LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Labor
Two Years Ended June 30, 2011

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REVIEW: 4381
ILLINOIS DEPARTMENT OF LABOR
TWO YEARS ENDED JUNE 30, 2011

FINDINGS/RECOMMENDATIONS - 10
ACCEPTED - 4
IMPLEMENTED - 6

REPEATED RECOMMENDATIONS - 9

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 11

This review summarizes the report on the Illinois Department of Labor for the two years ended June 30, 2011, filed with the Legislative Audit Commission March 13, 2012. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Department of Labor administers and enforces various Illinois Labor Laws that regulate wages, hours, working conditions, safety and health of workers, minors in the work force, and licensing of employers in certain businesses. The Department regulates amusement rides, employment agencies and nurse registries, and also administers other Acts such as the Equal Pay Act, the Victims Economic Security and Safety Act, Farm Labor Contractor Certification Act, Industrial Homework Law, School Visitation Rights Act, Street Trades Law, and the Nurse Agency Licensing Act. A summary of operating statistics is presented in Appendix A.

The Director of the Department during most of the audit period was Catherine Shannon. She served as Director from December 2006 through April 16, 2011 when the Governor appointed Joseph Costigan to serve as Director. Though not previously associated with the Department, Director Costigan was a past vice president of the State AFL-CIO and secretary-treasurer of Workers United (SEIU).

The average number of employees during the fiscal years was:

Division	**2011**	**2010**	**2009**
General Office	17	18	17
Child Labor and Day and Temporary Labor Services Enforcement	2	2	8
Public Safety	32	14	17
Fair Labor Standards	39	38	39
Equal Pay Act and Victims Economic Security and Safety Act	4	4	3
TOTAL	**94**	**76**	**84**

Expenditures From Appropriations

The General Assembly appropriated $7,406,800 to the Department of Labor for FY11. Appendix B summarizes these appropriations and expenditures for the period under review. Total expenditures for the Department were $6,699,077 in FY11 compared to $6,542,366 in FY10, an increase of $156,711, or 2.4%. The increase is attributable to the use of a federal grant to promote workplace safety and health for workers.

Lapse period expenditures for FY11 were $422,388, or 6.3% of total expenditures.

Property and Equipment

Appendix C provides a summary of property and equipment for FY11 and FY10. Property and equipment, for which the Department was accountable, decreased from $688,663 as of June 30, 2010 to $650,927 as of June 30, 2011. According to Finding No. 3, auditors were unable to reconcile the property records submitted to the Office of the Comptroller to records maintained within the Department.

Cash Receipts

Appendix D summarizes cash receipts of the Department for the last three fiscal years. The comparative schedule of cash receipts shows $3,893,426 in FY11 compared to $3,480,377 in FY10, a $413,049, or 11.9% increase from FY10 to FY11. There was an increase in carnival inspection fees and a decrease in the number of complaints filed by workers. The $269,508 decrease in the Special State Trust Fund was due to a decrease in wage claim complaints by employees and collections by the Department. The $667,337 increase in the Administration of Federal Projects was the result of the Department maximizing its federal funding for the OSHA program.

Other Funds

The Department administers funds which are held in the State Treasury. The Special State Trust Fund is a nonappropriated fund which is custodial in nature and used to account for certain monies collected from various employers by the Department of Labor as agent for individual claimants who have been paid wages at substandard rates. Monies collected are remitted to the claimants.

The Child Labor Fund was established to account for monies collected under the civil penalty provision of the Child Labor Act. The funds collected are subject to legislative appropriation for activities or purposes related to the enforcement of the Act.

Accountants' Findings and Recommendations

Condensed below are the 10 findings and recommendations presented in the compliance report. There were nine repeated recommendations. The following recommendations are classified on the basis of updated information provided by the Department in a memo received via electronic mail on October 9, 2012.

Accepted or Implemented

1. Comply with the State Officers' and Employees' Money Disposition Act by making timely deposits into the State Treasury and documenting the date that receipts are received. Enforce internal controls over receipts to ensure collection of revenue and adequate documentation is maintained and readily available for all transactions. Also, review monthly reconciliations for accuracy and investigate all differences. Further, maintain accurate documentation to support amounts reported on the Agency Fee Imposition Reports and carefully review reports to ensure all fees collected are reported and to ensure accuracy of the Agency Fee Imposition Report before submission to the Comptroller. In addition, the document collection efforts on past-due amounts owed to the State and follow up with past-due amounts more timely. (Repeated-2005)

<u>Finding:</u> The Illinois Department of Labor (Department) did not exercise adequate controls over revenues and related reporting. Some of the weaknesses among several noted by auditors are as follows:

- Ten of 60 receipts tested, totaling $6,479, were deposited between one and seven days late (after 10-day extension period).
- The Department did not retain copies of the Receipt Deposit Transmittal Forms, deposit slips, and/or a Treasurer's Draft for 12 of 60 receipts tested, totaling $4,370.
- For nine of 60 receipts tested, totaling $4,219, Treasurer's Drafts were not submitted to the Office of the Comptroller within 30 days. They were submitted between five and 61 days late.
- Four of 115 receipt reconciliations contained errors when compared to the underlying supporting documentation. Also, comparisons are being prepared rather than a true reconciliation for all receipt reconciliations.
- The Department did not maintain sufficient documentation to support amounts reported on their Agency Fee Imposition Reports. The difference between the Comptroller's numbers and the amounts listed on the reports totaled $55,438 for FY10 and $4,769 for FY11.

- For two of eight returned checks tested, totaling $5,284, the Department does not appear to be making adequate collection attempts.

Department personnel stated that the Department's goal is to perform all functions, including the preparation, review and submission of reports in a timely manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Response: The Department is developing a corrective action plan. Most of the issues relate to limited staffing resources. Additional detail on some issues is as follows:

Missing RDT forms: The data on misplaced Receipt Deposit Transmittal forms, deposit slips or Treasurer's draft is correctly recorded in both the Comptroller's System and the Department's internal system, however, replacement copies of these forms have been requested in order to comply with the Department's record retention policy. These forms were most likely misplaced or misfiled when the Department moved to a new location in October/November 2010.

Different dates: The date in the Check Receipts System is the date that entries are made in that system and is not required to be the date that checks are received or deposited. The Department has been granted a 10-day extension to the deposit rule because of the lengthy processing procedures needed for its receipts. Therefore, a batch of checks may be received in the office on a particular day, entered in the Cash receipts system on another day and deposited on another day, that is, 3 different dates for different stages of processing are appropriate.

Receipt reconciliations: The unreconciled difference in Fiscal Year 2010 cash receipts is $400 and is a timing issue. These are true reconciliations because they are based on the only existing source data: the Department's Cash Receipts System, CMS's AIS, and the Comptroller's SAMS system. Cash receipts and vendor expenditures recorded by the Comptroller are direct data feeds from the Department's Cash Receipts system and CMS's AIS system.

Fee Imposition Reports: The documentation for the Fee Imposition Report is the report from the Department's Cash Receipts System. The fees recorded by the Comptroller are provided by the Department via the Receipt Deposit Transmittal (RDT) which is automatically generated from the Department's Cash Receipts System. That is, the Comptroller's data is a direct feed from the Department's system. However, there may be some misinterpretation because there is not a one-to-one classification between the codes in the Department's internal system and the Comptroller's Fee Imposition Report - some internal codes have to be grouped for this particular report.

Returned checks: The Department utilizes the following procedure for collection of returned checks:

1) Send a letter requesting payment with a money order or certified check
2) Follow-up via telephone, if necessary
3) Referral to the Attorney General after all other efforts fail.

The clerical error on the check being referenced has been corrected prior to the audit.

Updated Response: Implemented. DOL maintains the 10-day deposit extension granted by the Illinois Office of the Comptroller for the period of April 23, 2011 through April 23, 2013. DOL has also purchased two electronic scanning machines, one for Springfield and one for Chicago, which allow for the electronic depositing of funds directly into the clearing accounts. The policy of date stamping checks has been reinforced to the staff who currently process the checks received by the department which provides the necessary documentation to verify that DOL is in compliance with the timely depositing of funds.

Director's Additional Comments:

- All Treasurer's Drafts are submitted timely and copies of RDT's are maintained.
- The Department is in the process of clarifying test data from actual deposits in the department's computer receipt program.
- The Department is working on implementing a policy regarding the notation of attempts to collect past-due amounts.

2. Review C-97 reports before timely submission to the Comptroller to ensure accuracy. Also, maintain detailed records and supporting documentation of all billings and collections to support accounts receivable balances reported. (Repeated-2005)

Finding: The Department did not exercise adequate controls over accounts receivable records and reporting. Auditors noted the following:

- The Department made a $251,000 adjustment on its June 30, 2011 accounts receivable records. Prior to this adjustment, it appears that receivables were booked at full value for any amounts due the Department. However, per Department personnel, the majority of these receivables are never fully collected; most are settled at a lesser value. During testing of detail accounts receivable records, auditors noted that the settlement values of the receivables were erroneous, as these settlement values contained money due to others rather than the amount due to the Department, and as such, the final detailed accounts receivable records were reduced by an additional $1,559,761. Although it appears that the new methodology is appropriate, it is apparent that all 24 Quarterly Summary of Accounts Receivable (C-97) reports prepared by the Department and

Accepted or Implemented – continued

submitted to the Comptroller's Office did not accurately reflect accounts receivable transactions.

- The Department did not maintain adequate accounts receivable records for three of 40 accounts receivable balances selected for testing. The total difference was $2,739.

- Six of 24 C-97 reports prepared by the Department were submitted to the Comptroller's Office between three and 12 days late.

Department personnel stated that the Department's goal is to perform all functions, including the preparation, review and submission of reports in a timely manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Response: Accepted. The Department will continue its in-depth review and analysis of the detail comprising the accounts receivable balance.

Updated Response: Implemented. The Department is including all supporting documentation with C-97 reports and is working diligently to ensure submission of reports in a timely manner to the Comptroller's office.

3. Strengthen controls over the recording and reporting of State property by reviewing inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. Also, ensure all equipment is accurately and timely recorded on property records and are properly valued. Further, thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller and the Department of Central Management Services. (Repeated-2003)

Finding: The Department did not exercise adequate control over the reporting of State property. The Department maintained two sets of property inventory records during the period, including a computerized property inventory register and a manually prepared quarterly transaction spreadsheet. The results of testing indicated that the valuation of the computerized property inventory register was insufficient. Further, the testing indicated the two sets differed in content. Some of the conditions noted are as follows:

- Five of eight Quarterly Reports of State Property (C-15s) prepared by the Department and submitted to the State Comptroller's Office did not accurately reflect Department equipment transactions including differences between the addition, transfer, and ending balance amounts reported on the C-15s and the Department's quarterly transaction spreadsheet.

- Forty-three items acquired during the period were recorded at the incorrect purchase price, resulting in their values being overstated by a total of $15,639.

- All seven surplus items tested did not have sufficient documentation to determine that they were sent to the Department of Central Management Services (CMS), and if so, when they were sent.
- For two of seven transferred out items tested, the Department did not provide the purchase price and/or purchase date to the receiving agency.
- Eight of 30 items tested, totaling $3,006, appeared on the Department's property inventory register but could not be located within the Department.
- The Department's property inventory register did not include a purchase date for 21 of 59 (36%) items tested, totaling $5,757.
- The Department's property inventory register did not include a purchase price for 17 of 59 (29%) items tested.
- The Department did not complete the applicable Accounting for Leases-Lessee Form (SCO-560) for the two equipment lease agreements in place during the audit period.

Department personnel stated that the errors were because many of the items being referenced were not purchased, but were acquired from CMS salvage many years ago when older inventory acquired from salvage did not always contain the level of detail now required, including purchase date and purchase price. These items were other agencies' "scrap" items that had no book value.

Response: A corrective action plan is being developed. Additional detail on some issues is as follows:

Differences in property additions: The difference is a $3 or $7 shipping and handling charge per item that was not included in the pricing information available when the items were added to inventory. There is often a time lag between the receipt of items and the receipt of actual invoices. In order to get equipment into the hands of staff, list prices are entered in the inventory database prior to receipt of actual invoices. The database is being adjusted for these minor differences.

Forty-three items at the incorrect purchase price: This amount of $15,639 includes items on three vouchers, numbers 1195, 1196 and 1198. These vouchers were in the inventory database because they are the cost of the cubicles (staff workstations) that are interconnected. The program has a comments field that contains this explanatory information.

Surplus items: The electronic upload to CMS's salvage system is mandatory and does not leave an automatic paper trail. The Department will need to develop some additional procedures.

Accepted or Implemented – continued

Missing purchase price and/or date: These items were not purchased, but acquired from CMS salvage and are part of the data set that was imported from the old mainframe database. Previously, older inventory acquired from salvage did not contain the level of detail currently being required, including purchase price and purchase date since most of it had no book value and was "scrap" from other agencies.

Missing Tag: The item was tagged. It is Tag#567 that was transferred to another agency on 03/25/2011.

Items that could not be located: The Department is aware of 4 items that could not be located. A further search will be conducted and all missing items will be reported.

Missing asset tag for $1,385 item: This is the conference table and it does have a tag #. The number is 688.

Broken items: The $1,407 is the original purchase price of these items which are many years old and have no book value. One item is a typewriter that is many years old and well past its useful life. It can easily be salvaged. The other is a Brother desktop printer that is slightly broken but still works.

Items moved from one location to another: "Location" in this context means "a room or office in the same building." Items are allowed to be moved between work areas in the same building for use by Department personnel. A revised form to track items that have been moved has recently been implemented.

Updated Response: Accepted. The Department accepts the recommendation by the Auditor General and is working on implementing a corrective action plan to strengthen controls over the recording and reporting of State property. A Chief Information Officer position has been created with the agency. The control of inventory has been assigned to this division. A system is being created between the fiscal department and the IT department to ensure the purchasing information is included in the inventory system in a timely manner and that all new purchases are recorded in a timely manner and tagged properly.

4. Maintain detailed records for all Special State Trust Fund transactions. Also, prior to authorization, review case files and proposed claimant expenditures thoroughly for accuracy. (Repeated-2007)

Finding: The Department did not exercise adequate controls over its Special State Trust Fund. The Department did not maintain a ledger of claimants and corresponding dollar amounts comprising the balance held in the Fund. The State Comptroller's Office records showed balances of $1,524,265 and $1,513,315 as of June 30, 2010 and June 30, 2011, respectively.

According to Department officials, the Department lacks the resources to maintain such a ledger.

Updated Response: Implemented. The Department remains in the process of seeking funds to upgrade its computerized systems to assist in the maintenance of the Special State Trust Fund. In the meantime, an accounts receivable ledger has been created beginning in FY13 to track payments made and checks returned for deposit. This should provide a detailed record of the transactions that occur in the Special State Trust Fund as the ledger includes the claimant's name, the case number, the amount and the employer.

5. Implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code and develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid in accordance with the State Prompt Payment Act. Also, comply with the Illinois State Records Act and maintain an adequate system of recordkeeping. Further, comply with SAMS procedures by having a receiving officer sign each voucher to indicate goods were received according to stated specifications. In addition, keep adequate supporting documentation for all vouchers and ensure the correct SAMS information and accurate general information is reported on all vouchers. Also, recover the duplicate payment made of $1,193. (Repeated-1999)

Finding: The Department did not exercise adequate controls over voucher processing. Auditors noted the following:

- Fifty-three of 234 vouchers tested, totaling $28,595, were approved for payment from two to 193 days late. Six of 234 vouchers tested, totaling $3,127, contained no signature and/or date from the agency head. Nine of 234 vouchers tested, totaling $102,048, were not properly approved.

- Three of 234 vouchers tested, totaling $1,907, were missing information and were therefore not properly completed, or the information on the voucher did not agree to Department records. One of 234 (1%) vouchers tested, totaling $320, had expenses that were charged to the wrong fiscal year.

- Nine of 234 (4%) vouchers tested, totaling $5,946, were not charged to the correct SAMS detail object code.

- Twenty-nine of 234 vouchers tested, totaling $18,365, were not signed and dated by the receiving officer.

- Forty-one of 234 vouchers tested, totaling $21,449, did not have required interest paid to the vendor in Fiscal Year 2010. Forty-four of 234 vouchers tested, totaling $20,341, did not have required interest paid to the vendor for Fiscal Year 2011, as of October 31, 2011.

- Three of 234 vouchers tested, totaling $1,448, did not properly trace to supporting documentation.

- One of 234 invoices tested, totaling $1,193, was paid twice by two separate vouchers.

Department personnel stated that the Department's goal is to perform all functions in a timely and effective manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Response: The Department will continue to seek additional resources for the Fiscal Division so that the voucher review and approval processes can be performed by separate individuals. A procedure that requires written approval from the receiving officer has been implemented. Interest payments are automatically calculated by CMS's AIS system. The Department routinely reviews interest due payment vouchers and approves vouchers that meet the $50 threshold.

Updated Response: Accepted. The Department had a turnover in employees in the middle of FY12 of all the fiscal positions. When the Account Clerk II position became vacant, the position was changed from an Account Clerk II to an Accountant Advanced. While the headcount for the fiscal department remains at two and creates many challenges due to staffing issues, the addition of an advanced position allows personnel to further assist the CFO in ensuring timely processing of vouchers and proper doc codes as the Advanced Accountant has many years experience with the AIS system. The department is ensuring that vouchers are signed and dated, that receiving officers sign off on goods and services received and that copies of all necessary paperwork are retained.

6. Ensure that Contract Obligation Documents (CODs) are filed timely with the Office of the Comptroller. In addition, abide by the rules set forth in SAMS and the Illinois Procurement Code as it relates to procuring contracts.

Finding: The Department did not exercise adequate controls over the contractual agreements. Auditors noted the following:

- The Department did not file a Contract Obligation Document (COD) with the Office of the Comptroller after issuing a request to lease printing equipment through the Department of Central Management Services Master Contract. The contract set forth a maximum of $36,693 to be paid to the vendor for the period May 1, 2011 through April 30, 2014.

- The Department held a contract with a vendor between April 2005 and April 2011, with total payments of approximately $50,000 that did not meet the proper procurement procedures issued by the State. The equipment leasing was procured through the Department instead of using a Statewide CMS Master Contract. The contract and COD were never filed with the Office of the Comptroller or published within the Illinois Procurement Bulletin. The contract ended in April 2011.

Department personnel stated that the Department's goal is to perform all functions in a timely manner. However, current staffing shortages makes this an on-going challenge.

Response: Accepted. A Contract Obligation Document has been filed. However, because this is based on an existing CMS master contract, no late execution waiver is required. The Department acted appropriately in Fiscal Year 2011 by terminating the contract that was executed in 2005.

Updated Response: Implemented. The Department has contacted the Comptroller's office to ensure that all CODs that are required are filed for FY13.

7. Implement procedures to ensure the completeness and accuracy of expenditure records maintained. Also, perform and document the results of all monthly reconciliations of expenditure and fund balance records to Comptroller records and promptly notify the Comptroller of any irreconcilable differences noted. (Repeated-2007)

Finding: The Department did not perform adequate and/or accurate expenditure and fund reconciliations. In addition, the Department did not maintain accurate expenditure records.

The Department operated five funds: the General Revenue Fund, Special State Trust Fund, Child Labor Law Enforcement Fund, Employee Classification Fund, and the Department of Labor Federal Projects Fund. Auditors noted the following regarding the Department's reconciliations:

- Since none of the monthly expenditure reconciliations were signed off and dated by the preparer or reviewer of the reconciliations, auditors could not determine who prepared any of the 107 reconciliations, or how timely the reconciliations were performed.

- 36 of 56 expenditure reconciliations performed for FY11 contained errors.

- Although the Department compared agency records to Comptroller reports, it does not appear that differences on the reconciliations were investigated.

- In addition, the Department was unable to locate documentation to support the "Ending Balance of Available Cash" on all 72 fund reconciliations.

Department personnel stated that the Department's goal is to perform all functions in a timely and effective manner. However, as a result of staffing shortages, especially in the Fiscal Division, there are times when other competing critical projects take precedence over this goal.

Updated Response: Accepted. The Agency is implementing procedures to ensure that monthly reconciliations are completed in a timely manner and that differences in the amounts are reported to the Comptroller's office.

8. Carefully and timely review travel vouchers to ensure accuracy of reported information and to ensure accuracy and reasonableness of travel claims prior to payment. In addition, periodically remind all employees of the allowable per diem rates, as well as the required amount of automobile liability insurance required. Lastly, obtain reimbursement from those employees overpaid. (Repeated-2007)

Finding: The Department did not exercise adequate internal controls over its travel expenditures. Auditors noted the following:

- Eight of 43 travel vouchers tested totaling $2,209, contained excess reimbursements of $475 for expenses incurred between the employees' homes and headquarters.

- Two of 40 travel vouchers tested totaling $694 had an incorrect charge for per diem.

- One of 40 travel vouchers tested totaling $54 was submitted 52 days late.

- One of 40 travel vouchers tested totaling $305 did not have the associated certification that the employee was duly licensed and carried the minimum amount of automobile liability insurance required in the employee's file.

- Four of 40 travel vouchers tested totaling $1,509, contained discrepancies in the reported headquarters for the traveler between the travel voucher and the Travel Headquarters (TA-2) reports. One of 40 travel vouchers tested totaling $309, contained a traveler who was not reported on the TA-2 report in the year the expense was incurred. Two of 4 TA-2 reports were filed with the Legislative Audit Commission 4 to 13 days late.

Department personnel stated that the Department's goal is to perform all functions in a timely manner. However, current staffing shortages makes this an on-going challenge.

Response: The TA-2 report has been updated since the beginning of Fiscal Year 2011. The employees in question are authorized to work from home and therefore did charge travel appropriately. The Department will obtain reimbursement for any overpayment of travel.

<u>Updated Response:</u> Implemented. The Agency has implemented procedures to send out a new certification of liability insurance due to the fiscal department every December. A thorough review of travel vouchers is being completed with a checklist to verify all the rates are accurate and the necessary information is included. The due dates for the TA-2 report are placed on a calendar reminder so the forms can be completed and submitted in a timely manner.

9. Implement internal controls to ensure required employee performance evaluations are completed in a timely manner and in accordance with the Department's policy. (Repeated-2005)

<u>Finding:</u> The Department did not conduct employee performance evaluations timely. Auditors tested 40 employee files, some of which required multiple (2 to 4) evaluations during the two-year period and noted the following:

- The Department did not perform annual employee performance evaluations for 23 (58%) employees tested.
- Of the 40 employee files tested, 10 employees were required to have an additional evaluation completed at the 3 ½ month point of a 4-month probationary period due to an employee promotion. The Department did not perform such evaluations for five of these employees.
- Of the 40 employee files tested, 6 employees were newly hired during the audit period and were therefore required to have an additional evaluation completed 6 months after the effective date of their hire. The Department did not perform such evaluations for five of six of these employees.

<u>Response:</u> Evaluations were not completed due to management turnover. Other evaluations were not completed due to the multitude of responsibilities and competing demands on the Department's supervisory and managerial staff. However, evaluations are not the foundation for salary adjustments since 93 of our current 98 employees are in bargaining units and contract language is followed for salary adjustments, promotion, demotion, discharge, and layoff, recall, and reinstatement decisions. The 5 merit comp staff do not receive salary adjustments based on evaluations – these adjustments are rare and when they do occur, are based on a statewide budget-related formula.

Accepted or Implemented – concluded

<u>Updated Response:</u> Implemented. The Department has ensured that all employees have received their personnel evaluations to bring all evaluations current through Fiscal Year 12. The Department has implemented procedures to ensure that manager's are aware of the requirements for new employee's evaluations. A system has been developed to ensure all evaluations are current by June 30 of every year.

10. Work with the Governor's Office of Management and Budget to determine a method by which to become current with the balance due from Fiscal Years 2009 and 2010 to CMS and initiate reductions in other areas to ensure sufficient funds to pay for the services provided by CMS. (Repeated-2009)

Finding: The Department failed to pay $333,087 to the Department of Central Management Services (CMS) as of June 30, 2011. As of November 30, 2011, the Department has paid $139,139.

Department personnel stated that in FY11, the Department paid all CMS Fiscal Year 2011 invoices and the amount outstanding is from previous years.

Response: In Fiscal Year 2011, the Department paid all CMS Fiscal Year 2011 invoices; the amount outstanding is from previous years. The "Catch UP Billing" Statute, 30ILCS 105/25/(i)(3), permits agencies to pay prior year CMS bills in later years. The Department will continue to use this authorization and seek additional appropriation to pay CMS outstanding invoices.

Updated Response: Accepted. The Department is reviewing all telecomm service bills to see if the agency can cut costs in any way. The Department will continue to work with the Governor's Office of Management and Budget to ensure adequate funding for telecomm. The agency paid the majority of the FY12 charges and will continue to work on ways to save money and catch up the outstanding bills with the "Catch Up Billing" Statute, 30 ILCS 105/25(i)(3).

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues,

or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY10 and FY11, the Department filed no affidavits for emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Department of Labor indicated as of July 2011, the Department had no employees assigned to locations other than official headquarters.