

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2016

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

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

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**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

AGENCY OFFICIALS

Executive Director

Mr. Ronald P. Cooley

Fiscal Officer

Ms. Jenny Thornley

Information Systems Analyst

Mr. Eric Garvue

Board office is located at:

531 Sangamon Avenue East
Springfield, Illinois 62702



ILLINOIS STATE POLICE MERIT BOARD

531 Sangamon Avenue East
Springfield, Illinois 62702

Office # (217) 786-6240
Fax # (217) 786-0181

December 28, 2016

West & Company, LLC
Certified Public Accountants
919 E. Harris Avenue
Greenville, IL 62246

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 State of Illinois, State Police Merit Board. 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 State of Illinois, State Police Merit Board's compliance with the following assertions during the two-year period ended June 30, 2016. Based on this evaluation, we assert that during the years ended June 30, 2015 and June 30, 2016, the State of Illinois, State Police Merit Board has materially complied with the assertions below.

- A. The State of Illinois, State Police Merit Board has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, State Police Merit Board has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, State Police Merit Board 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 State of Illinois, State Police Merit Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

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

Yours truly,

Illinois State Police Merit Board

SIGNED ORIGINAL ON FILE

Mr. Ronald P. Cooley, Executive Director

SIGNED ORIGINAL ON FILE

Ms. Jenny Thornley, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Mr. Eric Garvue, Information Systems Analyst

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

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, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, but does contain a qualified opinion on compliance and a material weakness over internal control.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	2	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDINGS (STATE COMPLIANCE)			
2016-001	9	Inadequate segregation of duties	Material Weakness and Material Noncompliance
2016-002	11	Inadequate controls over Board records	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

SUMMARY (Continued)

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on December 20, 2016.

Attending were:

State Police Merit Board

Ronald P. Cooley – Executive Director

Jenny Thornley – Fiscal Officer

Office of the Auditor General

Heath Woodcock – Audit Manager

West & Company, LLC

Janice K. Romack – Partner

Michael Lawler - Manager

The responses to the recommendations were provided by Ronald P. Cooley in a letter dated December 28, 2016.

MEMBERS

RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE
DAVID W. FALLER

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**INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

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, State Police Merit Board'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, 2016. The management of the State of Illinois, State Police Merit Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, State Police Merit Board's compliance based on our examination.

- A. The State of Illinois, State Police Merit Board has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, State Police Merit Board has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, State Police Merit Board 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 State of Illinois, State Police Merit Board are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, State Police Merit Board on behalf of the State or held in trust by the State of Illinois, State Police Merit Board have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

As described in item 2016-001 in the accompanying schedule of findings, the State of Illinois, State Police Merit Board did not comply with requirements regarding adequate segregation of duties. Compliance with such requirement is necessary, in our opinion, for the State of Illinois, State Police Merit Board 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 State of Illinois, State Police Merit Board complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2016. 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 item 2016-002.

Internal Control

Management of the State of Illinois, State Police Merit Board 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 State of Illinois, State Police Merit Board'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 State of Illinois, State Police Merit Board's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, State Police Merit Board'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 2016-001 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 item 2016-002 to be a significant deficiency.

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

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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2016 and June 30, 2015 in Schedules 1 through 8 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2016 and June 30, 2015 accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2014 accompanying supplementary information in Schedules 3 through 7 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

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

SIGNED ORIGINAL ON FILE

Greenville, Illinois
December 28, 2016

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016**

CURRENT FINDINGS (STATE COMPLIANCE)

2016-001 **FINDING** (Inadequate segregation of duties)

The State Police Merit Board (Board) did not maintain adequate segregation of duties in the areas of payroll, expenditure control, and State property.

During testing, we noted the following:

- One employee had the authority to prepare and approve vouchers, maintain accounting records, enter transactions into the accounting system, and perform monthly reconciliations. Additionally, an information technology employee had the authority to approve vouchers.
- One employee had the authority to prepare payroll, make adjustments to payroll, approve payroll, and distribute payroll checks.
- During Fiscal Year 2015 only, one employee had the authority to maintain property control records, tag all inventory, and perform quarterly and annual physical property inventory.
- As a compensating control for a lack of segregation of duties, upper management had been charged with review and approval of all invoices; however, documentation of that review was not maintained.
- Documentation for Fee Imposition Reports, Travel Headquarters Reports, and Agency Reports of State Property did not contain evidence that the reports had been reviewed or approved by a person independent of preparation.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires each State agency to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance 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. Good business practices require the Board maintain adequate segregation of duties in order to help ensure the safeguarding of assets, prevent improper expenditures, and ensure the accuracy and reliability of accounting data.

Board personnel stated the Board does not have sufficient personnel to properly segregate all duties. In addition, Board personnel stated a detailed review and approval of expenditures by upper management was taking place even though documentation was not retained to support that review and approval.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016**

CURRENT FINDINGS (STATE COMPLIANCE)

2016-001 **FINDING** (Inadequate segregation of duties) (Continued)

A lack of adequate segregation of duties increases the likelihood that a loss from fraud, theft, or undetected errors and discrepancies could occur and would not be found in the normal course of employees carrying out their assigned duties. In addition, a lack of adequate segregation of duties and proper review could result in inaccurate financial reporting. (Finding Code No. 2016-001)

RECOMMENDATION

We recommend the Board allocate sufficient personnel in order to maintain effective internal control over the authorization, custody and record keeping over payroll, expenditures and property. In addition, documentation should be maintained to support the controls are functioning as designed.

BOARD RESPONSE

We agree that segregation is an issue with a staff this small. We have implemented changes moving forward to help resolve this. The CFO's signature authority has been revoked, the IT personnel has also had his signature authority revoked moving forward. Payroll is approved and finalized by the agency head and processed by the CFO. The property control issues in 2015 were resolved in 2016 by adding additional staff to the process. Documentation will now be kept on all invoices moving forward and this has already been implemented. Fee reporting and Travel Headquarter reporting is now also signed by the preparer and the agency head or designated employee who is reviewing them. This has already been implemented.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016**

CURRENT FINDINGS (STATE COMPLIANCE)

2016-002 **FINDING** (Inadequate controls over Board records)

The State Police Merit Board (Board) did not establish proper controls over Board records.

During testing, we noted the following:

- Four of 29 (14%) monthly reconciliations between the Board's expenditures and the Office of the Comptroller's Monthly Appropriation Status Report (SB01) performed during the examination period were not deemed to be timely completed. The reconciliations were performed between 129 and 221 days after the close of the period.
- Thirteen of 29 (45%) monthly reconciliations between the Board's expenditures and the Comptroller's SB01 performed during the examination period did not contain sufficient documentation to determine if the reconciliation was performed timely.
- Twenty-nine of 29 (100%) monthly reconciliations between the Board's expenditures and the Comptroller's SB01 were not signed off or dated by a reviewer; therefore, documentation was not sufficient to determine if the reconciliations were timely reviewed by an independent person.
- Expenditures are recorded using the date the expenditures were processed by the Comptroller, rather than by the date the expenditure originated at the Board.
- During the examination period, the Board did not maintain a complete set of records for the State Police Merit Board Public Safety Fund – 166 (Fund 166). Records were not maintained for receipts, disbursements, or available Fund balance during the examination period. Fund 166 receives State appropriations, gifts, and grants which shall be used to provide cadet programs for the State Police personnel and to meet all the cost associated with functions of the Board. Fund 166 total receipts were \$2,385,577 and \$2,752,255 for Fiscal Year 2016 and 2015, respectively, and total disbursements were \$47,516 and \$2,365,725 for Fiscal Year 2016 and 2015, respectively.

The Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires the Monthly Appropriation Status Report issued by the Office of the Comptroller be reconciled to the Board's expenditure records on a timely basis each month to ensure the early detection and correction of errors.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016**

CURRENT FINDINGS (STATE COMPLIANCE)

2016-002 **FINDING** (Inadequate controls over Board records) (Continued)

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires each State agency to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance 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.

Board personnel stated the expenditure reconciliations were not timely completed due to a leave of absence for the employee responsible for completing them. Board personnel stated the lack of documentation of completed expenditure reconciliations was due to the budget impasse when the Board only had two expenditures each month for court-ordered payroll; therefore, the formal documentation was not considered necessary. Also, Board personnel stated the reconciliations were approved by upper management, but no documentation was retained to support that review. Additionally, Board personnel stated a misunderstanding led to expenditures being dated inappropriately. Lastly, Board personnel stated Fund 166 was new to the Board and they relied upon copies of receipt reports from the Treasurer's Office and disbursement reports from the Comptroller for their records.

Failure to timely prepare, review, and document reconciliations of monthly records, inaccurate dating of expenditures in Board records, or failure to maintain a complete set of books could result in errors not being timely detected and corrected. (Finding Code No. 2016-002)

RECOMMENDATION

We recommend the Board timely complete, review, and document all monthly reconciliations of Board records to Comptroller records by personnel independent from recordkeeping responsibilities. We also recommend the prompt recording of expenditures in Board records on the date the expenditure is created. Lastly, we recommend the Board keep a complete set of records for the State Police Merit Board Public Safety Fund – 166 and reconcile to Comptroller records.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2016**

CURRENT FINDINGS (STATE COMPLIANCE)

2016-002 **FINDING** (Inadequate controls over Board records) (Continued)

BOARD RESPONSE

We agree that inadequate controls over Board records can be an issue with a staff this small. We have already implemented changes and have two if not three employees looking over and approving all fiscal reporting including the SB01. Reports are to be signed and dated by each reviewer. The SB01 will now be completed by someone independent from the CFO moving forward. We have already implemented changes and all SB01 reports will be completed within 30 days by an independent reviewer. We have started completing the SB05 to start further tracking mechanisms of the 166 fund. As noted above we have already implemented changes to the areas above.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation 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 Operations (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Significant Fund Cash Balance (Not Examined)
 - Budget Impasse Disclosures (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 Invoices (Not Examined)
 - Average Number of Employees and Board Members (Not Examined)
 - Emergency Purchases (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2016 and June 30, 2015 accompanying supplementary information in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016

For the Fourteen Months Ended August 31, 2016

Public Act 99-0524 and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal services		\$ 438,879	\$ 18,021	\$ 456,900	
State contributions to Social Security		<u>32,647</u>	<u>1,337</u>	<u>33,984</u>	
Subtotal fund - 001		<u>471,526</u>	<u>19,358</u>	<u>490,884</u>	
<u>STATE POLICE MERIT BOARD PUBLIC</u>					
<u>SAFETY FUND - 166</u>					
Ordinary and contingent expenses	\$ 500,000	-	283,536	283,536	\$ 216,464
Cadet program for State Police	<u>2,600,000</u>	<u>-</u>	<u>58,123</u>	<u>58,123</u>	<u>2,541,877</u>
Subtotal fund - 166	<u>\$ 3,100,000</u>	<u>-</u>	<u>341,659</u>	<u>341,659</u>	<u>\$ 2,758,341</u>
GRAND TOTAL - ALL FUNDS		<u>\$ 471,526</u>	<u>\$ 361,017</u>	<u>\$ 832,543</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Expenditure Authority for Fiscal Year 2016**

For the Fourteen Months Ended August 31, 2016

- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay.” As the Board never received enacted personal services appropriations for Fund 001, the Board was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016. Further, the Board incurred non-payroll obligations, which the Board was unable to pay until the passage of Public Act 99-0524.
- Note 4: Public Act 99-0524 authorizes the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015

For the Fourteen Months Ended August 31, 2015

Public Act 98-0681 and Public Act 99-0001 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<u>APPROPRIATED FUNDS</u>					
<u>GENERAL REVENUE FUND - 001</u>					
Personal services	\$ 430,600	\$ 391,453	\$ 21,119	\$ 412,572	\$ 18,028
State contributions to Social Security	31,700	29,045	1,576	30,621	1,079
Contractual services	328,300	233,343	3,197	236,540	91,760
Travel	9,800	5,121	-	5,121	4,679
Commodities	5,900	3,485	-	3,485	2,415
Printing	4,900	324	-	324	4,576
Electronic data processing	3,200	2,259	-	2,259	941
Telecommunication	7,100	4,835	-	4,835	2,265
Operation of automotive equipment	11,700	2,215	-	2,215	9,485
Subtotal fund - 001	<u>833,200</u>	<u>672,080</u>	<u>25,892</u>	<u>697,972</u>	<u>135,228</u>

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2015**

For the Fourteen Months Ended August 31, 2015

Public Act 98-0681 and Public Act 99-0001 FISCAL YEAR 2015	Appropriations (Net After Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<u>APPROPRIATED FUNDS (Continued)</u>					
<u>STATE POLICE MERIT BOARD PUBLIC</u>					
<u>SAFETY FUND - 166</u>					
Ordinary and contingent expenses	\$ 500,000	\$ 233,517	\$ 2,243	\$ 235,760	\$ 264,240
Cadet program for State Police	<u>4,300,000</u>	<u>1,860,051</u>	<u>45,273</u>	<u>1,905,324</u>	<u>2,394,676</u>
Subtotal fund - 166	<u>4,800,000</u>	<u>2,093,568</u>	<u>47,516</u>	<u>2,141,084</u>	<u>2,658,916</u>
GRAND TOTAL - ALL FUNDS	<u><u>\$ 5,633,200</u></u>	<u><u>\$ 2,765,648</u></u>	<u><u>\$ 73,408</u></u>	<u><u>\$ 2,839,056</u></u>	<u><u>\$ 2,794,144</u></u>

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2015, and have been reconciled to Board records.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2016, 2015, and 2014**

	FISCAL YEAR		
	2016 P.A. 99-0524 and Court-Ordered Expenditures	2015 P.A. 98-0681 P.A. 99-0001	2014 P.A. 98-0050
<u>GENERAL REVENUE FUND - 001</u>			
Expenditure Authority (net after transfers)		\$ 833,200	\$ 852,400
Expenditures			
Personal services	\$ 456,900	412,572	370,298
State contributions to Social Security	33,984	30,621	25,025
Contractual services	-	236,540	342,404
Travel	-	5,121	9,425
Commodities	-	3,485	8,549
Printing	-	324	2,506
Equipment	-	-	272
Electronic data processing	-	2,259	13,204
Telecommunications	-	4,835	9,835
Operation of automotive equipment	-	2,215	4,710
Total expenditures	<u>\$ 490,884</u>	<u>697,972</u>	<u>786,228</u>
Lapsed balances		<u>\$ 135,228</u>	<u>\$ 66,172</u>
<u>STATE POLICE MERIT BOARD PUBLIC SAFETY FUND - 166</u>			
Expenditure Authority (net after transfers)	<u>\$ 3,100,000</u>	<u>\$ 4,800,000</u>	<u>\$ 4,800,000</u>
Expenditures			
Ordinary and contingent expenses	283,536	235,760	355,762
Cadet program for State Police	<u>58,123</u>	<u>1,905,324</u>	<u>1,455,479</u>
Total expenditures	<u>341,659</u>	<u>2,141,084</u>	<u>1,811,241</u>
Lapsed balances	<u>\$ 2,758,341</u>	<u>\$ 2,658,916</u>	<u>\$ 2,988,759</u>

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30, 2016, 2015, and 2014**

	FISCAL YEAR		
	2016	2015	2014
	P.A. 99-0524 and Court-Ordered Expenditures	P.A. 98-0681 P.A. 99-0001	P.A. 98-0050
<u>GRAND TOTAL - ALL FUNDS</u>			
Expenditure Authority (net after transfers)		\$ 5,633,200	\$ 5,652,400
Total expenditures	\$ 832,543	2,839,056	2,597,469
Lapsed balances		\$ 2,794,144	\$ 3,054,931
Expenditure Authority to Comptroller's Office for Merit Board Members' salaries	\$ 118,500	\$ 118,500	\$ 118,500
Board Members' salaries	91,956	96,478	103,806
Lapsed balances	\$ 26,544	\$ 22,022	\$ 14,694

Note 1: For Fiscal Year 2016, expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Board records. For Fiscal Year 2015, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2015, and have been reconciled to Board records. For Fiscal Year 2014, appropriations, expenditures, and lapsed balances were obtained from Board records and have been reconciled to records of the State Comptroller.

Note 2: Expenditure amounts are vouchers approved for payment by the Board and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Board never received enacted personal services appropriations for Fund 001, the Board was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016. Further, the Board incurred non-payroll obligations, which the Board was unable to pay until the passage of Public Act 99-0524.

Note 4: Public Act 99-0524 authorizes the Board to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 29 includes information from Board management about the number of invoices and the total dollar amount of invoices held by the Board to be submitted against its Fiscal Year 2017 appropriation.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2016**

	<u>Equipment</u>
Balance at July 1, 2014*	\$ 188,885
Additions	91,150
Deletions	-
Net transfers	<u>-</u>
Balance at June 30, 2015	<u>\$ 280,035</u>
Balance at July 1, 2015	\$ 280,035
Additions	573
Deletions	(15,890)
Net transfers	<u>-</u>
Balance at June 30, 2016	<u>\$ 264,718</u>

Note 1: The above schedule has been derived from Board records which have been reconciled to property reports submitted to the State Comptroller.

* Note 2: Beginning balance for Fiscal Year 2015 has been adjusted from the June 30, 2014 balance previously reported, to agree to the Board's property records and property reports submitted to the State Comptroller.

STATE OF ILLINOIS
STATE POLICE MERIT BOARD
COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2016, 2015, and 2014

	FISCAL YEAR		
	2016	2015	2014
<u>GENERAL REVENUE FUND - 001</u>			
Application fees	\$ 285	\$ -	\$ -
Prior year refunds	-	23	-
Total cash receipts per Agency	285	23	-
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 285</u>	<u>\$ 23</u>	<u>\$ -</u>
<u>STATE POLICE MERIT BOARD PUBLIC</u>			
<u>SAFETY FUND - 166</u>			
Prior year refunds	\$ -	\$ 66,769	\$ -
Total cash receipts per Agency	-	66,769	-
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ -</u>	<u>\$ 66,769</u>	<u>\$ -</u>
<u>GRAND TOTAL - ALL FUNDS</u>			
Total cash receipts per Agency	\$ 285	\$ 66,792	\$ -
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 285</u>	<u>\$ 66,792</u>	<u>\$ -</u>

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2016**

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2016

Significant variances were determined to be changes of at least \$6,000 and greater than 20 percent between fiscal years and are explained below.

GENERAL REVENUE FUND – 001

Contractual services

The decrease of \$236,540 or 100% from Fiscal Year 2015 to Fiscal Year 2016 was due to the lack of an appropriation in Fiscal Year 2016 due to the budget impasse.

STATE POLICE MERIT BOARD PUBLIC SAFETY FUND – 166

Ordinary and contingent expenses

The increase of \$47,776 or 20% from Fiscal Year 2015 to Fiscal Year 2016 was due to expenditures being paid that previously were paid out of the General Revenue Fund - 001 in Fiscal Year 2015.

Cadet program

The decrease of \$1,847,201 or 97% from Fiscal Year 2015 to Fiscal Year 2016 was due to not holding a cadet class in Fiscal Year 2016.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2016**

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

Significant variances were determined to be changes of at least \$6,000 and greater than 20 percent between fiscal years and are explained below.

GENERAL REVENUE FUND – 001

Contractual services

The decrease of \$105,864 or 31% was due to fewer discipline cases being processed during Fiscal Year 2015 which reduced the expenditures for contractual hearing officers. In addition, the recruitment process was changed to require less contracted services in Fiscal Year 2015.

Electronic data processing

The decrease of \$10,945 or 83% was due to less replacement of electronic data processing equipment in Fiscal Year 2015. In Fiscal Year 2014, the Board replaced multiple printers and computer equipment due to being aged and no longer working efficiently.

STATE POLICE MERIT BOARD PUBLIC SAFETY FUND – 166

Ordinary and contingent expenses

The decrease of \$120,002 or 34% was due an overpayment of \$66,769 in expenses in Fiscal Year 2014. The Board received a refund for the overpayment in Fiscal Year 2015.

Cadet program

The increase of \$449,845 or 31% was due to the fluctuation in cadet classes being held and the increase number of processed and accepted applications for cadets in Fiscal Year 2015.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2016**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEAR 2016,
FISCAL YEAR 2015 AND FISCAL YEAR 2014**

Significant variances were determined to be changes of at least \$6,000 and greater than 20 percent between fiscal years.

STATE POLICE MERIT BOARD PUBLIC SAFETY FUND – 166

During Fiscal Year 2015, the Board received \$66,769 for an overpayment of cadet fees to the Department of State Police. No payments of this type were received during Fiscal Year 2014 or Fiscal Year 2016.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2016**

Significant variances were determined to be changes of at least \$6,000 and greater than 20 percent of the total expenditures.

FISCAL YEAR 2016

STATE POLICE MERIT BOARD PUBLIC SAFETY FUND – 166

Ordinary and contingent expenses

Ordinary and contingent expenditures of \$283,536 (100%) were expended during the lapse period. This was caused by the budget impasse and the State Police Merit Board not receiving Fiscal Year 2016 appropriation until Public Act 99-0524 was effective on June 30, 2016.

Cadet program

Cadet program expenditures of \$58,123 (100%) were expended during the lapse period. This was caused by the budget impasse and the State Police Merit Board not receiving Fiscal Year 2016 appropriation until Public Act 99-0524 was effective on June 30, 2016.

FISCAL YEAR 2015

For Fiscal Year 2015, there was no significant lapse period spending.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)
For the Two Years Ended June 30, 2016**

BOARD FUNCTIONS

The Illinois State Police Merit Board (Board) was established in 1949 by the State Police Act (20 ILCS 2610/3), and reorganized on July 1, 1977 to consist of five members appointed by the Governor and approved by the Senate for six-year terms. The Board's mission "is to remove political influence and provide a fair and equitable merit process for the selection of Illinois State trooper candidates and the promotion and discipline of Illinois State Police Officers."

The members of the Board as of June 30, 2016 were:

- Reeve Waud, Chairman
- Jim Riley, Secretary
- Earl Hernandez
- John Spring
- Richard Porter

BOARD PLANNING PROGRAM

The Board has established a Strategic Plan to address the three functions of the State Police Merit Board: certification for appointment, promotion and discipline. The Board's Strategic Plan emphasizes higher standards in performing its three functions. The Board exercises its powers and duties in an independent manner, free from the direction, control or influence of any other agency.

The Board continues to study methods to maintain professionalism in law enforcement. Foremost in the Board's set of priorities is the safety and welfare of the citizens of Illinois, particularly as they travel across the State's network of highways.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SIGNIFICANT FUND CASH BALANCE (NOT EXAMINED)
For the Two Years Ended June 30, 2016**

STATE POLICE MERIT BOARD PUBLIC SAFETY FUND - 166

Effective January 1, 2013, Illinois statute 20 ILCS 2610/7.2 granted the Illinois State Police Merit Board (Board) administering rights to the State Police Merit Board Public Safety Fund – 166 (Fund). The Fund’s purpose is to receive State appropriations, gifts, grants, and federal funds and include earnings from investment of moneys. The Fund shall be used by the Board to provide the cadet program for State Police personnel and to meet all costs associated with the function of the Board. All moneys received by the Illinois State Treasurer under subsection (n) of Section 27.6 of the Clerks of Courts Act shall be deposited into the Fund.

The following schedule shows the Fund’s activity for the year ended June 30:

	FISCAL YEAR	
	2016	2015
Balance at beginning of Fiscal Year	\$ 1,776,340	\$ 1,389,810
Treasurer deposits		
Circuit Clerk collections	2,372,600	2,679,010
Investment income	12,977	6,476
Total Treasurer deposits	2,385,577	2,685,486
Board deposits		
Prior year refunds	-	66,769
Total Board deposits	-	66,769
Expenditures		
Current fiscal year expenditures through June 30	-	2,093,568
Prior fiscal year expenditures July 1 to August 31	47,516	272,157
Total expenditures	47,516	2,365,725
Balance at end of Fiscal Year	\$ 4,114,401	\$ 1,776,340

Note: The Illinois State Treasurer is responsible for all reporting of receipts and cash reconciliations for the Fund.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
BUDGET IMPASSE DISCLOSURES (NOT EXAMINED)
For the Year Ended June 30, 2016**

PAYMENT OF FISCAL YEAR 2016 COSTS IN FUTURE FISCAL YEARS

Article 74 of Public Act 99-0524 authorized the Board to pay Fiscal Year 2016 costs using the Board's Fiscal Year 2017 appropriations for non-payroll expenditures. The Board did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Board does not intend to use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS
TO ADDRESS UNTIMELY PAYMENTS TO VENDORS (NOT EXAMINED)
For the Year Ended June 30, 2016**

TRANSACTIONS INVOLVING THE ILLINOIS FINANCE AUTHORITY

The Board and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

TRANSACTIONS INVOLVING THE VENDOR PAYMENT PROGRAM AND VENDOR SUPPORT INITIATIVE PROGRAM

Vendor Payment Program (VPP)

In 2011, the State of Illinois (State) created the voluntary VPP in response to delays in payments for goods and services provided by the State's vendors arising from the State's cash flow deficit. The Department of Central Management Services (CMS) approved third party financing entities to act as "qualified purchasers" of accounts receivable from "participating vendors" who had submitted invoices which had not been paid by the State.

A participating vendor's accounts receivable is eligible for the VPP if it is from an invoice unpaid by the State that is (1) not for medical assistance payments (2) where 90 days have passed since the proper bill date, which is (3) entitled to interest under the State Prompt Payment Act (Act) (30 ILCS 540) and (4) free of any liens or encumbrances. Under the terms of an agreement between a qualified purchaser and the participating vendor, the participating vendor receives payment for 90% of the receivable balance. The participating vendor, in turn, assigns its rights to the interest due under the Act to the qualified purchaser. When the State Comptroller ultimately pays the invoice, the participating vendor receives the remaining 10% due (less any offsets).

Notably, while CMS approved the qualified purchasers and provided information to vendors about VPP, neither CMS nor the State are parties to the assignment agreements.

During Fiscal Year 2015 and Fiscal Year 2016, none of the Board's vendors participated in the Vendor Payment Program (VPP).

Vendor Support Initiative Program (VSI)

During Fiscal Year 2016, the State created the voluntary VSI as an alternative to the VPP for cases where the Board lacked an enacted appropriation or other legal expenditure authority to present invoices to the State Comptroller for payment. The VSI operated similarly to the VPP, although the Board was required to determine a participating vendor's invoice (1) would have met the requirements of the VPP and (2) provided the proper bill date of invoice prior to the qualified purchaser and participating vendor entering into an agreement where the participating vendor received payment for 90% of the receivable balance. The participating vendor, in turn, assigned its rights to the interest due under the Act to the qualified purchaser. After the State Comptroller ultimately paid the invoice after the Board received an appropriations to pay the invoice, the participating vendor received the remaining 10% due (less any offsets).

During Fiscal Year 2016, the Board had one vendor participate in VSI for 6 invoices, totaling \$1,908.

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
INTEREST COSTS ON FISCAL YEAR 2016 INVOICES (NOT EXAMINED)
For the Year Ended June 30, 2016**

PROMPT PAYMENT INTEREST COSTS

The Board plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Board. The following chart shows the Board's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED
Year Ended June 30, 2016

<u>Fund #</u>	<u>Fund Name</u>	<u>Invoices</u>	<u>Vendors</u>	<u>Dollar Value</u>
166	State Police Merit Board Public Safety Fund	37	30	\$ 1,976

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
AVERAGE NUMBER OF EMPLOYEES AND BOARD MEMBERS (NOT EXAMINED)
For the Two Years Ended June 30, 2016**

The following schedule was prepared from Board records and presents the average number of employees and Board members for the Fiscal Years ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employees	7	6	5
Board Members	5	5	5

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
EMERGENCY PURCHASES (NOT EXAMINED)
For the Two Years Ended June 30, 2016**

The Board reported the following emergency purchases to the Office of the Auditor General during Fiscal Years 2015 and 2016:

<u>DESCRIPTION OF EMERGENCY PURCHASES</u>	<u>Amount</u>
Legal services	\$ 170,000 *
Legal services	<u>20,000</u>
Total approximate cost	<u>\$ 190,000</u>
*Estimated amounts	

**STATE OF ILLINOIS
STATE POLICE MERIT BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Years Ended June 30, 2016**

The Board is responsible for the processes of discipline, removal, demotion and suspension of Illinois State Police sworn officers who violate the rules and regulations of the Illinois State Police. A three year comparison of the status of cases brought before the Board as of June 30 follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
New cases brought before the Board	2	11	8
Cases settled without a hearing	1	5	6
Cases settled with a formal hearing	-	4	2
Cases pending at year end	2	1	5

The Board collects applications of all interested persons through their website, www.illinoistrooper.com. The Board establishes time periods for accepting applications and applications are accepted only during these particular time periods. If an applicant meets the qualifications (cannot have been convicted of a felony, education, citizenship, etc.) and submits necessary documentation by the respective deadlines he or she is then scheduled for the recruitment test. Successful applicants are placed in an eligibility pool until either a cadet class is scheduled and the selection process is initiated, or their eligibility expires, whichever occurs first.

A comparison of the number of acceptable applications, the number of applicants certified to each cadet class, and the number of graduating applicants certified to each cadet class conducted during the Fiscal Years 2016, 2015, and 2014 follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Number of acceptable applications received	584	1,398	*
Number of applicants certified to cadet class #123	-	-	72
Graduating applicants certified to cadet class #123	-	-	42
Number of applicants certified to cadet class #124	-	-	73
Graduating applicants certified to cadet class #124	-	-	37
Number of applicants certified to cadet class #125	-	-	81
Graduating applicants certified to cadet class #125	-	36	-

*The Board did not accept applications in Fiscal Year 2014. The Board tested applicants in June 2011 and had enough applicants for four cadet classes. Since there are costs involved with accepting applications, the Board decided it was not feasible to accept any additional applications.