
Summary

Shared Services Centers

CONCLUSIONS

This summary provides an overview of the Shared Services Centers created by Executive Order 2006-06 in March 2006. The summary is comprised primarily of the analysis of Shared Services Centers' operations included in the Office of the Auditor General's compliance audits of the Departments of Revenue and Corrections released in 2009, as well as individual findings referencing the Centers that have appeared in OAG audits released during the period 2007 through 2010.

Executive Order 2006-06, issued March 31, 2006, ordered the creation of two Divisions of Shared Services. The first, located at the Department of Revenue, was for "Executive and Regulatory Affected Agencies", which included the Departments of Revenue, Central Management Services, and Financial and Professional Regulation. This Shared Services Division is referred to as Administrative and Regulatory Shared Services Center (ARSSC).

The second Shared Services Division, located at the Department of Corrections, was for "Public Safety Affected Agencies", which included the Departments of State Police, Corrections, Juvenile Justice, and Military Affairs, along with the Prisoner Review Board, Law Enforcement Training and Standards Board, Criminal Justice Information Authority, Emergency Management Agency, and State Fire Marshal. This Shared Services Division is referred to as the Public Safety Shared Services Center (PSSSC).

Executive Order 2008-01, issued March 31, 2008, ordered the creation of three additional Shared Services Divisions: one for environmental and economic development agencies; one for healthcare-related agencies; and one for social service agencies. However, both the Illinois House and Senate passed resolutions disapproving the creation of these additional Shared Services Centers and they were not established.

Executive Order 2006-06 noted that agencies independently perform similar administrative functions, including human resources, personnel, payroll, timekeeping, procurement, and financial processes. The Executive Order stated the agencies employ different standards and procedures to deliver these common administrative functions, thereby reducing the ability of all State agencies to share management knowledge and capitalize on synergies and economies of scale.

The first function consolidated in the ARSSC, which was housed at the Department of Revenue, was the human resources operations, which began in October 2007 with the signing of an interagency agreement between the Departments of Revenue, Central Management Services, and Financial and Professional Regulation. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on August 15, 2008. The total Fiscal Year 2009 Shared Services headcount for agencies under the ARSSC was 142 positions, according to the FY11 Budget Book. In Fiscal Year 2009, the three agencies were

appropriated \$18.4 million for costs and expenses related to or in support of the ARSSC Shared Services Center.

The first function consolidated in the PSSSC, which was housed at the Department of Corrections, was the human resources operations, which began in December 2007 with the signing of several interagency agreements between Corrections and State Police, Emergency Management Agency, State Fire Marshal, and Criminal Justice Information Authority. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on October 1, 2008 with the signing of an interagency agreement between Corrections, State Police, State Fire Marshal, and the Emergency Management Agency. The total Fiscal Year 2009 Shared Services headcount for agencies under the PSSSC was 112 positions, according to the FY11 Budget Book. In Fiscal Year 2009, six agencies were appropriated \$11.6 million for costs and expenses related to or in support of the PSSSC Shared Services Center.

As part of the development of the Shared Services Program, the Governor's Office of Management and Budget entered into contracts with several firms to perform consulting and professional services to facilitate the reorganization of common functions into Shared Services Centers, as well as provide staffing and organizational analyses. The amount paid out by the State for these contracts totaled over \$9 million during Fiscal Years 2006, 2007 and 2008. Deloitte Consulting LLP received over \$6.8 million during the three year period.

As part of our review of the Shared Services Program statewide, in 2008 we sent a survey to all agencies that received an appropriation for Shared Services operations in fiscal years 2007 and/or 2008. We also surveyed the Shared Services Centers and asked similar questions of them.

One of the goals of the Shared Services Program was to realize efficiencies through consolidation of common functions of several agencies into one location. In its response to our survey, the ARSSC agencies reported implementation costs totaling approximately \$6 million during FY06 – FY08 time period. The savings reported by the ARSSC agencies, which are unaudited figures, totaled \$461,754. The unaudited savings reported consisted mainly of personal services and related costs for positions that are now vacant as a result of the consolidation into the ARSSC. The ARSSC reported savings of \$258,197 in Fiscal Year 2008. The ARSSC did not report any savings in Fiscal Years 2006 or 2007.

The ARSSC's response to the auditors' survey stated, "Through fiscal year 2009, initial up front costs will have exceeded savings by from \$5.8 to \$6.4 million. However, as the program moves forward, savings achieved by the ARSSC will ultimately far exceed associated costs."

In its response to our survey, the PSSSC agencies reported implementation costs totaling \$6.5 million over the FY06 – FY08 time period. Only one of the agencies included in the PSSSC reported savings during this time period: the Illinois Criminal Justice Information Authority reported savings of \$84,092 in Fiscal Year 2008. The PSSSC reported savings of \$465,200 in Fiscal Year 2008. These are unaudited figures. The PSSSC did not report any savings in Fiscal Years 2006 or 2007.

The PSSSC's response to the auditors' survey stated, "The vast majority of the savings will only occur after the new ISIS HR and Fiscal IT operating systems are designed and installed. However, we have captured some savings by co-locating HR personnel and by beginning to standardize HR operating procedures using the Deloitte interim business redesign processes. Additional savings will be captured when we form the PSSSC Fiscal Division in the second quarter of Fiscal Year 2009."

Since the creation of the two Shared Services Centers in 2006, OAG audit reports have contained findings related to various aspects of Shared Services operations. These included the following:

- Payment of non-Shared Services expenditures from Shared Services appropriations;
- Lack of support detailing the methodology for determining the allocation to be paid by agencies for the billing of Shared Services;
- Unclear responsibilities associated with the creation of the Shared Services program contributed to findings at certain agencies; and
- Loss of staff to Shared Services negatively impacted agency operations.

BACKGROUND

The purpose of this summary is to provide an overview of the Shared Services Centers created by Executive Order 2006-06 in March 2006. The summary is comprised primarily of the analysis of Shared Services Centers' operations included in our compliance audits of the Departments of Revenue and Corrections released in 2009, as well as individual findings pertaining to the Centers that have appeared in OAG audits released during the period 2007 through 2010.

Executive Order 2006-06 noted that agencies independently perform similar administrative functions, including human resources, personnel, payroll, timekeeping, procurement, and financial processes. The Executive Order concluded that combining common administrative functions "would, among other things, improve the State's ability to effectively provide services to State agencies, promote cross-training, improve career development for State employees, improve interactivity of State operations, and eliminate duplicate functions within State agencies."

Creation of the Shared Services Centers

Executive Order 2006-06, issued March 31, 2006, ordered the creation of two Divisions of Shared Services. The first, located at the Department of Revenue, was for "Executive and Regulatory Affected Agencies", which included the Departments of Revenue, Central

Management Services, and Financial and Professional Regulation. This Shared Services Division is referred to as Administrative and Regulatory Shared Services Center (ARSSC).

The second Shared Services Division, located at the Department of Corrections, was for “Public Safety Affected Agencies”, which included the Departments of State Police, Corrections, Juvenile Justice, and Military Affairs, along with the Prisoner Review Board, Law Enforcement Training and Standards Board, Criminal Justice Information Authority, Emergency Management Agency, and State Fire Marshal. This Shared Services Division is referred to as the Public Safety Shared Services Center (PSSSC).

Executive Order 2008-01, issued March 31, 2008, ordered the creation of three additional Shared Services Divisions: one for environmental and economic development agencies; one for healthcare-related agencies; and one for social service agencies. The Illinois Constitution (Article V, Section 11) states that if a proposed reorganization would contravene a statute, the Executive order shall be delivered to the General Assembly. The Constitution goes on to say that such “an Executive Order, shall not become effective if, within 60 calendar days after its delivery to the General Assembly, either house disapproves the Executive Order by the record vote of a majority of the members elected.” Both the Senate and House passed resolutions disapproving the creation of these three additional Shared Services Centers within the 60 day time period provided by the Constitution. The Resolutions noted that the proposed reorganization would contravene numerous statutes. Consequently, the three Shared Services Divisions proposed by Executive Order 2008-1 were not created.

Purpose of Shared Services Centers

Executive Order 2006-06 noted that agencies independently perform similar administrative functions, including human resources, personnel, payroll, timekeeping, procurement, and financial processes. The Executive Order stated the agencies employ different standards and procedures to deliver these common administrative functions, thereby reducing the ability of all State agencies to share management knowledge and capitalize on synergies and economies of scale. The Executive Order concluded that combining common administrative functions “would, among other things, improve the State’s ability to effectively provide services to State agencies, promote cross-training, improve career development for State employees, improve interactivity of State operations, and eliminate duplicate functions within State agencies.”

The Governor’s 2008 budget book lists the three primary objectives of the Shared Services Program:

- Increase the quality and consistency of fiscal and HR-related information for better decision-making and improved management of State operations;
- Increase the overall efficiency of the delivery of these administrative support services; and

- Promote cross training and implement a more effective knowledge transfer among fiscal and HR personnel.

OAG Review of Shared Services Centers Operations

In 2008, the Office of the Auditor General reviewed Shared Services Centers' operations. Our work included surveying all State agencies that either were part of the Centers created by Executive Order 2006-06, or proposed to be included in the Centers created by Executive Order 2008-01. In addition, as part of our compliance examinations of agencies for the period ending June 30, 2008, we reviewed expenditures paid from appropriations for Shared Services at three of the agencies covered by each of the Centers. For the ARSSC, we reviewed Revenue, Central Management Services, and Financial and Professional Regulation. For the PSSSC, we reviewed Corrections, State Fire Marshal, and State Police. The results of our review were included in the compliance reports of these agencies released in 2009.

ADMINISTRATIVE AND REGULATORY SHARED SERVICES CENTER (ARSSC)

The first function consolidated in the ARSSC, which was housed at the Department of Revenue, was the human resources operations, which began in October 2007 with the signing of an interagency agreement between the Departments of Revenue, Central Management Services, and Financial and Professional Regulation. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on August 15, 2008. As shown in Exhibit 1, the total Fiscal Year 2009 Shared Services headcount for agencies under the ARSSC was 142 positions, according to the FY11 Budget Book.

Exhibit 1 ARSSC EMPLOYEE HEADCOUNT Fiscal Year 2009	
Agency	# of Staff
Revenue ¹	62
Financial and Prof. Regulation	41
Central Management Services	39
TOTAL	142
Note: ¹ Includes 2 staff at Gaming Brd. Source: FY11 Budget Book	

In Fiscal Year 2007, the three agencies were appropriated \$21.9 million for costs and expenses related to or in support of the ARSSC Shared Services Center; \$18.8 million was appropriated in Fiscal Year 2008 and \$18.4 was appropriated in Fiscal Year 2009. Exhibit 2 summarizes the appropriations and expenditures for the three agencies participating in the ARSSC Shared Services Center in Fiscal Years 2007, 2008, and 2009.

Exhibit 2 ARSSC SHARED SERVICES APPROPRIATIONS AND EXPENDITURES Fiscal Years 2007, 2008, and 2009 (in millions)						
	Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
	Approp.	Expend.	Approp.	Expend.	Approp.	Expend.
Revenue	\$ 8.509	\$ 8.188	\$ 7.758	\$ 7.657	\$ 7.865	\$ 6.237
Central Management Services	\$ 9.523	\$ 7.991	\$ 7.892	\$ 3.912	\$ 6.909	\$ 3.428
Financial and Prof. Regulation	\$ 3.856	\$ 3.724	\$ 3.152	\$ 2.944	\$ 3.619	\$ 2.830
TOTALS	\$ 21.888	\$ 19.903	\$ 18.802	\$ 14.512	\$ 18.393	\$ 12.495
Note: Totals may not add due to rounding						
Source: OAG from Comptroller data						

PUBLIC SAFETY SHARED SERVICES CENTER (PSSSC)

The first function consolidated in the PSSSC, which was housed at the Department of Corrections, was the human resources operations, which began in December 2007 with the signing of several interagency agreements between Corrections and State Police, Emergency Management Agency, State Fire Marshal, and Criminal Justice Information Authority. Fiscal accounting personnel were transferred from the user agencies on May 1, 2008 and the functions were transferred on October 1, 2008 with the signing of an interagency agreement between Corrections, State Police, State Fire Marshal, and the Emergency Management Agency. As shown in Exhibit 3, the total Fiscal Year 2009 Shared Services headcount for agencies under the PSSSC was 112 positions, according to the FY11 Budget Book.

Exhibit 3 PSSSC EMPLOYEE HEADCOUNT Fiscal Year 2009	
Agency	# of Staff
Corrections	75
State Police	21
Emergency Mgmt. Agency	15
State Fire Marshal	1
TOTAL	112
Source: FY11 Budget Book	

As of June 30, 2008, several of the agencies classified as “public safety” agencies had experienced no changes in their operations due to PSSSC implementation. The Prisoner Review Board and Department of Juvenile Justice had previously signed interagency agreements with Corrections to perform certain human resources and fiscal functions on their behalf. The Law Enforcement Training and Standards Board and Department of Military Affairs did not sign any interagency agreements with Corrections, did not begin receiving any services from the PSSSC, and continued to perform their human resources and fiscal operations independently.

In Fiscal Year 2007, seven agencies were appropriated \$13.4 million for costs and expenses related to or in support of the PSSSC Shared Services Center; \$11.1 million was appropriated in Fiscal Year 2008 and \$11.6 was appropriated in 2009. The Prisoner Review Board and Department of Juvenile Justice did not receive any appropriations for these purposes during Fiscal Years 2007, 2008, or 2009. Exhibit 4 summarizes the appropriations and expenditures for the seven agencies receiving appropriations for the PSSSC Shared Services Center in Fiscal Years 2007, 2008, and 2009.

Exhibit 4 PSSSC SHARED SERVICES APPROPRIATIONS AND EXPENDITURES Fiscal Years 2007, 2008, and 2009 (in millions)						
	Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
	Approp.	Expend.	Approp.	Expend.	Approp.	Expend.
Corrections	\$ 7.373	\$ 6.613	\$ 5.004	\$ 4.986	\$ 5.804	\$ 5.407
Military Affairs	\$.567	\$.507	\$.559	\$.557	0	0
State Police	\$ 2.140	\$ 2.047	\$ 1.958	\$ 1.657	\$ 1.957	\$ 1.762
Criminal Justice Info. Auth.	\$ 1.051	\$.284	\$ 1.042	\$ 0	\$ 1.042	0
Emergency Mgmt. Agency	\$ 1.667	\$ 1.494	\$ 1.868	\$ 1.487	\$ 1.996	\$ 1.421
Law Enf. & Stds. Trng. Brd.	\$.022	\$ 0	\$.022	\$ 0	\$.022	0
State Fire Marshal	\$.628	\$.612	\$.628	\$.619	\$.781	\$.596
TOTALS	\$ 13.448	\$ 11.558	\$ 11.080	\$ 9.305	\$ 11.602	\$ 9.186
Note: Totals may not add due to rounding						
Source: OAG from Comptroller data						

SHARED SERVICES CONSULTING AND PROFESSIONAL CONTRACTS

As part of the development of the Shared Services Program, the Governor's Office of Management and Budget entered into contracts with several firms to perform consulting and professional services to facilitate the reorganization of common functions into Shared Services Centers, as well as provide staffing and organizational analyses.

The amount paid out by the State for these contracts totaled over \$9 million over Fiscal Years 2006, 2007 and 2008. Exhibit 5 summarizes the amounts paid to the contractors over this time period.

Exhibit 5 AMOUNTS PAID TO SHARED SERVICES CONTRACTORS Fiscal Years 2006, 2007, and 2008				
Contractor	FY 2006	FY 2007	FY 2008	TOTAL
Deloitte Consulting LLP	\$900,000	\$3,772,500	\$2,166,972	\$6,839,472
Diamond Cluster		\$1,240,789		\$1,240,789
Public Financial Management		\$537,503		\$537,503
Harvey M. Rose Associates		\$392,836		\$392,836
Sequoia Consulting	\$13,500			\$13,500
TOTALS	\$913,500	\$5,943,628	\$2,166,972	\$9,024,100
Source: OAG from Comptroller and/or Agency Data				

The costs of these contracts were allocated among many of the State agencies designated to participate in the various Shared Services Programs. For the three State agencies under the ARSSC, the following amounts were paid:

- Revenue:
 - \$49,500 to Deloitte in FY06
 - \$1,963,625 to Deloitte in FY07
 - \$2,001,972 to Deloitte in FY08

- Central Management Services:
 - \$124,500 to Deloitte in FY06
 - \$389,917 to Diamond Cluster in FY07
- Financial and Professional Regulation:
 - \$30,000 to Deloitte in FY06

For the State agencies under the PSSSC, the following amounts were paid:

- Corrections:
 - \$170,500 to Deloitte in FY06
 - \$1,808,875 to Deloitte in FY07
 - \$165,000 to Deloitte in FY08
- Military Affairs:
 - \$15,000 to Deloitte in FY06
- State Police:
 - \$62,500 to Deloitte in FY06
- Criminal Justice Information Authority:
 - \$15,000 to Deloitte in FY06
- Emergency Management Agency:
 - \$15,000 to Deloitte in FY06
- Fire Marshal:
 - \$15,000 to Deloitte in FY06.

OAG SURVEY OF STATE AGENCIES AND SHARED SERVICES CENTERS

As part of our review of the Shared Services Program statewide, in 2008 we sent a survey to all agencies that received an appropriation for Shared Services operations in fiscal years 2007 and/or 2008. We also surveyed the Shared Services Centers and asked similar questions of them.

Savings and Implementation Costs -- ARSSC

One of the goals of the Shared Services Program was to realize efficiencies through consolidation of common functions of several agencies into one location. In its response to our survey, the ARSSC reported savings of \$258,197 in Fiscal Year 2008. These are unaudited figures. The ARSSC did not report any savings in Fiscal Years 2006 or 2007. The savings reported for Fiscal Year 2008 were attributed to the elimination of 6 staff positions and their associated support costs. The ARSSC detailed the savings by agency as follows: Revenue --

\$25,165; Financial and Professional Regulation -- \$88,682; and Central Management Services -- \$144,350.

In response to the survey auditors sent to the user agencies, two of the three agencies included in the ARSSC reported savings; the third did not.

- Financial and Professional Regulation reported savings of \$324,328 in Fiscal Year 2007 and \$112,261 in Fiscal Year 2008, due to turnover and hiring lags in 4 positions in Fiscal Years 2007 and 2008.
- Revenue reported savings of \$25,165 in Fiscal Year 2008.
- Central Management Services reported there were no documented savings in Fiscal Year 2008, but noted that the Center “had indicated that it intends to abolish a net of 2 vacant positions transferred from CMS. More detail on cost reductions can be obtained from the Center.”

The savings reported by the ARSSC agencies, which are unaudited figures, totaled \$461,754. The unaudited savings reported consisted mainly of personal services and related costs for positions that are now vacant as a result of the consolidation into the ARSSC.

Exhibit 6 provides a comparison of the implementation costs reported by the three agencies to the savings reported by either the individual agencies or the ARSSC. The implementation costs reported by individual agencies included payroll and related costs, travel, moving, equipment and furniture acquisitions, temporary employees, telecommunications, and contractual services.

Exhibit 6 ADMINISTRATIVE AND REGULATORY SHARED SERVICES CENTER COMPARISON OF IMPLEMENTATION COSTS AND SAVINGS REPORTED Fiscal Years 2006, 2007, and 2008 (Unaudited)			
Agency	Implementation Costs Reported by Individual Agency	Savings Reported by Individual Agency	Savings Reported by ARSSC
Revenue	\$ 5,246,695	\$ 25,165	\$ 25,165
Central Management Services	\$ 301,054-709,404 [†]	\$ 0	\$ 144,350
Financial and Professional Regulation	\$ 327,232	\$ 436,589	\$ 88,682
TOTALS	\$ 5,874,981-6,283,331	\$ 461,754	\$ 258,197
[†] DCMS reported their implementation costs as a range, in the absence of a cost allocation methodology at the time their response to the survey was prepared. Source: Responses received to auditors' surveys.			

The ARSSC's response to the auditors' survey stated, “Through fiscal year 2009, initial up front costs will have exceeded savings by from \$5.8 to \$6.4 million. However, as the program moves forward, savings achieved by the ARSSC will ultimately far exceed associated costs.” The ARSSC then provided a range of projected savings. However, given the uncertainty

as to what the costs to implement the program are, as well as the variations in the savings reported by the individual agencies and the ARSSC, we questioned whether future savings, if any, can accurately be projected.

The amounts reported by the agencies in Exhibit 6 illustrate how the implementation costs have **significantly exceeded** savings through Fiscal Year 2008 by \$5.4 to \$5.8 million. The majority of that deficit is attributed to Revenue, whose implementation costs have exceeded savings by over \$5.2 million in that same time period.

Savings and Implementation Costs -- PSSSC

In its response to our survey, the PSSSC reported savings of \$465,200 in Fiscal Year 2008. These are unaudited figures. The PSSSC did not report any savings in Fiscal Years 2006 or 2007. The savings reported for Fiscal Year 2008 were attributed to five partial staff positions for several months during Fiscal Year 2008 and their associated support costs. The duties for these positions were transitioned to and incorporated into the PSSSC operations; however, the employees remained employed by the agency and were redeployed into the agency to perform other functions. We questioned whether keeping these employees on payroll and assigning them to other functions really constitutes a savings.

In response to the survey auditors sent to the user agencies, only one of the agencies included in the PSSSC reported savings; the others did not. The Illinois Criminal Justice Information Authority reported savings of \$84,092 in Fiscal Year 2008.

Regarding the PSSSC, Exhibit 7 provides a comparison of the implementation costs reported by the agencies to the savings reported by the individual agencies and the PSSSC. The implementation costs reported by individual agencies included payroll and related costs, travel, moving, equipment and furniture acquisitions, temporary employees, telecommunications, and contractual services.

Exhibit 7 PUBLIC SAFETY SHARED SERVICES CENTER COMPARISON OF IMPLEMENTATION COSTS AND SAVINGS REPORTED Fiscal Years 2006, 2007, and 2008 (Unaudited)			
Agency	Implementation Costs Reported by Individual Agency	Savings Reported by Individual Agency	Savings Reported by PSSSC¹
Corrections	\$ 2,461,500	\$ 0	
Juvenile Justice	N/A	N/A	
Military Affairs	\$ 15,000	N/A	
State Police	\$ 3,764,300	Unknown	
Criminal Justice Information Authority	\$ 284,401	\$ 84,092	
Emergency Management Agency	\$ 5,000	None	
Law Enforcement & Stds. Trng. Board	None	None	
State Fire Marshal	Unknown	Unknown	
Prisoner Review Board	N/A	N/A	
TOTALS	\$ 6,530,201	\$ 84,092	\$ 465,200¹
Note: ¹ The PSSSC response provided a total savings amount, which was not broken down on a per-agency basis. Source: Responses received to auditors' surveys.			

The PSSSC's response to the auditors' survey stated, "The vast majority of the savings will only occur after the new ISIS HR and Fiscal IT operating systems are designed and installed. However, we have captured some savings by co-locating HR personnel and by beginning to standardize HR operating procedures using the Deloitte interim business redesign processes. Additional savings will be captured when we form the PSSSC Fiscal Division in the second quarter of Fiscal Year 2009." The PSSSC then referred to a range of projected savings. However, given the uncertainty as to what the costs to implement the program are, as well as the uncertainty and variations in the estimated savings reported by the individual agencies and the PSSSC, we questioned whether future savings, if any, can accurately be projected.

The amounts reported by the agencies in Exhibit 7 illustrate how the implementation costs have **significantly exceeded** estimated savings through Fiscal Year 2008 by over \$6.4 million. The majority of that deficit is attributed to Corrections and State Police, whose combined implementation costs have exceeded \$6.2 million with no determination of any savings.

Payment of Expenditures from Shared Services Appropriations

As part of our compliance examinations conducted on agencies for the period ending June 30, 2008, we reviewed expenditures paid from appropriations for Shared Services. At three of the agencies covered by the ARSSC, the following exception was noted:

- At DCMS, five travel vouchers in the sample were for employees who were not providing services within the scope of Shared Services; two expenditure vouchers in the sample were for goods or services that were not within the scope of Shared Services; and two travel vouchers and one payroll voucher paid to a part-time employee who was employed by DCMS and the Office of the Governor. The

interagency agreement and supporting documentation for this employee indicated the employee works for CMS' legal staff, which is not within the scope of Shared Services.

- At Revenue and DFPR, no exceptions were noted.

We similarly reviewed the use of Shared Services appropriations at three agencies covered by the PSSSC and found the following exceptions:

- At Corrections, auditors noted the payment of employee payroll from the Shared Services appropriation prior to the signing of the interagency agreement on October 1, 2008.
- At the State Fire Marshal, \$27,194 was spent on an office equipment item. This item was purchased for use at the Fire Marshal's primary location and was purchased to replace a similar item which had been moved to the PSSSC for all PSSSC agencies to use. Both the original item and newly purchased item were on the Fire Marshal's property records.
- At State Police, no exceptions were noted.

OTHER AUDIT FINDINGS

Since the creation of the two Shared Services Centers in 2006, OAG audit reports have contained findings related to various aspects of Shared Services operations. These include the following:

- **Lack of support detailing methodology for determining the allocation to be paid for the billing of Shared Services.** The audits of the State Fire Marshal and Department of Military Affairs for the two year period ending June 30, 2006 both contained a finding that the agencies did not have adequate support for an Interagency Agreement with GOMB that detailed the methodology for determining the allocation to be paid by the agencies for the billing of Shared Services. GOMB entered into a contract for \$650,000 with a consultant to assist GOMB and other State agencies in establishing a statewide Shared Services plan. The amount allocated to the Fire Marshal was \$15,000; similarly, \$15,000 was allocated to the Department of Military Affairs. Neither agency was able to provide documentation to auditors to show how the \$15,000 was determined. (Fire Marshal Finding 06-2 and Military Affairs Finding 06-3)
- **Unclear responsibilities:** Several audits contained findings where agencies stated problems arose because of unclear responsibilities associated with the creation of the Shared Services program.
 - The FY 2008 audit of the Department of Revenue reported that there were numerous errors in the Department's accounting reports (GAAP package forms)

and draft financial statements that were given to auditors. Revenue noted that one reason for the errors was that there were oversight and responsibility uncertainties as the result of the implementation of Shared Services. (Revenue Finding 08-3)

- In the FY 2009 audit of the Illinois Emergency Management Agency (IEMA), auditors found that the agency did not perform timely reconciliations of agency records to Comptroller records. IEMA officials stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Department of Corrections with respect to fiscal services. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some of the responsibilities were shared and some were missed. (IEMA Finding 09-2)
- Another IEMA finding dealt with inadequate controls over its property and equipment and related records. IEMA officials stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Department of Corrections with respect to fiscal services. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some communications between the agency and Shared Services were not clear. IEMA experienced some delays in posting of additions and deletions from the inventory system. (IEMA Finding 09-8)
- **Loss of Staff to Shared Services Negatively Impacted Agency Operations.** OAG audits reported the following regarding the loss of staff to Shared Services:
 - Our FY09 audit at the Illinois Emergency Management Agency reported that IEMA lacked the proper segregation of duties in the processing of receipts, receivables, and revenues. Several IEMA employees were transferred to Shared Services as a result of the interagency agreement with the Department of Corrections; however, the receipts, receivables, and revenue functions along with fee compliance remained at the agency. The transfer of employees impacted the agency's ability to maintain adequate segregation of duties. (IEMA Finding 09-4)
 - Our FY08 audit of the Department of Financial and Professional Regulation (DFPR) found that DFPR did not perform timely reconciliations of Department expenditure and fund records to Comptroller records, as required by SAMS. DFPR personnel stated that reconciliations were prepared untimely due to a loss of staff within the Division of Fiscal and Accounting, the time required to implement a reconciliation process, and the inability to catch up on the back log of activity as a result of the staff shortages. Furthermore, they stated that the missing reconciliations were due to the move of Fiscal staff to the Administrative and Regulatory Shared Services Center. DFPR stated that it will continue to work with the Shared Services Center to ensure monthly reconciliations are performed in a timely manner. (DFPR Finding 08-6)

- Our FY08 audit of the Department of State Police found that ISP did not exercise adequate control over the recording and reporting of its property and equipment. Equipment items were not timely added to property records, annual property certifications were inaccurate, and asset records were not adequately reconciled to the results of the inventory. Other property records were not filled out properly. The Department responded that its Property Control Unit has continued to face issues related to insufficient staffing. The Department transferred the Property Control Unit to the Public Safety Shared Services Center (PSSSC) effective October 1, 2008. The ISP will work closely with the PSSSC to ensure property is added to the inventory system in a timely manner and required reporting to the Comptroller's Office is completed accurately and in a timely manner. (State Police Finding 08-1)
- **Employee Evaluations Not Timely Performed.** Several audits contained findings that evaluations were not being timely completed.
 - IEMA did not conduct employee performance evaluations in accordance with the Illinois Administrative Code and agency policies. IEMA officials stated that pursuant to the Intergovernmental Cooperation Act, the agency entered into an interagency agreement with the Department of Corrections with respect to human resources functions. The scope and responsibility of certain functions were not clearly defined during the negotiation process, and therefore some of the responsibilities were transferred completely to Shared Services and some were missed. (IEMA Finding 09-16)
 - DFPR did not conduct employee evaluations on a timely basis. Eighteen of 25 employees sampled did not have a timely evaluation. An initial notification was sent to the supervisor to remind them evaluations are due, but the evaluations continue to be untimely. The Department responded that the Administrative and Regulatory Shared Services Center, which is responsible for the evaluation process for DFPR, DCMS, and Revenue, is developing internal controls to ensure evaluations are prepared on a timely basis. (DFPR Finding 07-7)
 - Revenue did not have adequate controls over personal services: 23 of 50 evaluations were not completed timely; 3 of 50 employees did not receive an evaluation; and 7 of 40 employees tested did not have complete support for time spent on "official State business". The Department responded that management will make timely completion of employee evaluations a priority with the assistance of a new monitoring/reporting process being administered by the Administrative and Regulatory Shared Services Center. (Revenue Finding 08-13)
- **Payment of personnel costs of GOMB employee working on Shared Services.** Our Fiscal Year 2008 audit of the Department of Corrections reported that an employee who had previously worked for Corrections was transferred to a position within GOMB. The Department continued to pay for her personnel costs on its payroll vouchers. Department

personnel explained that this individual was working on behalf of the Department as the Deputy Director Project Manager for the Public Safety Shared Services Center (PSSSC). The Department's explanation was inconsistent with the fact the employee was at the same time listed on the GOMB organizational chart as the Deputy Director of Financial Reporting and was responsible for the oversight of other GOMB employees. While the employee in question may have had some indirect involvement with the PSSSC, there was another individual listed on the GOMB organization chart as the GOMB Project Manager over PSSSC and the Department and GOMB entered into an interagency agreement concerning his responsibilities. (Corrections Finding 08-12)

- **Timekeeping did not comply with requirements of the State Officials and Employees Ethics Act.** Audits at a number of agencies during the FY06-FY09 time period cited deficiencies in their timekeeping systems. Essentially, timekeeping records were not being created that complied with the requirements of the State Officials and Employees Ethics Act, specifically the provision which required: "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour." Agencies responded to the audit findings stating that the Shared Services Project was in the process of creating an automated timekeeping system, compliant with the Act's requirements, which the agencies would then use. For example, State Police responded to a Fiscal Year 2006 finding that they will participate as a test agency for the new timekeeping system being obtained by the Public Safety Shared Services Center. State Police stated that Shared Services management has advised the rollout of the system to test agencies is anticipated to begin the summer of 2007. (State Police Finding 06-8)

However, agency responses to findings in FY 2008 and 2009 audits noted that the timekeeping system was not implemented as planned. The Department of Corrections noted in its FY 2008 audit finding that the automated payroll system project was delayed due to various issues that arose during the creation of the PSSSC. They stated a project began in August 2008, but ceased in January 2009 due to lack of funding. Similarly, Public Health officials noted in their FY 2009 finding that the Shared Services timekeeping initiative did not come to fruition for the Department. (Corrections Finding 08-20; Public Health Finding 09-10)

Civil Service Commission Management Audit

House Resolution Number 140 directed the Auditor General to determine whether the Civil Service Commission's granting of exemptions from the merit and fitness requirements (Jurisdiction B) of the Personnel Code was consistent with applicable State law and rules. The Personnel Code allows exemptions if the position involves principal administrative responsibility for the determination of policy or the way policies are carried out.

The Auditor General's Management Audit of Exemptions Granted by the Civil Service Commission, released in June 2010, identified the Shared Services initiative as one of the contributing factors to the increase in the number of exemptions granted by the Civil Service

Commission. During the course of the audit period (2003 through 2008), 23 positions were approved for exemption as a result of the Shared Services Initiative.

The first exempt positions for Shared Services were approved in July 2006. At that time, it was anticipated that when the Shared Services Centers became operational, there would be a significant amount of overlapping responsibilities with an unknown number of current 4d(3) exempt positions. The affected exempt positions would need to be identified and their exemptions reconsidered. The July 2006 meeting minutes of the Civil Service Commission noted that "It was represented to the Commission that the overall number of exempt positions will ultimately be reduced." The meeting minutes further noted that "...there will be exemption requests for 20-25 positions in all 5 Shared Services Centers upon full implementation, but a net loss in exempt positions will result from the abolition or rescission of exemptions in many currently exempt positions...." This July 2006 estimate appears to be significantly understated since a total of 23 positions have been approved just for the first two Shared Services Centers.

In June 2007, Shared Services representatives appeared before the Commission to give an update on the initiative. At that time it was noted that there could be a net reduction in the number of 4d(3) exempt positions but not for several years. In September 2007, the Commission considered the exemption of additional positions at the Shared Services Centers. The meeting minutes noted that the positions requested did not meet the strict interpretation of the Commission's rules for exemption but that the Commission must make a judgment call as it has done many times in the past. It was noted that to meet the reporting requirements, the supervisor of the positions must be considered the equivalent of a Deputy Director and that the Shared Services Centers Director be treated as the equivalent of an agency Director.

In April 2010, we asked Commission officials if there had been a net reduction as a result of the Shared Services Initiative. Officials said that there has not been a reduction but that it could still occur in the future. Officials added that with the change in administration, it is unclear what will happen with the Shared Services Initiative.

In its response to the audit report, the Commission stated that the report correctly notes that a reduction in the number of exempt positions was predicted to be a side effect of this initiative, but that has not occurred as of yet as the future of this initiative is unclear. The response went on to say there are only two Centers presently functioning and there have been no exemption requests related to the three additional Centers that were planned. Until the Commission is clear as to the future of this initiative, its course of action will be to maintain the status quo as to presently exempt positions. However, the Commission stated that it is still anticipated that there will be a reduction of exempt positions, either in the agencies if this initiative is renewed or in the existing Shared Service Centers if it is abandoned.