

**STATE OF ILLINOIS
PROCUREMENT POLICY BOARD**

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2010

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

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STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

Executive Director	Matthew Brown (7/1/08 – 5/14/10)
Executive Director (Acting)	William Blount (5/17/10 – 8/1/10)
Executive Director	Aaron Carter (8/2/10 – current)

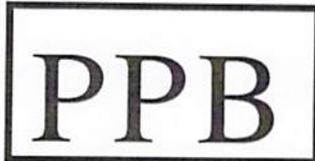
Chief Fiscal Officer	Jennifer Rapp (7/1/08 – 9/15/10)
Chief Fiscal Officer	Vacant (9/16/10 – 10/17/10)
Chief Fiscal Officer	Tim Fishburn (10/18/10 – current)

The members of the Board as of June 30, 2010 were:

- David Vaught, Chairman
- Michael Bass
- Ed Bedore
- Ricardo Morales
- Diego Ferrer

Board administrative office is located at:

511 West Capitol
Suite 102
Springfield, IL 62704



STATE OF ILLINOIS
PROCUREMENT POLICY BOARD

David Vaught, Chairman

Members: Michael Bass, Ed Bedore, Ricardo Morales, Diego Ferrer

November 22, 2010

Honorable William G. Holland
Auditor General
State of Illinois

Sir:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the 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 Board's compliance with the following assertions during the two-year period ended June 30, 2010. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2010, the Board has materially complied with the assertions below.

- A. The 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 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 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. The State revenues and receipts collected by the 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.

Yours very truly,

Procurement Policy Board

(Aaron Carter, Executive Director)

(William Blount, Contract Analyst)

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

COMPLIANCE REPORT

SUMMARY

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

ACCOUNTANTS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	5	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	7

Details of the findings are presented at pages 9 through 17 of this report.

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
10-1	9-10	Voucher processing weaknesses	Material Noncompliance Material Weakness
10-2	11-12	Inadequate controls over personal services	Material Noncompliance Material Weakness
10-3	13-14	Property control weaknesses	Noncompliance Significant Deficiency

STATE OF ILLINOIS
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COMPLIANCE EXAMINATION
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SCHEDULE OF FINDINGS (CONTINUED)

<u>Item No.</u>	<u>Page(s)</u>	<u>Description</u>	<u>Finding Type</u>
10-4	15	Inadequate controls over contractual agreement obligations	Noncompliance Significant Deficiency
10-5	16-17	Inadequate controls over cash receipts	Noncompliance Significant Deficiency

EXIT CONFERENCE

The compliance examination findings and recommendations appearing in this report were discussed with Board personnel at an exit conference on November 18, 2010.

Attending were:

Procurement Policy Board

Aaron Carter, Executive Director
Will Blount, Contract Analyst
Timothy Fishburn, Chief Fiscal Officer

Office of the Auditor General

Terri Davis, Audit Manager
Adam Ausmus, Auditor

The responses to the recommendations were provided by Aaron Carter, Executive Director, on November 22, 2010.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

We have examined the State of Illinois, Procurement Policy 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, 2010. The management of the State of Illinois, Procurement Policy Board is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Procurement Policy Board's compliance based on our examination.

- A. The State of Illinois, Procurement Policy 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, Procurement Policy 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, Procurement Policy 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, Procurement Policy 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.

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

the State of Illinois, Procurement Policy 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, Procurement Policy Board's compliance with specified requirements.

As described in finding 10-1 in the accompanying schedule of findings, the State of Illinois, Procurement Policy Board did not comply with requirements regarding:

- A. The State of Illinois, Procurement Policy 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.

- C. The State of Illinois, Procurement Policy Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

As described in finding 10-2 in the accompanying schedule of findings, the State of Illinois, Procurement Policy Board did not comply with requirements regarding:

- C. The State of Illinois, Procurement Policy Board has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Procurement Policy 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, Procurement Policy 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, 2010. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 10-3, 10-4 and 10-5.

Internal Control

The management of the State of Illinois, Procurement Policy 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, Procurement Policy Board's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Procurement Policy 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 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 other deficiencies 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 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 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 as items 10-1 and 10-2 to be material weaknesses.

A *significant deficiency in internal control over compliance* 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 10-3, 10-4 and 10-5 to be significant deficiencies.

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

The State of Illinois, Procurement Policy 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, Procurement Policy 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 as listed in the table of contents as Supplementary Information for State Compliance Purposes 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 2010 and 2009 Supplementary Information for State Compliance Purposes, except for the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2008 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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 the Illinois Procurement Policy Board and is not intended to be and should not be used by anyone other than these specified parties.


BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

November 22, 2010

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-1. **FINDING** (Voucher processing weaknesses)

The Illinois Procurement Policy Board (Board) did not exercise adequate control over its voucher processing.

During testing of the Board's internal controls over voucher processing, we noted the following:

- The Board did not perform fiscal year 2009 and fiscal year 2010 reconciliations for 7 of 28 (25%) months. As a result of not performing monthly reconciliations, the Board failed to notice that three vouchers, totaling \$3,364, were sent to the Comptroller's Office but never processed for payment. The auditors inquired about these three vouchers with the Comptroller's Office and it was noted that the Comptroller's Office contacted the Board to notify them of problems and the three vouchers needed to be corrected before the vouchers could be processed; however, the Board never corrected those problems and did not resubmit the vouchers for payment. In addition, the Board's expenditure records did not reconcile with the Comptroller's Office expenditure records for fiscal year 2010 which resulted in a \$13,232 difference. The Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires agencies to perform reconciliations of the monthly appropriation status and notify the Comptroller's Office of any unreconcilable differences so that necessary corrective action can be taken to locate the differences.
- The Board received 12 vendor invoices for goods and services obtained during fiscal year 2010 totaling \$7,709 that were never processed for payment and were not submitted to the Comptroller's Office prior to August 31, 2010. The Office of the Comptroller's Accounting Bulletin Number 163 requires all outstanding liabilities as of June 30, 2010, payable from appropriations that would otherwise expire at the conclusion of the lapse period for fiscal year 2010, be received by the Comptroller no later than August 31, 2010. In addition, SAMS (Procedure 17.20.30) requires vouchers be submitted to the Comptroller as frequently as practical, preferably daily, in order to provide payment in a timely manner.
- The Board could not provide supporting documentation for 4 of 75 (5%) vouchers selected for testing. SAMS (Procedure 17.10.20) requires agencies to maintain all supporting documentation necessary to substantiate their encumbrances, expenditures and other transactions.
- The Board approved \$173 in duplicate payments for fiscal year 2010 services. A vendor was paid twice for November 2009 services and June 2010 services. Good business practices requires a proper internal control structure be established to help prevent improper expenditures.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

- Six of 75 (8%) vouchers tested were approved for payment from 3 to 6 days late. The Illinois Administrative Code (74 Ill. Admin Code 900.70) requires agencies to approve proper bills or deny bills with defects, in whole or in part, within 30 days after receipt.

Board personnel attribute the problems to the failure to adequately follow accepted processes in place.

Failure to approve vendor invoices timely is noncompliance with the Illinois Administrative Code. Failure to promptly process vouchers for payment may result in late payment of bills to vendors and result in unnecessary interest charges. Failure to maintain adequate supporting documentation could lead to the Board paying for goods and services not incurred on their behalf. Failure to identify duplicate payments could result in a significant amount of inappropriate payments to vendors. Failure to perform monthly reconciliations between agency records and Comptroller records impairs the agency's and the Comptroller's ability to identify possible errors and take corrective action to ensure accurate accounting of agency expenditures. (Finding Code No. 10-1)

RECOMMENDATION

We recommend the Board strengthen its controls over voucher processing by timely approving vendor invoices for payment and maintain supporting documentation for vouchers. In addition, we recommend the Board process invoices and submit vouchers to the Comptroller's Office for payment on a timely basis. We further recommend the Board implement controls to prevent duplicate payments and recoup any overpayments. And finally, we recommend the Board perform monthly reconciliations of agency expenditures to Comptroller records in accordance with SAMS.

BOARD RESPONSE

Staff reorganization has been completed to more properly fulfill agency requirements. Additionally, new practices are now in place regarding organizational standards for the agency as well as best practices to ensure timely and accurate vendor payment processing. The Board has also taken steps to ensure cross training of these practices to ensure all time off requests are covered in an adequate fashion.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-2. **FINDING** (Inadequate controls over personal services)

The Illinois Procurement Policy Board (Board) did not have adequate controls over personal services.

During our review of employee attendance records which includes employee Time and Attendance Reports, Official Leave Requests and the Department of Central Management Services' Central Time and Attendance System, we noted the following:

- Four of 4 (100%) employees' attendance records did not correlate. Differences were noted between employee Time and Attendance Reports, Official Leave Request Forms, and what was entered into the Department of Central Management Services' Central Time and Attendance System. The Illinois Administrative Code (80 Ill. Admin. Code 303.340) requires each operating agency to maintain accurate, daily attendance records.
- Three of 4 (75%) employees had Time and Attendance Reports that were not filled out correctly. The Time and Attendance Reports did not indicate the number of hours worked and/or the number of leave hours used each day. The Illinois Administrative Code (80 Ill. Admin. Code 303.340) requires each operating agency maintain accurate, daily attendance records.
- One of 4 (25%) employee tested did not include their name on any of the Fiscal Year 2009 or 2010 Time and Attendance Reports. In addition, the employee did not certify that the time recorded for State Official Business on the Time and Attendance Reports was accurate by signing and dating the reports. The Board's Policy Manual (Chapter 2, Section 28.2) requires all employees to review their weekly Time and Attendance Reports and sign the bottom of the report.

Board personnel had an absence of uniform time and attendance procedures. In addition, Board personnel failed to actively make corrective actions to individual employee time keeping.

Failure to maintain accurate attendance records increases the risk that the Board would pay for services not rendered by its employees. In addition, failure to sign and/or fill out timesheets correctly increases the likelihood that Board records are inaccurate. (Finding Code No. 10-2)

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

RECOMMENDATION

We recommend the Board strengthen controls to ensure that proper and accurate attendance records are maintained. Further, we recommend the Board comply with the Board's Policy Manual and the Illinois Administrative Code to ensure employee timesheets are both signed and filled out correctly.

BOARD RESPONSE

Staff reorganization has been completed to more properly fulfill agency requirements. Additionally, new practices are now in place regarding all agency attendance records including but not limited to form duplication and filing, oversight by Chief Fiscal Officer and Agency Director as well as increased organization and frequent internal testing. In addition, each agency employee will now keep up to date time and attendance records to be cross checked monthly by Chief Fiscal Officer and Agency Director.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-3. **FINDING** (Property control weaknesses)

The Illinois Procurement Policy Board (Board) did not properly adjust property control records or exercise adequate controls over its property.

During detail testing of the Board's newly acquired property items, we noted the Board did not tag a property item valued at \$106. The Illinois Administrative Code (44 Ill. Admin. Code 5010.210(e)) requires all equipment regardless of value to be clearly marked to indicate that it is the property of the State of Illinois.

In addition, we noted that one property item totaling \$1,195 was not removed from the Board's property records until at least 4 months after the item was sent to surplus. The Illinois Administrative Code (44 Ill. Admin. Code 5010.400) requires agencies to adjust property records within 30 days of acquisition, change, or deletion of equipment items.

We also noted 2 of 8 Quarterly Fixed Asset Reports (C-15 Reports) submitted to the Office of the Comptroller were inaccurate. We noted the following:

- The Board improperly reported two items that were sent to the Department of Central Management Services' (DCMS) surplus, totaling \$2,216, as deletions instead of transfers out. The Statewide Accounting Management System (Procedure 29.20.10) requires agencies to record property items that were sent to the Department of Central Management Services' surplus as transfers out.
- The Board eliminated one property item totaling \$1,021 twice, once as a transfer out when the Board determined the item was not useable and once as a deletion when the item was actually sent to DCMS' surplus. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that property and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

Board personnel attribute the problems to the failure to adequately follow accepted processes in place.

Failure to maintain accurate property records increases the potential for fraud and possible loss or theft of State property. In addition, failure to submit accurate information to the Office of the Comptroller causes Statewide consolidated fixed asset information to be inaccurate. (Finding Code No. 10-3, 08-1, 06-1)

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

RECOMMENDATION

We recommend the Board comply with the Illinois Administrative Code, the Fiscal Control and Internal Auditing Act, and SAMS by ensuring all property under its jurisdiction is properly tagged and accurately reported on the Board's property records and the Quarterly Fixed Asset Reports submitted to the Office of the Comptroller.

BOARD RESPONSE

Staff reorganization has been completed to more properly fulfill agency requirements. Additionally, new practices are now in place regarding Agency inventory items as well as past surplus items. Agency inventory is up to date and will be cross checked once monthly to ensure continued compliance. Additionally we now have adequate understanding of the proper Agency property disposal process.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-4. **FINDING** (Inadequate controls over contractual agreement obligations)

The Illinois Procurement Policy Board (Board) did not properly obligate contractual agreements with the Office of the Comptroller.

During fiscal year 2010, the Board entered into a contract for legal services totaling \$15,960 and a lease for real property totaling \$14,087. However, the Board did not properly obligate the contract and lease by completing a Contract Obligation Document (Form) and submitting the forms to the Office of the Comptroller. In addition, the Board did not enter the obligation into the Accounting Information System.

The Statewide Accounting Management Systems (SAMS) (Procedure 15.10.40) requires contracts for professional or artistic services and leases to be obligated on SAMS by completing a Contract Obligation Document and submitting the Form to the Office of the Comptroller.

Board personnel attribute the problems to the failure to adequately follow accepted guidelines.

Failure to file accurate Contract Obligation Documents with the Office of the Comptroller may result in State funds not being available to pay for obligations. (Finding Code No. 10-4)

RECOMMENDATION

We recommend the Board strengthen controls to ensure contractual agreements are properly obligated.

BOARD RESPONSE

Staff reorganization has been completed to more properly fulfill agency requirements. Additionally, proper contractual obligation documentation will be submitted with the Comptroller and maintained as needed.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

10-5. **FINDING** (Inadequate controls over cash receipts)

The Illinois Procurement Policy Board (Board) did not have adequate controls over the handling of its receipts.

We tested 4 (100%) receipts and 3 (100%) Receipt Deposit Transmittals totaling \$7,337 and noted the following deficiencies:

- The Board does not maintain a cash receipts ledger. The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires each State agency to keep a detailed account of money received showing the date of receipt, the payor, purpose and amount when receipts are received.
- Two of four (50%) receipts tested totaling \$7,031 were not deposited timely in the State Treasury. The receipts were deposited between 2 and 71 days late. The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires each State agency to deposit into the State Treasury cumulative receipts valued up to \$500 by the first and fifteenth day of the month after receipt and within 48 hours of actual physical receipt with respect to an accumulation of receipts exceeding \$500 but less than \$10,000.
- One of three (33%) Receipt Deposit Transmittal tested totaling \$63 was not remitted to the Office of the Comptroller in a timely manner. The Receipt Deposit Transmittal was submitted 538 days after the deposit in the State Treasury. Good business practice would require deposits be processed timely to increase the balance of funds available for expenditure.

Board personnel stated that due to the limited receipts that the Board receives they were not familiar with the applicable laws and rules.

Failure to exercise adequate internal controls over money received increases the risk that errors and irregularities could occur and not be detected. (Finding Code No. 10-5)

RECOMMENDATION

We recommend the Board strengthen its controls over cash receipts by making deposits into the State Treasury and remitting Receipt Deposit Transmittals to the Office of the Comptroller in a timely manner. Additionally, we recommend the Board maintain a cash receipts ledger as required by the State Officers and Employees Money Disposition Act.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2010

BOARD RESPONSE

Staff reorganization has been completed to more properly fulfill agency requirements. Additionally, new Agency personnel have been adequately trained to handle receipt of payments to the agency. Additionally, organizational and time standard expectations are in place for Agency personnel to better improve Agency work flow and compliance.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010

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 Comptroller

Analysis of Significant Variations in Expenditures

Analysis of Significant Variations in Cash Receipts

Analysis of Significant Lapse Period Spending

Analysis of Operations

Agency Functions and Planning Program

Average Number of Employees

Service Efforts and Accomplishments (Not Examined)

The accountants' 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, except for information on the Service Efforts and Accomplishments, on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2010

P.A. 96-0042	Appropriations	Expenditures through June 30	Approximate		Approximate Total Expenditures 14 Months Ended August 31	Approximate Balances Lapsed August 31
			Lapse Period Expenditures July 1 to August 31	Expenditures		
General Revenue Fund - 001						
Ordinary and Contingent Expenses	\$ 289,100	\$ 265,769	\$ 5,935	\$ 271,704	\$ 17,396	
Total Fiscal Year 2010	<u>\$ 289,100</u>	<u>\$ 265,769</u>	<u>\$ 5,935</u>	<u>\$ 271,704</u>	<u>\$ 17,396</u>	

Note: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records and have been reconciled to records of the Board. During our reconciliation we noted that the Board's records and State Comptroller's records did not agree. See Finding 10-1 for additional details. Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Year Ended June 30, 2009

P.A. 95-0732	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
	Expenditures through June 30	Expenditures July 1 to August 31		
	Appropriations			
General Revenue Fund - 001				
Ordinary and Contingent Expenses	\$ 298,000	\$ 288,914	\$ 7,267	\$ 1,819
Total Fiscal Year 2009	\$ 298,000	\$ 288,914	\$ 7,267	\$ 1,819

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

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
 EXPENDITURES AND LAPSED BALANCES**
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	2010	2009	2008
General Revenue Fund - 001	P.A. 96-0042	P.A. 95-0732	P.A. 95-0348
Appropriations	\$ 289,100	\$ 298,000	\$ 313,000
<u>Expenditures</u>			
Ordinary and Contingent Expenses	271,704	296,181	281,941
Lapsed Balances	\$ 17,396	\$ 1,819	\$ 31,059

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SCHEDULE OF CHANGES IN STATE PROPERTY
 For the Fiscal Years Ended June 30,

	Fiscal Year	
	2010	2009
Beginning Balance, July 1,	\$ 26,259	\$ 28,022
Additions	2,300	1,141
Deletions	-	-
Net Transfers	(2,216)	(2,904)
Ending Balance, June 30,	\$ 26,343	\$ 26,259

This schedule was prepared from the Board's records and reconciled to Agency Report of State Property Quarterly Reports. During our review of the Board's property records we noted deficiencies with the property records. See Finding 10-3 for additional details.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
 RECONCILIATION OF CASH RECEIPTS TO
 DEPOSITS REMITTED TO THE COMPTROLLER**
 For the Fiscal Years Ended June 30,

	Fiscal Year		
	2010	2009	2008
<u>General Revenue Fund - 001</u>			
Jury Duty	\$ -	\$ 46	\$ -
Miscellaneous	7,228	63	-
Total Receipts per Board Records	7,228	109	-
Add: Deposits in Transit, Beginning of Year	-	-	-
Less: Deposits in Transit, End of Year	7,228	-	-
Deposits Recorded by the Comptroller	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ -</u>

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2010

There were no significant variations in expenditures between Fiscal Year 2008, Fiscal Year 2009 or Fiscal Year 2010.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS
For the Two Years Ended June 30, 2010

In Fiscal Year 2009, the Procurement Policy Board received cash receipts for jury duty and a reimbursement for insurance coverage of a former employee and in Fiscal Year 2010, the Board paid an additional payroll check to an employee who left the Board. This employee reimbursed the Board for the overpayment.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2010

There were no significant expenditures made during Fiscal Year 2009 or Fiscal Year 2010 lapse period.

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2010

FUNCTIONS

The Procurement Policy Board (Board) is statutorily charged with the responsibility to review, comment upon and recommend rules and practices governing the procurement, management, control and disposal of supplies, services, professional and artistic services, construction, and real property and capital improvement leases procured by the State. In particular, the Board is specifically responsible for the approval of lease renewals for State agencies and by recent legislative action the review of most State contracts prior to execution. Leases and contracts reviewed number more than 7,000 annually.

Public Act 93-839 established a contract review process by which any proposed State contract that is bid or let through the Procurement Bulletin (which is the statutorily prescribed tool for bid letting) be reviewed over a 30 day time period. The Board may waive the 30 days in order to expedite transactions but this does not abdicate the Board's review authority.

Public Act 95-536 requires the Procurement Policy Board to maintain on its official website a searchable database containing all information required to be included in the Illinois Procurement Bulletin under subsections (b) and (c) of Section 15-25. The posting of procurement information on the website is subject to the same posting as the online electronic bulletin.

From a programmatic standpoint, the Board's single mandate is the facilitation of procurement policy for the State of Illinois. In an ongoing capacity, the Board is in communication with the Chief Procurement Officers, State Purchasing Officers, and their designees for the purposes of policy review and development. In this context, the Board offers assistance in the way of standardized educational seminars for staff in need of foundation level procurement education. The seminars are structured in a format that allows procurement staff members to apply the coursework towards professional certification in this field.

The Board is governed by five members appointed one each by the four legislative leaders and the Governor. As of June 30, 2010, within the Board's operations there were three employees and the statutory authority to staff accordingly in order to manage the contract review requirements of the Procurement Code. Professional and support staff are subordinate to the Executive Director and all employees function under the direction of the Board.

PLANNING PROGRAM

Policy development is an ongoing function of the Board. When planning for some targeted project the Executive Director and the Board members discuss cause, effect, timing, cost, and implementing issues involved. Board members meet monthly to discuss issues such as approving the Board's operational budget, authorizing the number of employees and advising and recommending policies for the operation of the Board.

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
AVERAGE NUMBER OF EMPLOYEES
 For the Two Years Ended June 30, 2010

The following table, prepared from Board records, presents the average number of Board employees for the fiscal years ended June 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Executive Director	1	1	1
Chief Fiscal Officer	1	1	1
Contract Analyst	1	1	1
Administrative Assistant	<u>1</u>	<u>1</u>	<u>1</u>
Total average full-time employees	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>4</u></u>

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2010
 (Not Examined)

Pursuant to the Illinois Procurement Code (30 ILCS 500/5-30), no contract procured above the small purchases limit may be executed until 30 days after notice of its award or letting appears in the Procurement Bulletin, without the Procurement Policy Board (Board) having the opportunity to review the proposed contract. The contracting agency may request, and the Board may agree to waive the 30-day period as necessary.

Board review occurs on proposed contracts that appear contrary to existing policy, contracts that are proposed under newly established policy and contracts that are particularly unique and do not find a ready course through existing procurement policy.

The following data provides details on the State's contracting activity in the areas of sole source, emergency, professional and artistic, and construction contracts in addition to Board reviews initiated and information requests and results for calendar years 2009, 2008 and 2007.

	Calendar Year 2009	Calendar Year 2008	Calendar Year 2007
Contracts by Procurement Approach			
Alternative RFI (Real Estate)	49	23	14
Amendment / Changes	1,235	1,163	1,466
Competitive Bid (IFB, RFP, etc)	3,717	3,705	3,531
Emergency	113	159	73
Orders (On-Going Notices)	57	99	0
Quality Based Selection	0	0	74
Professional and Artistic Exception to RFP	0	0	0
Renewal	1,548	1,195	1,225
RFI Exempt (Real Estate)	62	41	112
Sole Source	<u>1,237</u>	<u>1,503</u>	<u>1,323</u>
Total by Procurement Approach	<u>8,018</u>	<u>7,888</u>	<u>7,818</u>

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2010
 (Not Examined)

	Calendar Year 2009	Calendar Year 2008	Calendar Year 2007
Contracts by Relevant Category			
Aeronautics (DOT)	72	37	25
Commodities	1,246	1,220	1,014
Construction	504	565	536
Employee Benefits	21	12	15
Entertainment	74	113	81
Equipment	681	890	838
Facilities	666	607	566
General Services	1,064	1,308	1,492
Health and Medical Services	76	66	86
Highway Construction	3,095	2,478	2,541
Information Technology	436	509	530
Pharmaceuticals	25	20	37
Telecommunications	<u>58</u>	<u>63</u>	<u>57</u>
Total by Relevant Category	<u>8,018</u>	<u>7,888</u>	<u>7,818</u>
Contract Extensions by Method of Procurement			
Emergency	15	20	18
Sole Source	25	19	6
Other	<u>86</u>	<u>112</u>	<u>323</u>
Total Extensions by Method of Procurement	<u>126</u>	<u>151</u>	<u>347</u>
Procurement Reviews Initiated			
Contract Award Notice	9	3	3
Emergency	0	0	0
Sole Source	<u>2</u>	<u>0</u>	<u>0</u>
Total Procurement Reviews Initiated	<u>11</u>	<u>3</u>	<u>3</u>
More Information Requested and Results			
More Information Requested	394	512	450
Procurement Withdrawn Due to Board Inquiry	12	11	17
Professional and Artistic Contracts			
Professional and Artistic All Methods	551	685	673
Professional and Artistic Sole Source	131	190	173

STATE OF ILLINOIS
 PROCUREMENT POLICY BOARD
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Two Years Ended June 30, 2010
 (Not Examined)

	Calendar Year 2009	Calendar Year 2008	Calendar Year 2007
Sole Source Contracts by Relevant Category			
Commodities	247	318	199
Construction	2	2	6
Employee Benefits	1	0	0
Entertainment	16	19	20
Equipment	203	239	257
Facilities	21	25	23
General Services	289	374	374
Health and Medical Services	8	13	4
Highway Construction	184	198	147
Information Technology	228	292	258
Pharmaceuticals	18	7	22
Telecommunications	<u>20</u>	<u>16</u>	<u>13</u>
Total Sole Source Contracts by Relevant Category	<u>1,237</u>	<u>1,503</u>	<u>1,323</u>
Sole Source by Type of Agency			
State Agencies	550	553	460
Higher Education	<u>687</u>	<u>950</u>	<u>863</u>
Total Sole Source by Type of Agency	<u>1,237</u>	<u>1,503</u>	<u>1,323</u>