

WOLCOTT, WOOD AND TAYLOR, INC.

**COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

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

**WOLCOTT, WOOD AND TAYLOR, INC.
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2006**

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* Issued under separate cover.

WOLCOTT, WOOD AND TAYLOR, INC.
AGENCY OFFICIALS
For the Two Years Ended June 30, 2006

President	Mr. Morley Kershner (Resigned August 2005) Dr. William R. Nicholas (Started April 2006)
Treasurer	Mr. Thomas Gardner (Resigned January 2005) Ms. Heather Haberaecker (Started February 2005)
Secretary	Mr. Thomas K. Bearrows
Board of Directors	Dr. Fady Charbel (Started January 2005) Dr. Joeseeph A. Flaherty (Started July 2004) Mr. John DeNardo (Started January 2005) Mr. Robert F. Vickrey Mr. Jose Pulito (Resigned July 2004) Dr. Michael Harms (Resigned May 2006) Dr. Charles Rice (Resigned July 2004)

The Wolcott, Wood and Taylor, Inc. offices are located at:

200 West Adams
Suite 225
Chicago, IL 60606

Wolcott, Wood
and Taylor, Inc.

July 21, 2006

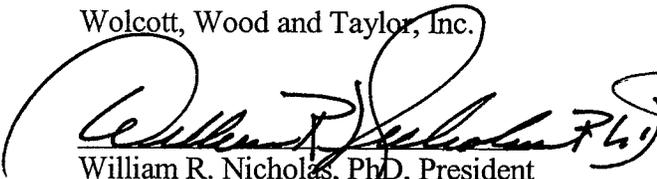
Clifton Gunderson LLP
301 SW Adams St., Suite 900
P.O. Box 1835
Peoria, IL 61656

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 Wolcott, Wood and Taylor, Inc (WWT). 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 WWT's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the years ended June 30, 2006 and June 30, 2005, WWT has materially complied with the assertions below.

- A. WWT has obligated, expended, received and used its funds in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. WWT has obligated, expended, received and used its funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. WWT has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. The revenues and receipts collected by WWT 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. The money or negotiable securities or similar assets handled by WWT or held in trust by WWT have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Wolcott, Wood and Taylor, Inc.


William R. Nicholas, PhD, President


Victoria M. Levitske, Chief Financial Officer

WOLCOTT, WOOD AND TAYLOR, INC.
COMPLIANCE REPORT SUMMARY
For the Two Years Ended June 30, 2006

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

AUDITORS' REPORTS

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 nonstandard language.

SUMMARY OF FINDINGS

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

EXIT CONFERENCE

A formal exit conference was not deemed necessary.

**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
and
The Board of Directors
Wolcott, Wood and Taylor, Inc.

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Wolcott, Wood and Taylor, Inc.'s (WWT) 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 years ended June 30, 2006 and June 30, 2005. The management of WWT is responsible for compliance with these requirements. Our responsibility is to express an opinion on WWT's compliance based on our examination.

- A. WWT 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. WWT 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. WWT 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 WWT 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 WWT on behalf of the State or held in trust by WWT 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 WWT's compliance with those requirements 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 WWT's compliance with specified requirements.

In our opinion, WWT complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2006 and June 30, 2005. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of WWT is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered WWT's internal control over compliance with the aforementioned requirements in order to determine 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.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of WWT as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated July 21, 2006. 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 and is not a required part of the basic financial statements of WWT. Such information for the years ended June 30, 2006 and 2005, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, WWT's basic financial statements for the year ended June 30, 2004. In our report dated August 6, 2004, we expressed an unqualified opinion on the basic financial statements of WWT. In our opinion, the 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004 taken as a whole.

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

Clifton Henderson LLP

Peoria, Illinois
July 21, 2006

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards***

Honorable William G. Holland
Auditor General
State of Illinois
and
The Board of Directors
Wolcott, Wood and Taylor, Inc.

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of Wolcott, Wood and Taylor, Inc. (WWT) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated July 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WWT's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether WWT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters which we have reported to management of WWT in a separate letter dated July 21, 2006.

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

Clifton Henderson LLP

Peoria, Illinois
July 21, 2006

WOLCOTT, WOOD AND TAYLOR, INC.
FINANCIAL STATEMENT REPORT SUMMARY
For the Two Years Ended June 30, 2006

The audit of the financial statements of the Wolcott, Wood and Taylor, Inc. (WWT) was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on WWT's financial statements.

The financial statements are issued under separate cover, in a report titled "Wolcott, Wood and Taylor, Inc. Financial Statements, June 30, 2006 and 2005."

WOLCOTT, WOOD AND TAYLOR, INC.
SUPPLEMENTARY INFORMATION FOR
STATE COMPLIANCE PURPOSES SUMMARY
For the Two Years Ended June 30, 2006 and 2005

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

- Fiscal Schedules and Analysis:
 - Schedule of Changes in Property and Equipment
 - Comparative Schedule of Cash Receipts
 - Comparative Schedule of Cash and Cash Equivalents
 - Analysis of Accounts Receivable
 - Explanation of Significant Account Balances
 - Explanation of Significant Variances in Revenues and Expenses

- Analysis of Operations:
 - Agency Functions and Planning Program
 - Average Number of Employees (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WOLCOTT, WOOD AND TAYLOR, INC.
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
For the Years Ended June 30, 2006 and 2005

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2006</u>
Data processing equipment	\$ 625,247	\$ 93,461	\$ -	\$ 718,708
Computer software	1,229,189	73,278	-	1,302,467
Furniture and fixtures	280,794	-	-	280,794
Leasehold improvements	<u>82,136</u>	<u>-</u>	<u>-</u>	<u>82,136</u>
Total	2,217,366	166,739	-	2,384,105
Less accumulated depreciation	<u>1,842,653</u>	<u>201,330</u>	<u>-</u>	<u>2,043,983</u>
CAPITAL ASSETS, NET	<u>\$ 374,713</u>	<u>\$ (34,591)</u>	<u>\$ -</u>	<u>\$ 340,122</u>

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2005</u>
Data processing equipment	\$ 587,757	\$ 37,490	\$ -	\$ 625,247
Computer software	1,180,625	48,564	-	1,229,189
Furniture and fixtures	280,794	-	-	280,794
Leasehold improvements	<u>82,136</u>	<u>-</u>	<u>-</u>	<u>82,136</u>
Total	2,131,312	86,054	-	2,217,366
Less accumulated depreciation	<u>1,585,439</u>	<u>257,214</u>	<u>-</u>	<u>1,842,653</u>
CAPITAL ASSETS, NET	<u>\$ 545,873</u>	<u>\$ (171,160)</u>	<u>\$ -</u>	<u>\$ 374,713</u>

WOLCOTT, WOOD AND TAYLOR, INC.
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Years Ended June 30, 2006, 2005, and 2004

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Fees	\$ 6,290,451	\$ 6,197,771	\$ 5,942,983
Redemption of certificate of deposit	-	46,000	-
Interest on investments	<u>70,677</u>	<u>30,848</u>	<u>10,536</u>
TOTAL CASH RECEIPTS	<u>\$ 6,361,128</u>	<u>\$ 6,274,619</u>	<u>\$ 5,953,519</u>

WOLCOTT, WOOD AND TAYLOR, INC.
COMPARATIVE SCHEDULE OF CASH AND CASH EQUIVALENTS
June 30, 2006 and 2005

	<u>2006</u>		<u>2005</u>	
	<u>Interest Rate</u>	<u>Balance</u>	<u>Interest Rate</u>	<u>Balance</u>
CASH AND SHORT-TERM INVESTMENTS				
LaSalle Bank:				
Commercial checking account	None	\$ 5,000	None	\$ 5,000
Repurchase agreements	4.05%	1,662,998	2.65%	1,458,748
Certificate of deposit	3.80%	<u>55,131</u>	1.145%	<u>54,000</u>
 TOTAL		 <u>\$ 1,723,129</u>		 <u>\$ 1,517,748</u>

WOLCOTT, WOOD AND TAYLOR, INC.
ANALYSIS OF ACCOUNTS RECEIVABLE
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ACCOUNTS RECEIVABLE FROM		
University of Illinois:		
Consulting services	\$ 34,893	\$ 36,111
Other	<u>1,925</u>	<u>-</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 36,818</u>	<u>\$ 36,111</u>

All receivables are considered fully collectible, therefore, no allowance for bad debts has been provided.

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT ACCOUNT BALANCES
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Notes</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 5,000	\$ 5,000	
Bank repurchase agreement	1,662,998	1,458,748	1
Certificate of deposit	55,131	54,000	2
Accounts receivable	36,818	36,111	3
Prepaid expenses	<u>146,030</u>	<u>136,424</u>	4
Total current assets	1,905,977	1,690,283	
CAPITAL ASSETS, NET	<u>340,122</u>	<u>374,713</u>	5
TOTAL ASSETS	<u>\$ 2,246,099</u>	<u>\$ 2,064,996</u>	
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 101,103	\$ 17,677	6
Accrued expenses	251,287	191,434	7
Accrued rent	-	31,250	8
Current installment of long-term debt	<u>1,772,434</u>	<u>400,000</u>	9
Total current liabilities	2,124,824	640,361	
LONG-TERM DEBT , net of current installment included above	<u>2,787,566</u>	<u>4,560,000</u>	9
Total liabilities	<u>4,912,390</u>	<u>5,200,361</u>	
NET ASSETS			
Invested in capital assets	340,122	374,713	
Unrestricted	<u>(3,006,413)</u>	<u>(3,510,078)</u>	
Total net assets	<u>(2,666,291)</u>	<u>(3,135,365)</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,246,099</u>	<u>\$ 2,064,996</u>	

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT ACCOUNT BALANCES
June 30, 2006 and 2005

1. Represents the cumulative amount of cash that has been swept daily into a bank repurchase agreement.
2. WWT provided its landlord a letter of credit security for its space. A certificate of deposit with LaSalle Bank backs the letter of credit until the end of the lease.
3. Represents amounts due from the University of Illinois for consulting services.
4. Represents prepaid insurance, rent and maintenance contracts.
5. Represents computer equipment and software, furniture and fixtures and leasehold improvements net of accumulated depreciation. Depreciation is calculated on an accelerated or straight-line basis.
6. Represents amounts due to various vendors for services provided to WWT.
7. Accrued expenses represent accrued payroll and accrued paid time off.
8. Accrued rent represents the remaining rent rebate to be amortized over the term of the rebate period.
9. Long-term debt consists of a note payable to the University of Illinois.

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT VARIANCES IN REVENUES AND EXPENSES
For the Years Ended June 30, 2006 and 2005

Scope: Changes greater than \$16,700 and 20 percent

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Note Below</u>
OPERATING REVENUES	\$ 6,291,158	\$ 6,142,679	\$ 148,479	2%	
OPERATING EXPENSES					
Salaries and wages	3,740,444	3,781,571	(41,127)	(1)%	
General services	351,074	235,360	115,714	49%	1
Recruitment	14,284	37,752	(23,468)	(62)%	2
Travel	25,292	17,763	7,529	42%	
Insurance	13,595	14,652	(1,057)	(7)%	
Telecommunications	28,665	35,496	(6,831)	(19)%	
Software maintenance	360,250	264,149	96,101	36%	3
Professional and other contractual services	360,453	57,761	302,692	524%	4
Leased equipment	5,363	5,270	93	2%	
Supplies	43,667	56,332	(12,665)	(22)%	
Third party claim processing	226,875	137,053	89,822	66%	5
Seminars and subscriptions	18,799	15,578	3,221	21%	
Maintenance and repairs	12,313	10,337	1,976	19%	
Rent	276,613	314,895	(38,282)	(12)%	
Utilities	16,789	15,231	1,558	10%	
Other	14,174	31,777	(17,603)	(55)%	6
Depreciation	<u>201,330</u>	<u>257,214</u>	<u>(55,884)</u>	(22)%	7
Total operating expenses	<u>5,709,980</u>	<u>5,288,191</u>	<u>421,789</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	70,677	30,848	39,829	129%	8
Interest expense	<u>(182,781)</u>	<u>(197,980)</u>	<u>15,199</u>	(8)%	
Total nonoperating revenues (expenses)	<u>(112,104)</u>	<u>(167,132)</u>	<u>55,028</u>		
INCREASE IN NET ASSETS	<u>\$ 469,074</u>	<u>\$ 687,356</u>	<u>\$ (218,282)</u>		

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT VARIANCES IN REVENUES AND EXPENSES
For the Years Ended June 30, 2006 and 2005

1. General Services - Increase due to the addition of scanning charge and payment batches at DataBank IMX.
2. Recruitment Expense - Chicago Tribune ads placed in both years. However, in FY2005 there were additional recruiting costs for IT Director.
3. Software Maintenance - Increased due to Ingenix: Claims Manager and Contract Manager for software maintenance and implementation.
4. Professional and Other Contractual Services - The increase in professional and other services reflects an increase in consulting expense. WWT paid approximately \$287,000 to the Rohmann Group for consulting.
5. Third Party Claim Processing - The increase was due to a significant project that the MSP office initiated that reviewed the cash handling procedures in the offsite clinics. This was done to determine if there was compliance with the University policy and procedures and that all monies were processed and posted accurately by both WWT and the MSP.
6. Other - Decrease due to decreased credit card service fees.
7. Depreciation - The decline reflects the accelerated depreciation where the majority of the depreciation is taken in earlier years.
8. Investment Income - The cash balance and interest rates have increased, therefore, interest income has increased. The interest rate for the certificate of deposit increased 2.65 percent and the interest rate for the repurchase agreements increased 1.4 percent.

Responses were provided by Wolcott, Wood and Taylor, Inc. personnel.

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT VARIANCES IN REVENUES AND EXPENSES
For the Years Ended June 30, 2005 and 2004

Scope: Changes greater than \$16,700 and 20 percent

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent of Change</u>	<u>See Note Below</u>
OPERATING REVENUES	\$ 6,142,679	\$ 5,925,252	\$ 217,427	4%	
OPERATING EXPENSES					
Salaries and wages	3,781,571	3,547,328	234,243	7%	
Recruitment	37,752	31,867	5,885	18%	
Travel	17,763	16,185	1,578	10%	
Insurance	14,652	14,619	33	0%	
Telecommunications	35,496	33,853	1,643	5%	
Software maintenance	264,149	214,147	50,002	23%	1
Professional and other contractual services	57,761	66,006	(8,245)	(12)%	
Leased equipment	5,270	3,879	1,391	36%	
General services	235,360	228,129	7,231	3%	
Supplies	56,332	58,373	(2,041)	(3)%	
Third party claim processing	137,053	692,353	(555,300)	(80)%	2
Seminars and subscriptions	15,578	10,472	5,106	49%	
Maintenance and repairs	10,337	6,329	4,008	63%	
Rent	314,895	341,589	(26,694)	(8)%	
Utilities	15,231	4,823	10,408	216%	
Other	31,777	3,219	28,558	887%	3
Depreciation	<u>257,214</u>	<u>334,700</u>	<u>(77,486)</u>	(23)%	4
Total operating expenses	<u>5,288,191</u>	<u>5,607,871</u>	<u>(319,680)</u>		
NONOPERATING REVENUES (EXPENSES)					
Investment income	30,848	10,536	20,312	193%	5
Interest expense	<u>(197,980)</u>	<u>(241,200)</u>	<u>43,220</u>	(18)%	
Total nonoperating revenues (expenses)	<u>(167,132)</u>	<u>(230,664)</u>	<u>63,532</u>		
INCREASE IN NET ASSETS	<u>\$ 687,356</u>	<u>\$ 86,717</u>	<u>\$ 600,639</u>		

WOLCOTT, WOOD AND TAYLOR, INC.
EXPLANATION OF SIGNIFICANT VARIANCES IN REVENUES AND EXPENSES
For the Years Ended June 30, 2005 and 2004

1. Software Maintenance - Increase due to training expense for new Director of Applications, implementation of encrypted email per federal regulations, and increase in firewall maintenance costs.
2. Third Party Claim Processing - Early in 2005, the University decided to contract directly with the company responsible for third party claim processing rather than having WWT contract with the company.
3. Increase due to increase in credit card fees.
4. Depreciation - The decline reflects the accelerated depreciation where the majority of the depreciation is taken in earlier years.
5. Investment Income - The cash balance and interest rates have increased, therefore, interest income has increased. The interest rate for the repurchase agreements increased 1.9 percent.

Responses were provided by Wolcott, Wood and Taylor, Inc. personnel.

WOLCOTT, WOOD AND TAYLOR, INC.
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Years Ended June 30, 2006 and 2005

Wolcott, Wood and Taylor, Inc. (WWT) is an Illinois not-for-profit corporation with offices located in Chicago, Illinois. WWT was formed by the Board of Trustees of the University of Illinois (University), a body corporate and politic of the State of Illinois.

WWT was incorporated July 19, 1999 for the purpose of providing practice management support services and billing and collection services on behalf of the Medical Service Plan of the College of Medicine of the University of Illinois at Chicago (MSP). These services include data entry, claim generation and insurance company follow-up, patient statement generation and patient follow-up, payment posting, accounts receivable management, reimbursement analysis, reporting, software application support, and customer services.

WWT was established to:

- Eliminate the disruptions of the billing and collection process resulting from the continual turnover and lack of performance among the previous billing vendors;
- Provide billing services in a flexible, timely and cost-effective manner thereby eliminating unnecessary duplication of effort;
- Provide a more customer-focused approach for the patients of MSP;
- Implement a single patient accounting system and develop a common database for more timely and complete management reporting;
- Enhance integration between the front-end and back-end components of the billing process; and
- Develop and foster a true partnership between the physicians, departments, and WWT.

Billing operations began in October 2000. Through June 2006, WWT has transitioned all physicians billing with the exception of one department and services provided in the outpatient setting. Annual claim volume totals approximately 500,000, while the annual number of statements sent to patients exceeds 180,000. Annual billings for the 12 month period ended June 30, 2006 totaled 217.2 million. Correspondingly, payments posted net of refunds totaled 61.0 million.

Staffing associated with operations as of June 30, 2006 totaled 60.5 full time equivalents. WWT contracts with ADP Total Source, a Fortune 500 company, to provide human resource management and health care benefits for WWT's staff.

In the summer of 2001, WWT executed a five-year lease for approximately 13,000 square feet located in the downtown Chicago area. Renovation and relocation of the newly leased facility was completed in October 2001. The lease was renegotiated in December 2004. The term of the lease was extended through December 2014. WWT's current address is:

Wolcott, Wood and Taylor, Inc.
200 West Adams Street, Suite 225
Chicago, Illinois 60606

WWT's mission and goals are formally documented on a current basis and formal planning and monitoring procedures have been designed and implemented to meet the needs of WWT.

**WOLCOTT, WOOD AND TAYLOR, INC.
AVERAGE NUMBER OF EMPLOYEES
For the Years Ended June 30, 2006, 2005, and 2004**

(Unaudited)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Employed by Wolcott, Wood and Taylor, Inc.:			
Management	10.9	4.0	4.0
Staff	<u>49.6</u>	<u>56.3</u>	<u>53.1</u>
Total employed by WWT	60.5	60.3	57.1
Employed by the University of Illinois:			
President	<u>0.5</u>	<u>1.0</u>	<u>1.0</u>
TOTAL	<u><u>61.0</u></u>	<u><u>61.3</u></u>	<u><u>58.1</u></u>

WOLCOTT, WOOD AND TAYLOR, INC.
SERVICE EFFORTS AND ACCOMPLISHMENTS
For the Years Ended June 30, 2006 and 2005

(Unaudited)

WWT recognized the downturn in collections. As a result, outside consultants were brought in to address the issue.

The following experts were brought in:

- Accounting Expertise
- Computer Expertise
- Billing Expertise

This resulted in a reorganization of management and introduction of new technology and an upgrade of that technology in the processing and claims management.

The downturn in collections proficiency was reversed in FY 2006 with WWT achieving its best collection year in its history.