORT  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

Exit Conference

This report was discussed at an exit conference held with Illinois Power Agency personnel on February 4, 2010. Attending were:

Illinois Power Agency

Mark Pruitt

Office of the Auditor General

Kathy Lovejoy

Kerber, Eck & Braeckel LLP - Special Assistant Auditors

Pam McClelland

Kate Ward

Agency responses to the audit findings and recommendations were provided by Mark Pruitt, Agency Director, in a letter dated February 9, 2010.



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

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we were engaged to examine the Illinois Power Agency's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2009. The management of the Illinois Power Agency is responsible for compliance with the following requirements:

- A. Obligation, expenditure, receipt, and use of public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. Obligation, expenditure, receipt, and use of 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. Compliance, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. Collecting State revenues and receipts in accordance with applicable laws and regulations and maintaining an appropriate accounting and recordkeeping of such revenues and receipts which is fair, accurate and in accordance with law.
- E. Safe handling of money or negotiable securities or similar assets on behalf of the State or held in trust and ensuring they have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

The Illinois Power Agency did not have complete and accurate records and failed to respond to all our inquiries and requests. Therefore, the scope of our work was not sufficient to enable us to

express, and we do not express, an opinion on the Illinois Power Agency's compliance with the requirements listed in the first paragraph of this report. The results of our limited procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings (09-1, 09-2, 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, 09-17, 09-18, 09-19, 09-20, 09-21, 09-22).

### **Internal Control**

The management of the Illinois Power Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. We do not express an opinion on the effectiveness of the Illinois Power Agency's internal control over compliance.

Our consideration of internal control over compliance was a basis for designing our examination procedures and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and others that we consider to be significant deficiencies. A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control 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 as described in the accompanying schedule of findings (09-1, 09-2, 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, 09-17, 09-18, 09-19, 09-20, 09-21, 09-22) to be material weaknesses.

A *significant deficiency* is a deficiency, or 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.

There were no immaterial findings that have been excluded from this report.

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

As stated in the second paragraph, we were unable to express an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for additional analysis. We were unable to apply certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2009 and 2008 Supplementary Information for the State Compliance Purposes, due to the Illinois Power Agency's incomplete and inaccurate records. We do not express an opinion on the supplementary information.

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

*Kerber, Eck & Braeckel LLP*

Springfield, Illinois  
February 9, 2010

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-1 Finding: Lack of Financial Information

The Illinois Power Agency (Agency) did not prepare or submit financial information to the Governor, General Assembly or the auditors.

During our examination, we requested from the Agency Director the Agency's financial statements and related note disclosures. However, such information was not provided.

According to the Illinois Power Agency Act, (20 ILCS 3855/1-125) the "Agency shall report annually to the Governor and the General Assembly on the operations and transactions of the Agency. The annual report shall include, but not be limited to, each of the following...(10) Basic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis."

According to the Agency Director, the sole employee of the Agency, he does not have the accounting background required to prepare the financial information, and due to budgetary constraints, an additional employee was not hired. However, it should noted, the Agency had unexpended balances of \$273,728 and \$1,250,000 for fiscal years 2009 and 2008, respectively.

Without completion of the financial information, the Agency is unable to comply with the requirements of the Illinois Power Agency Act. [Finding Code No. 09-1]

Recommendation

We recommend the Agency obtain the expertise in order to complete the financial information as required by the Illinois Power Agency Act.

Agency Response

The Agency agrees with the report, and is in the process of hiring personnel with the necessary expertise to complete financial information as required by the Illinois Power Act.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-2 Finding: Failure to Follow the Requirements of the Statewide Accounting Management System (SAMS) and the Financial Reporting Process

The Illinois Power Agency (Agency) failed to follow the requirements of the Statewide Accounting Management System (SAMS) relating to the receipting, obligating and expending from State Treasury-held funds and the financial reporting process established by the Office of the State Comptroller.

During our examination, we noted the Agency did not submit certain accounting reports to the Office of the State Comptroller. In addition, the Agency failed to file contracts and timely obligate funds with the Office of State Comptroller.

The SAMS Manual details the many requirements agencies must follow when processing financial transactions to and from Treasury-held funds. Also, according to the SAMS Manual, Section 27, State agencies are required to submit financial reports for the fund or funds from which they expend monies and/or into which they deposit receipts.

According to the Agency Director, the sole employee of the Agency, he does not have the accounting background required to prepare these forms, and due to budgetary constraints, an additional employee was not hired. However, it should noted, the Agency had unexpended balances of \$273,728 and \$1,250,000 for fiscal years 2009 and 2008, respectively.

Without the knowledge needed to process financial transactions in and out of Treasury-held funds and prepare financial reports, the Agency is unable to comply with the SAMS Manual as required by the State Comptroller Act. [Finding Code No. 09-2]

Recommendation

We recommend the Agency obtain the required expertise in order to comply with the SAMS Manual requirements and financial reporting process.

Agency Response

The Agency agrees with the report, and is in the process of hiring personnel with the necessary expertise to comply with the SAMS Manual requirements and financial reporting process.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-3 Finding: Failure to Provide Requested Engagement Documentation to the Auditors

The Illinois Power Agency (Agency) did not provide all the requested documentation to the auditors.

As is necessary during a compliance examination and financial audit, we made numerous requests of the Agency. For example, we requested from the Agency their financial statements and related notes; however, we were not provided the information. As a result, we were unable to complete a financial audit.

In addition, two letters were issued over a two month period outlining outstanding documentation. The following bullet points identify some of the items which were never provided.

- Information regarding the procurement administrator's authority to hold fees collected on behalf of the Agency.
- Bank statements, including deposit slips and checks, for the funds containing the fees collected by the procurement administrators.
- Billings, payments and accounts payable.
- Process utilized by the procurement administrators as it relates to the receipting and disbursement of monies related to the Agency.
- A schedule showing amounts paid by other State agencies on behalf of the Agency.

The Illinois State Auditing Act (30 ILCS 5/3-12) states, "At the request of the Auditor General, each agency shall, without delay, make available to the Auditor General or his or her designated representative any record or information requested....."

The Agency Director stated he is the only employee of the Agency and needs additional staff to assist with the day-to-day operations.

Without being provided support for testing related to Agency records, we were unable to determine if the Agency was performing all of its required duties and responsibilities. (Finding Code 09-3)

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-3 Finding: Finding: Failure to Provide Requested Engagement Documentation to the Auditors-Continued.

Recommendation

We recommend the Agency hire staff needed to carry out the responsibilities of the Agency.

Agency Response

The Agency agrees with the report, and is in the process of hiring personnel with the necessary expertise to carry out the responsibilities of the Agency.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-4 Finding: Lack of Appropriate Internal Controls

The Illinois Power Agency (Agency) did not establish adequate accounting procedures and internal controls.

During our examination, we noted the Agency did not have a general ledger accounting system. Further, the Agency did not have any procedures in place to record and deposit receipts, pay bills when due, track accounts receivable or accounts payable, or track and monitor complaints related to billings. During fiscal year 2009, the Agency expended \$1,044,272 from the State Treasury held appropriation. The auditors are uncertain how much money may have been expended or bartered with from funds held by third parties.

Without the proper procedures in place, the Agency is unable to record and document receipts from several sources. As a result, an estimated \$986,000 or more in receipts, which are due to the Agency, are currently held by third parties. Additionally, the Agency was also unable to pay bills in a timely manner, which resulted in some expenditures not being paid due to insufficient appropriation authorization. Additionally, the Agency is either unable or unwilling to determine the amount of receipts, expenditures, receivables or payables. Complete information has not been provided to the auditors. Further, 50% of the auditor's confirmations sent out to the procurement administrators and suppliers were not returned.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that "All State Agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation".

The Agency Director stated he was not aware of all the accounting and internal control procedures.

Failure to implement adequate internal controls over accounting procedures and internal controls increases the risk that errors and irregularities could occur and not be detected. [Finding Code No. 09-4]

Recommendation

We recommend the Agency develop adequate procedures over cash receipts, cash disbursements, accounts receivable and accounts payable to ensure fiscal responsibility.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-4 Finding: Lack of Appropriate Internal Controls-Continued.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to govern cash receipts, cash disbursements, accounts receivable and accounts payable to ensure fiscal responsibility.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-5 Finding: Lack of Formal Budgeting Process

The Illinois Power Agency (Agency) did not have a formal budgeting process.

During our examination, we noted the Agency did not have a formal budget process to effectively utilize its resources. During fiscal years 2009 and 2008, the Agency received appropriations of \$1,318,000 and \$1,250,000, respectively.

According to the Illinois Power Agency Act (20 ILCS 3855/1-65) the appropriations for fiscal years 2008 and 2009 were considered advancements and are to be repaid, without interest, in fiscal years 2010 and 2011.

Additionally, in fiscal year 2009, the Agency contracted with a procurement administrator for \$490,715 and obligated only \$246,999 for the fiscal year. However, the procurement administrator submitted billings totaling an estimated \$368,201, which was \$121,202 over the obligation amount. The billings had not been paid within the fiscal year by the Agency. Further, according to the Agency Director, the procurement administrator has maintained the bidder fees collected for the Agency as payment for services. All fees collected should be remitted to the Agency and deposited in a State Treasury Fund.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that “All State Agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation”.

The Agency Director stated the Agency has not been able to hire additional staff to assist with the accounting operations of the Agency, including the budget process.

Failure to establish a budgeting process places the Agency and State at risk of improper expenditures resulting in the loss of State funds. [Finding Code No. 09-5]

Recommendation

We recommend the Agency develop a formal budgeting process to ensure all funds of the Agency are spent and managed in a fiscally responsible manner. Further, all funds collected on behalf of the Agency should be remitted to the Agency and deposited in a State Treasury Fund.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-5 Finding: Lack of Formal Budgeting Process-Continued.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to coordinate budgeting and fund management.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-6 Finding: Formal Agency Rules Not Adopted

The Illinois Power Agency (Agency) did not adopt rules for the operation, administration, accounting and reporting as specified in the Illinois Power Agency Act.

During our examination, we noted the Agency had not drafted or adopted formal agency rules, established procedures for monitoring the administration of contracts, established procedures for the recovery of costs incurred in connection with the development and construction of a facility, or implemented accounting rules and a system of accounts.

According to the Illinois Power Agency Act (20 ILCS 3855/1-35), “the Agency shall adopt rules as may be necessary and appropriate for the operation of the Agency. In addition to other rules relevant to the operation of the Agency, the Agency shall adopt rules that accomplish each of the following: (1) establish procedures for monitoring the administration of any contract administered directly or indirectly by the Agency; except that the procedures shall not extend to executed contracts between electric utilities and their suppliers; (2) establish procedures for the recovery of costs incurred in connection with the development and construction of a facility should the Agency cancel a project, provided that no such costs shall be passed on to public utilities or their customers or paid from the Illinois Power Agency Operations Fund; (3) implement accounting rules and a system of accounts, in accordance with State law, permitting all reporting (i) required by the State, (ii) required under this Act, (iii) required by the Authority, or (iv) required under the Public Utilities Act.”

The Agency Director stated the Agency did not draft or adopt formal agency rules due to the fact that he was not aware of the requirement.

Formal administrative rules provide a basis for a proper accounting of the transactions of the agency, protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests of external parties. Failure to adopt appropriate rules and procedures could result in a lack of proper reporting and failure to establish and adequately monitor internal controls. [Finding Code No. 09-6]

Recommendation

We recommend the Agency draft and adopt formal agency rules, establish procedures for monitoring the administration of contracts, establish procedures for the recovery of costs incurred in connection with the development and construction of a facility, and implement accounting rules and a system of accounts as required by State statute.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-6 Finding: Formal Agency Rules Not Adopted

Agency Response

The Agency agrees with the report, and is in the process of reviewing proposed formal Agency rules for contract administration, debt issuance, construction, and Agency-wide accounting.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-7 Finding: Establishment of Required Bureaus and Lack of Adequate Staffing

The Illinois Power Agency (Agency) did not establish a Planning and Procurement Bureau or a Resource Development Bureau as required by its enabling statute. In addition, various Agency administrative requirements were not completed by the Director, who is the Agency's sole employee.

During our examination, we noted the Agency had not established a Planning and Procurement Bureau or a Resource Development Bureau. Additionally, within each bureau there should be a chief appointed. Further, the Agency lacks the adequate staffing in order to carry out the administrative tasks.

The Illinois Power Act (20 ILCS 3855/1-70) states that within the Agency, the Agency shall establish a Planning and Procurement Bureau and a Resource Development Bureau. Each of these bureaus should have a chief with at least 10 years of experience in the related industries and an advanced degree in a related field. Additionally, good business practice dictates that the appropriate staff be hired to carry out the administrative tasks of the Agency.

The Agency Director stated that the necessary bureaus and administrative assistance have not been developed and staffed due to lack of available funding or funding priorities. In fiscal years 2009 and 2008, the Agency received appropriations of \$1,318,000 and \$1,250,000, respectively. In addition, the Agency had unexpended balances of \$273,728 and \$1,250,000 for fiscal years 2009 and 2008, respectively.

Failure to create these required bureaus is a violation of State statute. In addition, because these bureaus were not created, the Director has the sole responsibility for scoring all proposals and selecting winners for the procurement process, which could result in an abuse of power. Further, as a result of failure to hire appropriate personnel, the Agency has hired outside consultants which may not be cost effective and administrative tasks have not been appropriately and effectively completed. [Finding Code No. 09-7]

Recommendation

We recommend the Agency establish the required bureaus and appoint chiefs to these bureaus who meet the qualifications of the statute in order to ensure the Agency functions properly and in a cost-effective manner. We further recommend the Agency hire the staff needed to carry out administrative tasks.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-7 Finding: Failure to Establish Required Bureaus and Lack of Adequate Staffing-Continued.

Agency Response

The Agency agrees with the report, and is in the process of hiring staff with the necessary expertise to carry out administrative and Bureau-related tasks.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-8 Finding: State Funds Improperly Held Outside the State Treasury

The Illinois Power Agency (Agency) improperly allowed State funds to be held in accounts outside the State Treasury without proper statutory authority.

As instructed by the Director, an estimated \$986,000 or more of State funds were held by the two procurement administrators as of June 30, 2009. According to the Agency Director, the State funds were not held in a separate bank account, apparently, they were comingled with the procurement administrators other funds. Additionally, interest was not accruing on these State funds.

During our examination, we requested the bank statements, deposit slips and checks for the accounts in which the State funds were held. However, we were not provided this documentation. As a result, we were unable to determine if the funds were inappropriately expended. Further, we are uncertain as to the exact amount received, held, or expended by the procurement administrators.

According to the Illinois Power Agency Act, (20 ILCS 3855/1-15) “no part of the revenues or assets of the Agency shall inure to the benefit of or be distributable to any of its employees or any other private persons, except as provided by this Act for actual services rendered.”

The State Officers and Employee Money Disposition Act (30 ILCS 230/2a.2) prohibits a State officer or employee from maintaining or participating in a deposit of money received except as provided by law.

The Director stated he is the only employee and is not familiar with all the State’s statutes and regulations that apply to the Agency, including the standard process for receipting and depositing revenues into the State Treasury; thereby, allowing those funds to be held by the procurement administrators in direct violation of the State law and standard operating procedures.

Failure to properly deposit State funds into a Treasury held account could result in a loss of State resources. [Finding Code No. 09-8]

Recommendation

We recommend the Agency implement the appropriate procedures to receive and deposit State revenues and collect interest. Additionally, we recommend the Agency obtain and properly

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-8 Finding: State Funds Improperly Held Outside the State Treasury-Continued.

deposit all funds held by the procurement administrators, on behalf of the Agency, as soon as possible.

Agency Response

The Agency agrees with the report, and has established necessary protocols to ensure the timely and full deposit of fees collected from bidders and contract winners directly into appropriate Agency accounts.

State of Illinois  
Illinois Power Agency

**CURRENT FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2009

09-9 Finding: Inadequate Fee Assessment

The Illinois Power Agency (Agency) did not assess adequate fees to ensure the costs of the procurement process were covered.

During our examination, we noted the Agency did not assess an adequate fee to each bidder to ensure the cost of the procurement process was covered. Based on information provided by the Director, the Agency has contracted with the procurement administrators for more than the fee assessed.

	Contract Amount	Estimated Fees Collected on Behalf of the Agency	Auctions Managed
Procurement Administrator A	\$490,715	\$496,988	3
Procurement Administrator B	\$850,000	\$489,325	2
Total	\$1,340,715	\$986,313	5

In addition, procurement administrator B did not return the auditor’s confirmation regarding fees collected on behalf of the Agency and amount due to the Agency.

According to the Illinois Power Act (20 ILCS 3855/1-75 (h)), the “Agency shall assess fees to each bidder to recover the cost incurred in connection with a competitive procurement process.”

Failure to assess the appropriate fees allows the State to incur cost not allowed by statute. [Finding Code No. 09-9]

Recommendation

We recommend the Agency review the fee assessments to ensure the coverage of expenditures relating to the competitive procurement process.

Agency Response

The Agency agrees with the report, and will continue to develop fee structures to ensure the highest probability of full contract administration costs.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-10 Finding: Failure to Make Procurement Plan Public

The Illinois Power Agency (Agency) failed to post a copy of the procurement plan on the Agency's website.

During our examination, we noted the Agency did not maintain a website; therefore, the procurement plan was not posted.

According to the Public Utilities Act (220 ILCS 5/16-111.5 (d) (2)) "copies of the procurement plan shall be posted and made publicly available on the Agency's and Commission's websites, and copies shall also be provide to each affected electric utility."

According to the Agency Director, that while an Agency website was not created in time to post the procurement plan documents, he did establish that the Plan as well as subsequent procurement documents were posted on websites hosted by the Illinois Commerce Commission and those of his two Procurement Administrators.

Failure to post the procurement plan on the Agency's website, fails to allow public availability.  
[Finding Code No. 09-10]

Recommendation

We recommend the Agency develop a website and make available to the public the procurement plan.

Agency Response

The Agency agrees with the report, and has initiated website design, content collection, and schedules to ensure timely updating and maintenance.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-11 Finding: Agency Did Not Have Basic Office Equipment

The Illinois Power Agency (Agency) did not have basic office equipment.

During our examination, we noted the Agency did not maintain basic office equipment such as a fax machine, copier, printer or scanner. Although the Agency Director's Office did have a computer, the Director utilized his personal laptop to conduct the business of the Agency.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that "All State Agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of the accounts and reliable financial and statistical reports and to maintain accountability over the State's resources."

Additionally, good business practices dictate that organizations have basic resources in order to operate in an efficient manner.

The Agency Director stated the Agency does not have the necessary office equipment due to budgetary constraints. However, it should noted, the Agency had unexpended balances of \$273,728 and \$1,250,000 for fiscal years 2009 and 2008, respectively.

Without having access to basic office equipment, the Agency is unable to maintain adequate records, such as copies of contracts and vouchers submitted to various agencies. Additionally, the Agency cannot operate in an efficient manner. [Finding Code No. 09-11]

Recommendation

We recommend the Agency purchase or lease basic equipment. These types of expenditures should be included in the operating budget of the Agency.

Agency Response

The Agency agrees with the report, and purchase and lease necessary equipment in cases where equipment sharing with other Agencies cannot be negotiated.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-12 Finding: Lack of Appropriate Documentation to Support Vouchers

The Illinois Power Agency (Agency) processed vouchers lacking the required supporting documentation.

During our examination, we noted the following:

- One of ten (10%) contractual services vouchers tested, totaling \$793,209, lacked adequate supporting documentation. Specifically, supporting documentation for a voucher indicated an individual worked 132.5 hours in a 4 day period. This equals over 33 hours per day. Additionally, an individual traveled to and from London, improperly charging \$ 14,970 to the Agency.
- Two of two (100%) personal services vouchers tested, totaling \$22,000, lacked adequate supporting documentation. For each of these vouchers, the attendance records did not agree with the payroll vouchers. Additionally, the contract period for this individual employed under the personal services contract was for services through February 28, 2009. One of the vouchers paid included time worked subsequent to February 28, 2009.

The Statewide Accounting Management System (SAMS) (Procedure 17.10.30) states that the primary system control associated with the vouchering process is known as pre-audit. All vouchers and schedules are first pre-audited at the agency level. An examination is to be performed by the agency head or designated individual for the purpose of determining the legality and propriety of the proposed transaction. The voucher should be properly approved and the payment should be evidenced by supporting documentation.

According to the Illinois State Records Act (5 ILCS 160/1.5) records are to be “created, maintained, and administered in support of the right of those citizens and the operation of the State.”

The Director stated he is the only employee in the Agency. These mischarges were overlooked. The Director also stated he needs additional staff to help with the day-to-day operations of the Agency.

Inaccurate supporting documentation may lead to incorrect payments resulting in a loss of State funds. [Finding Code No. 09-12]

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-12 Finding: Lack of Appropriate Documentation Supporting Vouchers - Continued

Recommendation

We recommend the Agency review all invoices for accuracy and reasonableness prior to submitting them for payment. Also, the Director should seek recovery of the excess payments from the vendors.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to review all invoices for accuracy and reasonableness prior to submittal for payment, and when appropriate seek adjustments or refunds.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-13 Finding: Untimely Submission of Vouchers

The Illinois Power Agency (Agency) did not submit vouchers in a timely manner.

During contractual services testing, we noted the following:

- Nine of 10 (90%) contractual services vouchers, totaling \$1,012,752, were not approved for payment within 30 days.
- Eight of 10 (80%) contractual services vouchers, totaling \$1,005,736, were not paid within 60 days. The Agency did not pay interest to the vendors.

The State Prompt Payment Act (30 ILCS 540/3-2(1)) states that any bill approved for payment must be paid or payment issued within 60 days of receipt. If payment is not issued to the payee within the 60 day period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of the 60 day period, until final payment is made.

The Illinois Administrative Code (74 Ill. Admin. Code 900.70(b)) states that an Agency shall approve proper bills or deny bills with defects, in whole or in part, within 30 days after receipt.

The Agency Director stated vouchers were not filed timely because he was unaware of how to make payments for bills submitted. Most (99%) of the State Treasury invoices paid were during the fiscal year 2009 lapse period.

Failure to file vouchers timely is a violation of State statute and could result in additional charges to the Agency. [Finding Code No. 09-13]

Recommendation

We recommend the Agency approve and submit its vouchers in a timely manner. Vouchers should be marked as “paid” when sent to the State Comptroller’s Office so that duplicate payments are not made.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to receive, review and submit all invoices for payment in a timely manner.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-14 Finding: Excessive Phone Charges

The Illinois Power Agency (Agency) had significant overages on its cellular telephone bills.

During our examination, we noted the Agency incurred \$767 in overages on the June 2009 cellular bill. This bill is for a single individual.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that “All State Agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (4) 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.”

The Agency Director stated he was unaware of the use allowance or the amount of overages on the monthly bill.

As a result of the lack of oversight to the charges, the Agency paid significantly more for phone service than would be necessary had the appropriate data plan been established. [Finding Code No. 09-14]

Recommendation

We recommend the Agency review its phone plan and select the plan that will minimize monthly costs.

Agency Response

The Agency agrees with the report, and has initiated a review of the telephone contract options available to the Agency.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-15 Finding: Billings in Excess of Approved Contract Obligation Document and Late Filing of Contract Documents

The Illinois Power Agency (Agency) approved for payment invoices totaling amounts in excess of the contract obligation document. Additionally, contract obligation documents and contracts were filed with the State Office of the Comptroller subsequent to the date of the initiation of the contracts.

During our examination, we noted the Agency approved for payment an invoice under contract in the amount of approximately \$368,201. However, the fiscal year 2009 contract obligation amount for this vendor was only \$246,999. Due to an insufficient contract obligation, this amount was approved for payment but was not actually paid. In order to obtain compensation, the procurement administrator withheld fees collected on behalf of the Agency. This offset process is not authorized by State law and is inappropriate. The public funds should have been remitted to the Agency and deposited into the State Treasury. Further, the contract obligation document for fiscal year 2009 with the procurement administrator should have been increased.

Additionally, we noted two of three (66%) contracts tested, were filed with the Office of the Comptroller on August 14, 2009. This ranged from 108 days to 136 days subsequent to the start date of the contracts.

The Illinois Procurement Code (30 ILCS 500/20-80(b)) and the Statewide Accounting Management System (procedure 15.10.40) require State agencies to file contracts exceeding \$10,000 (\$5,000 for professional and artistic contracts) with the State Comptroller within 15 days of execution.

The Director stated he was not aware of the contract filing requirements and the requirement to amend a contract obligation if the amount is in excess of the originally approved amount.

Failure to file the proper contract documents with the Office of the Comptroller timely and improper approval of contract payments could lead to the improper expenditure of State funds. [Finding Code No. 09-15]

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-15 Finding: Billings in Excess of Approved Contract Obligation Document and Late Filing of Contract Documents-Continued

Recommendation

We recommend the Agency implement the appropriate procedures to ensure that all contract documents are properly and timely filed and paid according to the approved contract amounts.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to receive, review and submit all contracts documents and invoices for payment in a timely manner.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-16 Finding: Rules for Development of Prequalified Supplier Lists

The Illinois Power Agency (Agency) did not document rules for the development of certain prequalified supplier lists.

We noted the Agency did not promulgate rules for the development of prequalified supplier lists for construction and construction-related professional services and for professional and artistic services.

According to the Illinois Procurement Code (30 ILCS 500/30-20 (b)), “the Illinois Power Agency shall promulgate rules for the development of prequalified supplier lists for construction and construction-related professional services and the periodic updating of those lists.” Additionally, according to the Illinois Procurement Code (30 ILCS 500/35-15), the Illinois Power Agency shall develop appropriate and reasonable prequalification standards and categories of professional and artistic services and shall also assemble and maintain a comprehensive list of prequalified and categorized businesses and persons.

The Agency Director stated the rules were not created due to the fact that he was not aware of the requirements.

Failure to create rules for the development of certain prequalified supplier lists is a violation of State statute and could subject the State to legal action. [Finding Code No. 09-016]

Recommendation

We recommend the Agency establish rules for the development of prequalified supplier lists for construction and construction-related professional services and for professional and artistic services.

Agency Response

The Agency agrees with the report, and will develop pre-qualified supplier lists for construction and construction-related professional services as well as for professional and artistic services.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-17 Finding: Plan for Post-Performance Review

The Illinois Power Agency (Agency) did not include a plan for post-performance review in their solicitation documents.

During our examination, we noted the Agency did not include a plan for post-performance review in the uniform documents developed for the solicitation, review, and acceptance of all professional and artistic services.

According to the Illinois Procurement Code (30 ILCS 500/35-20), the forms used by the Agency to solicit professional and artistic services shall include “a plan for post-performance review.”

The Director stated he was not aware of all the items required to be in the solicitation documents.

Failure to include a plan for post-performance review in solicitation documents is a violation of State statute and could subject the State to legal action. [Finding Code No. 09-17]

Recommendation

We recommend the Agency include the required plan for post-performance review in all future solicitation documents.

Agency Response

The Agency agrees with the report, and has inserted language regarding the post-performance review into contracts currently under negotiation, and as well as into solicitations under development.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-18 Finding: Agency Not Party to Contracts for Bidder and Supplier Fees

The Illinois Power Agency (Agency) is not a party on contracts for the bidder and supplier fees related to the public energy auctions.

During our examination, we noted contracts for the supply of energy existed between the two electrical companies, the bidding wholesale power companies and the successful wholesale power companies. As part of the auction process, bidder and supplier fees are due to the Agency. However, the Agency is not included as a party in these contracts and the amounts due are contracted to be paid to either a procurement administrator or the electrical company and not the Agency. The revenue due to the Agency is an estimated \$986,000.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires that “All State Agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that: (4) revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of the accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources.”

Additionally, good business and accounting practices dictate that the Agency should be a party to any contract which involves revenues earned by and payable to the Agency.

The Director stated he was not aware of how to receive and deposit funds into the State Treasury. As such, he allowed the contracts between the other parties as a means of collecting the funds at that point in time with the intention to collect the funds due to the Agency at a later date.

Excluding the Agency in contracts involving revenues earned and payable to the Agency is a poor business practice and has resulted in the improper handling of State funds. Additionally, it has resulted in inadequate accounting records relating to Agency revenues. [Finding Code No. 09-18]

Recommendation

We recommend the Agency implement procedures to ensure the Agency is included in any contract involving revenues earned and payable to the Agency.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-18 Finding: Agency Not Party to Contracts for Bidder and Supplier Fees

Agency Response

The Agency agrees with the report, and has prepared appropriate language regarding this issue for insertion into model contracts and solicitations to be used in the next procurement cycle.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-19 Finding: Failure to Submit Reports

The Illinois Power Agency (Agency) did not submit various reports to the appropriate parties.

During our examination, we noted the Agency had not submitted:

- Quarterly accounts receivable reports with the State Comptroller' Office.
- The Agency Workforce Report with the Secretary of State and the Governor's Office.
- The Fiscal Control and Internal Auditing Act (FCIAA) Certification with the Office of the Auditor General.

According to Statewide Accounting Management System (procedure 26.30.10), State agencies shall report receivables information to the Office of the State Comptroller quarterly. This report is due by the end of the month subsequent to the quarter reported.

The State Employment Records Act (5 ILCS 410/1) states that all agencies shall report the number of minorities, women, and physically disabled persons to the Secretary of State and Governor's Office on an annual basis. This report is due by January 1 of each year.

According to the Fiscal Control and Internal Auditing Act (30 ILCS 10/3003), "By May 1 of each year, each chief executive officer of all State agencies shall, on the basis of an evaluation conducted in accordance with guidelines established under Section 3002, prepare and transmit to the Auditor General a certification that: (1) the systems of internal fiscal and administrative controls of the State agency fully comply with the requirements of this Act; or (2) the systems of internal fiscal and administrative controls of the State agency do not fully comply with the requirements of this Act."

The Director stated he was not aware of the filing requirements.

Failure to file reports is a violation of State statute. Additionally, failure to file could result in incomplete information provided to the State. [Finding Code No. 09-19]

Recommendation

We recommend the Agency file all required reports and in a timely manner.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to file required reports in a timely fashion.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-20 Finding: Untimely Filing of Statement of Economic Interests

The Director of the Illinois Power Agency (Agency) did not file his statement of economic interests timely.

During our examination, we noted the Director filed his statement of economic interests with the Office of the Secretary of State on May 14, 2009. The statement is due by May 1 of each year, which makes the filing 13 days late.

According to the Illinois Governmental Ethics Act (5 ILCS 420/4A-105) “by May 1 of each year a statement must be filed by each person whose position at that time subjects him to the filing requirements of Section 4A-101 unless he has already filed a statement in relation to the same unit of government in that calendar year.”

The Director stated it was an oversight that his statement was not filed timely.

Failure to file the statement of economic interests timely is a violation of State statute. [Finding Code No. 09-20]

Recommendation

We recommend all required individuals in the Agency complete and submit a statement of economic interests to the Secretary of State by May 1 of each year.

Agency Response

The Agency agrees with the report, and will comply with the filing requirement in a timely fashion.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-21 Finding: Improper Timekeeping Practices

The Illinois Power Agency (Agency) did not have adequate controls over employee timekeeping requirements.

The Agency did not prepare and maintain timesheets documenting the employee's time spent each day on official business.

The State Officials and Employees Ethics Act (5 ILCS 430/5-5) requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

The Agency Director stated he was not aware of the requirement.

Failure to maintain the required timekeeping records increases the potential that the State is paying for services that have not been performed. (Finding Code No. 09-21)

Recommendation

We recommend the Agency establish policies and procedures which will ensure timesheets are being prepared and submitted periodically and maintained by the Agency as required by statute.

Agency Response

The Agency agrees with the report, and has developed time-reporting tools to facilitate recording, reporting and analysis.

State of Illinois  
Illinois Power Agency

CURRENT FINDINGS – STATE COMPLIANCE  
For the Two Years Ended June 30, 2009

09-22 Finding: Failure to Pay Travel Vouchers

The Illinois Power Agency (Agency) had obligated the entire fiscal year 2009 appropriations, totaling \$1,318,000, for the payment of contractual services; thus the Agency was unable to make payment for the Director's travel expenses.

On August 21, 2009, the Director submitted \$6,363 of travel vouchers to the Office of the State Comptroller for payment. However, the Comptroller denied payment due to the Agency having obligated all funds for the payment of contractual services.

The State Finance Act, 30 ILCS 105/30 states no department shall contract any indebtedness on behalf of the State, nor assume to bind the State in an amount in excess of the money appropriated, unless expressly authorized by law.

The Agency Director stated vouchers were not filed timely because he was unaware of how to make the payments and how the budget process works.

Failure to maintain accurate records increases the potential the State could incur additional charges, does not allow for transparency, and does not provide for a full accounting of the agency operations. (Finding Code No. 09-22)

Recommendation

We recommend the Agency establish policies and procedures which will ensure vouchers are paid timely.

Agency Response

The Agency agrees with the report, and is in the process of developing necessary rules, procedures, tools and hiring staff to generate, process, and submit vouchers in a timely manner.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES  
SUMMARY

For the Fiscal Years Ended June 30, 2009 and 2008

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

- Fiscal Schedules and Analysis - Not Examined
  - Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Schedule of Locally Held Funds
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Accounts Receivable and Accounts Payable
  - Schedule of Bid Participation Fees and Auditor's Confirmation Results
  - Schedule of Supplier Fees and Auditor's Confirmation Results
  - Description and Purpose of State Treasury Funds
  
- Analysis of Operations - Not Examined
  - Agency Functions and Planning Program

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants were unable to apply certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General. The accountants do not express an opinion on the supplementary information.

State of Illinois  
Illinois Power Agency

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES - **NOT EXAMINED**  
Appropriations for Fiscal Year 2009  
Fourteen Months Ended August 31, 2009

<u>Public Act 96-0004</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through June 30, 2009</u>	<u>Lapse Period Expenditures July 1 to August 31, 2009</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND 001</u>					
For the ordinary, incidental, and contingent expenses of the Illinois Power Agency	\$ 1,318,000	\$ 8,316	\$ 1,035,956	\$ 1,044,272	\$ 273,728
TOTAL ALL FUNDS FISCAL YEAR 2009	<u>\$ 1,318,000</u>	<u>\$ 8,316</u>	<u>\$ 1,035,956</u>	<u>\$ 1,044,272</u>	<u>\$ 273,728</u>

Note: All appropriations, expenditures and lapsed balances were obtained from records of the State Comptroller. The Agency did not provide accounting reports to the auditors. Thus, a reconciliation of the Agency information to the State Comptroller's records could not be made.

State of Illinois  
Illinois Power Agency

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES - **NOT EXAMINED**  
Appropriations for Fiscal Year 2008  
Fourteen Months Ended August 31, 2008

<u>Public Act 95-0348</u>	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through June 30, 2008</u>	<u>Lapse Period Expenditures July 1 to August 31, 2008</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND 001</u>					
For the ordinary, incidental, and contingent expenses of the Illinois Power Agency	\$ 1,250,000	\$ -	\$ -	\$ -	\$ 1,250,000
TOTAL ALL FUNDS FISCAL YEAR 2008	<u>\$ 1,250,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>

Note: All appropriations, expenditures and lapsed balances were obtained from records of the State Comptroller. The Agency did not provide accounting reports to the auditors. Thus, a reconciliation of the Agency information to the State Comptroller's records could not be made.

State of Illinois  
Illinois Power Agency

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES AND LAPSED BALANCES - **NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

	Fiscal Year	
	<u>2009</u>	<u>2008</u>
	<u>PA 96-0004</u>	<u>PA 95-0348</u>
<u>General Revenue Fund-001</u>		
Appropriations (net after transfers)	\$ 1,318,000	\$ 1,250,000
Expenditures For the ordinary, incidental, and contingent expenses of the Illinois Power Agency	1,044,272	-
Total Expenditures	1,044,272	-
Lapsed Balances	\$ 273,728	\$ 1,250,000

Note: All appropriations, expenditures and lapsed balances were obtained from records of the State Comptroller.

State of Illinois  
Illinois Power Agency

**SCHEDULE OF LOCALLY HELD FUNDS - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

The Illinois Power Agency did not work with the Office of the State Comptroller to establish any locally held funds. However, amounts were held with the two procurement administrators as of June 30, 2009 and 2008. It could not be determined if these amounts were held in separate funds or if the amounts were accruing interest. Additionally, the amounts held could not be accurately determined.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

**SCHEDULE OF CHANGES IN STATE PROPERTY - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

The Illinois Power Agency does not own any State property. The Agency does use and maintain some office equipment. However, this equipment is owned by the Illinois Department of Central Management Services.

See Finding 09-11.

State of Illinois  
Illinois Power Agency

**COMPARATIVE SCHEDULE OF CASH RECEIPTS - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Illinois Power Agency Trust Fund - 424</u>		
Utilities - Generating Companies	\$ -	\$ 25,000,000
Interest	<u>644,193</u>	<u>615,872</u>
Total receipts - Fund 001	<u><u>\$ 644,193</u></u>	<u><u>\$ 25,615,872</u></u>

<u>Fund Name</u>	<u>Fund Number</u>	<u>Purpose of Fund</u>
Illinois Power Agency Trust Fund	424	Created as a special fund in the State Treasury. Fund may accept, receive, and administer any grants, loans or other funds made available to it by any source. Any funds received by the Fund shall not be considered income, but shall be added to the principal of the fund. The General Assembly may annually appropriate from the Fund to the Agency an amount not to exceed 90% of the annual investment income earned by the Fund. During fiscal year 2008, \$25,000,000 was received from two utility companies, as mandated by the Illinois Power Agency Act. Additionally, during fiscal year 2008 and 2009, interest income was earned on these funds. This was the only activity in the fund.
Illinois Power Agency Operations Fund	425	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for Agency operations as specified in the Illinois Power Agency Act. There was no activity in this fund during fiscal years 2008 and 2009.
Illinois Power Agency Facilities Fund	426	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for costs incurred in connection with the development and construction of a power facility by the Agency as well as costs incurred in connection with the operation and maintenance of an Agency facility. There was no activity in this fund during fiscal years 2008 and 2009.
Illinois Power Agency Debt Service Fund	427	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency facility. There was no activity in this fund during fiscal years 2008 and 2009.

Note: The above information was derived from Office of the Comptroller records.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER - **NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Illinois Power Agency Trust Fund - 424</u>		
Utilities - Generating Companies		
Deposit per Agency records	\$ -	\$ -
Deposits in transit beginning of year	-	-
Deposits in transit end of year	-	-
Interest		
Deposit per Agency records	-	-
Deposits in transit beginning of year	-	-
Deposits in transit end of year	-	-
Total deposits per Agency records	-	-
Unreconciled difference	644,193	25,615,872
Deposits per Comptroller	\$ 644,193	\$ 25,615,872
 Grand Totals for Illinois Power Agency Trust Fund - 424		
Deposit per Agency records	\$ -	\$ -
Deposits in transit beginning of year	-	-
Deposits in transit end of year	-	-
Total deposits per Agency records	-	-
Unreconciled difference	644,193	25,615,872
Deposits per Comptroller	\$ 644,193	\$ 25,615,872

Note: The above information was derived from Office of the Comptroller records.  
The Illinois Power Agency did not maintain accounting records.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

ANALYSIS OF SIGNIFICANT VARIATIONS  
IN EXPENDITURES - **NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

The following are explanations for expenditures which differed by at least \$ 50,000 and by more than 20 percent from the previous year.

	<u>Fiscal Year</u>	
	<u>2009</u>	<u>2008</u>
General Revenue Fund 001		
For the ordinary, incidental and contingent expenses of the Illinois Power Agency	\$ 1,044,272	\$ -
According to available information, the increase of \$1,044,272, from fiscal year 2008 to fiscal year 2009 was due to the Agency beginning operations during fiscal year 2009.		

State of Illinois  
Illinois Power Agency

ANALYSIS OF SIGNIFICANT VARIATIONS  
IN RECEIPTS - **NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

The following are explanations for receipts which differed by at least \$50,000 and by more than 20 percent from the previous year.

	<u>Fiscal Year</u>	
	<u>2009</u>	<u>2008</u>
General Revenue Fund 001		
Utilities - Generating Companies Receipts	\$ 644,193	\$ 25,615,872
According to available information, the decrease of \$24,971,679, from fiscal year 2008 to fiscal year 2009 for receipts from utilities was due to the the formation of the Agency in fiscal year 2008 by receiving \$25,000,000 from two Illinois utilities per the Illinois Power Agency Act.		

State of Illinois  
Illinois Power Agency

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

<b>Expenditure Item</b>	<b>Fund</b>	<b>Total Expenditures</b>	<b>Lapse Period Expenditures</b>	<b>Percent</b>	<b>Explanation of Significant Lapse Period Expenditures</b>
For the ordinary, incidental and contingent expenses of the Illinois Power Agency.	001	1,044,272	1,035,956	99%	According to the auditors' observation, the majority of expenditures were paid during the lapse period because the Illinois Power Agency did not have any procedures in place to pay expenditures prior to the lapse period.

See Finding 09-13.

State of Illinois  
Illinois Power Agency

**ANALYSIS OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

Due to lack of accurate accounting records, the amounts due to or from the Illinois Power Agency were not able to accurately be determined.

As a result of the power auctions, fees which represented revenues of the Agency were remitted to third parties and subsequently held with the two procurement administrators as of June 30, 2009. We attempted to confirm with the procurement administrators the amounts held as of June 30, 2009. However, we did not receive a response from one of the administrators and the other administrator indicated that no amount was due to the Agency as of June 30, 2009.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

SCHEDULE OF BID PARTICIPATION FEES and AUDITOR CONFIRMATION RESULTS - **NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

<u>Utility Company</u>	<u>Type of Fee</u>	<u>Bidding Company</u>	<u>Fee</u>	<u>Selected for Confirmation</u>	<u>Confirmation Returned</u>
Utility A	Bid Participation	Bidding Company #1	\$ 500.00	No	N/A
Utility A	Bid Participation	Bidding Company #2	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #3	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #4	500.00	<b>Yes</b>	<b>Yes - However confirmed \$0</b>
Utility A	Bid Participation	Bidding Company #5	500.00	<b>Yes</b>	<b>Yes</b>
Utility A	Bid Participation	Bidding Company #6	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #7	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #8	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #9	500.00	<b>Yes</b>	<b>Yes - However confirmed \$0</b>
Utility A	Bid Participation	Bidding Company #10	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #11	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #12	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #13	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #14	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #15	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #16	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #17	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #18	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #19	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #20	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #21	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #22	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #23	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #24	500.00	<b>Yes</b>	<b>Yes</b>
Utility A	Bid Participation	Bidding Company #25	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #26	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #27	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #28	500.00	<b>Yes</b>	<b>No</b>
Utility A	Bid Participation	Bidding Company #29	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #30	500.00	No	N/A

State of Illinois  
Illinois Power Agency

SCHEDULE OF BID PARTICIPATION FEES and AUDITOR CONFIRMATION RESULTS- **NOT EXAMINED** - CONTINUED  
For the Fiscal Years Ended June 30, 2009 and 2008

<u>Utility Company</u>	<u>Type of Fee</u>	<u>Bidding Company</u>	<u>Fee</u>	<u>Selected for Confirmation</u>	<u>Confirmation Returned</u>
Utility A	Bid Participation	Bidding Company #31	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #32	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #33	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #34	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #35	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #36	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #37	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #38	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #39	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #40	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #41	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #42	500.00	No	N/A
Utility A	Bid Participation	Bidding Company #43	500.00	No	N/A
Utility B	Bid Participation	Bidding Company #44	1,000.00	<b>Yes</b>	<b>Yes</b>
Utility B	Bid Participation	Bidding Company #45	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #46	1,000.00	<b>Yes</b>	<b>No</b>
Utility B	Bid Participation	Bidding Company #47	1,000.00	No	N/A
Utility B	Bid Participation	Bidding Company #48	1,000.00	No	N/A
Utility B	Bid Participation	Bidding Company #49	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #50	1,250.00	No	N/A
Utility B	Bid Participation	Bidding Company #51	1,250.00	No	N/A
Utility B	Bid Participation	Bidding Company #52	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #53	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #54	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #55	1,250.00	No	N/A
Utility B	Bid Participation	Bidding Company #56	1,000.00	<b>Yes</b>	<b>No</b>
Utility B	Bid Participation	Bidding Company #57	1,000.00	No	N/A
Utility B	Bid Participation	Bidding Company #58	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #59	1,000.00	No	N/A
Utility B	Bid Participation	Bidding Company #60	1,000.00	No	N/A

State of Illinois  
Illinois Power Agency

SCHEDULE OF BID PARTICIPATION FEES and AUDITOR CONFIRMATION RESULTS - **NOT EXAMINED** - CONTINUED  
For the Fiscal Years Ended June 30, 2009 and 2008

<u>Utility Company</u>	<u>Type of Fee</u>	<u>Bidding Company</u>	<u>Fee</u>	<u>Selected for Confirmation</u>	<u>Confirmation Returned</u>
Utility B	Bid Participation	Bidding Company #61	1,250.00	Yes	No
Utility B	Bid Participation	Bidding Company #62	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #63	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #64	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #65	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #66	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #67	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #68	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #69	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #70	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #71	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #72	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #73	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #74	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #75	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #76	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #77	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #78	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #79	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #80	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #81	250.00	No	N/A
Utility B	Bid Participation	Bidding Company #82	1,000.00	No	N/A
Utility B	Bid Participation	Bidding Company #83	1,000.00	No	N/A
Utility B	Bid Participation Fee Refund	Bidding Company #49	(250.00)	No	N/A
Utility B	Bid Participation Fee Refund	Bidding Company #21	(250.00)	No	N/A
Utility B	Bid Participation Fee Refund	Bidding Company #23	(250.00)	No	N/A
Utility B	Bid Participation Fee Refund	Bidding Company #25	(250.00)	No	N/A
Total Bid Participation Fees			<u>\$ 42,000.00</u>		

Note: The above information was derived from a schedule provided by Agency Director.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

SCHEDULE OF BID SUPPLIER FEES and AUDITOR CONFIRMATION RESULTS - NOT EXAMINED  
For the Fiscal Years Ended June 30, 2009 and 2008

<u>Utility Company</u>	<u>Type of Fee</u>	<u>Bidding Company</u>	<u>Fee</u>	<u>Selected for Confirmation</u>	<u>Confirmation Returned</u>
Utility A	Supplier Fee	Supplier Company #1	\$ 4,500.00	No	N/A
Utility A	Supplier Fee	Supplier Company #2	2,096.00	No	N/A
Utility A	Supplier Fee	Supplier Company #3	1,800.00	No	N/A
Utility A	Supplier Fee	Supplier Company #4	13,500.00	<b>Yes</b>	<b>Yes</b>
Utility A	Supplier Fee	Supplier Company #5	1,800.00	No	N/A
Utility A	Supplier Fee	Supplier Company #6	8,352.00	No	N/A
Utility A	Supplier Fee	Supplier Company #7	2,700.00	<b>Yes</b>	<b>Yes</b>
Utility A	Supplier Fee	Supplier Company #8	3,150.00	No	N/A
Utility A	Supplier Fee	Supplier Company #9	14,850.00	No	N/A
Utility A	Supplier Fee	Supplier Company #10	7,200.00	No	N/A
Utility A	Supplier Fee	Supplier Company #11	4,128.00	No	N/A
Utility A	Supplier Fee	Supplier Company #12	216,880.00	<b>Yes</b>	<b>Yes</b>
Utility A	Supplier Fee	Supplier Company #13	8,100.00	No	N/A
Utility A	Supplier Fee	Supplier Company #14	450.00	No	N/A
Utility A	Supplier Fee	Supplier Company #15	11,088.00	No	N/A
Utility A	Supplier Fee	Supplier Company #16	4,050.00	No	N/A
Utility A	Supplier Fee	Supplier Company #17	6,752.00	No	N/A
Utility A	Supplier Fee	Supplier Company #18	450.00	No	N/A
Utility A	Supplier Fee	Supplier Company #19	135,328.00	<b>Yes</b>	<b>Yes</b>
Utility A	Supplier Fee	Supplier Company #20	26,064.00	No	N/A
Utility A	Supplier Fee	Supplier Company #21	1,800.00	No	N/A
Utility A	Supplier Fee	Supplier Company #22	450.00	No	N/A
Utility B	Supplier Fee	Supplier Company #23	950.00	No	N/A
Utility B	Supplier Fee	Supplier Company #24	54,075.00	<b>Yes</b>	<b>No</b>
Utility B	Supplier Fee	Supplier Company #25	217,225.00	<b>Yes</b>	<b>Yes</b>
Utility B	Supplier Fee	Supplier Company #26	3,400.00	No	N/A
Utility B	Supplier Fee	Supplier Company #27	3,600.00	No	N/A
Utility B	Supplier Fee	Supplier Company #28	4,400.00	<b>Yes</b>	<b>No</b>
Utility B	Supplier Fee	Supplier Company #29	2,850.00	No	N/A
Utility B	Supplier Fee	Supplier Company #30	6,325.00	No	N/A
Utility B	Supplier Fee	Supplier Company #31	151,375.00	<b>Yes</b>	<b>No</b>
Utility B	Supplier Fee	Supplier Company #32	24,625.00	No	N/A
Total Supplier Fees			<u>\$ 944,313.00</u>		

Note: The above information was derived from a schedule provided by Agency Director.

See Finding 09-8.

State of Illinois  
Illinois Power Agency

**DESCRIPTION AND PURPOSE OF STATE TREASURY FUNDS - NOT EXAMINED**  
For the Fiscal Years Ended June 30, 2009 and 2008

Fund Name	Fund Number	Purpose of Fund	Fund balance as of June 30,	
			2009	2008
Illinois Power Agency Trust Fund	424	Created as a special fund in the State Treasury. Fund may accept, receive, and administer any grants, loans or other funds made available to it by any source. Any funds received by the Fund shall not be considered income, but shall be added to the princ	\$ 26,260,065	\$ 25,615,872
Illinois Power Agency Operations Fund	425	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for Agency operations as specified in the Illinois Power Agency Act. There was no activity in this fund during fiscal years 2008 and 2009.	-	-
Illinois Power Agency Facilities Fund	426	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for costs incurred in connection with the development and construction of a power facility by the Agency as well as costs incurred in connection with the operation	-	-
Illinois Power Agency Debt Service Fund	427	Created as a special fund in the State Treasury. Fund shall be administered by the Agency for retirement of revenue bonds issued for any Agency facility. There was no activity in this fund during fiscal years 2008 and 2009.	-	-

State of Illinois  
ILLINOIS POWER AGENCY

ANALYSIS OF OPERATIONS - NOT EXAMINED  
For the Fiscal Years Ended June 30, 2009 and 2008

AGENCY FUNCTIONS AND PLANNING PROGRAM

The Illinois Power Agency (Agency) was created by the Illinois Power Agency Act of the General Assembly (095-0481) in 2007.

The Agency's mission is to (a) develop procurement plans to ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest cost over time, (b) conduct competitive procurement processes to procure the supply resources indentified in the procurement plan, (c) develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority, and, (d) supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.

As part of the Agency's operations, the Agency must annually develop an energy procurement plan. This plan is then submitted to the Illinois Commerce Commission for approval. As part of the procurement plan, two procurement administrators are contracted for by the Agency to assist in the energy auctions and procurement process.

During fiscal year 2008, the two major utility companies covered under the Illinois Power Agency Act paid the Agency a total of \$25,000,000, as mandated by the Act. During fiscal year 2009, the Agency developed its first procurement plan and held its first energy supply auctions. The auctions were held in May of 2009 for the two major utility companies. There were five different auctions, two for one of the utility companies and three for the other. For all five auctions, bid participation fees were assessed, as determined by the Agency. These fees were collected by third parties and as of June 30, 2009 were either held by the procurement administrators or remitted to third parties subsequent to June 30, 2009. The amounts payable to the Agency could not accurately be determined due to lack of accounting records.

The Director is responsible for all functions of the Illinois Power Agency and completion of the statutory and contractually assigned duties and responsibilities of the Agency. The Director maintains an office at the Thompson Center in Chicago.

The Illinois Power Act (20 ILCS 3855/1-70) required the Agency to establish a Planning and Procurement Bureau and a Resource Development Bureau; however, the Bureaus had not been established. In fact, the Agency Director is the sole employee.

In addition, the Agency had not adopted rules for the operation, administration and accounting and reporting over the Agency. Additionally, the Agency did not maintain adequate records to

State of Illinois  
ILLINOIS POWER AGENCY

ANALYSIS OF OPERATIONS - NOT EXAMINED  
For the Fiscal Years Ended June 30, 2009 and 2008

ensure revenues were deposited, bills were paid, or the tracking of accounts receivable or accounts payable.

In order to develop the financial schedules, except the Schedules of Fees, the auditors obtained records from the Office of the State Comptroller to arrive at revenues and expenditures. The Agency did not provide the information.

Agency Planning Program

The Illinois Power Agency does not have a formal planning program.