

LEGISLATIVE AUDIT COMMISSION



Review of
Illinois Power Agency
Two Years Ended June 30, 2010

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

**REVIEW: 4348
ILLINOIS POWER AGENCY
TWO YEARS ENDED JUNE 30, 2010**

FINDINGS/RECOMMENDATIONS - 35

**ACCEPTED- 35
REPEATED RECOMMENDATIONS - 18**

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 22

This review summarizes the auditors' reports on the Illinois Power Agency for the two years ended June 30, 2010, filed with the Legislative Audit Commission March 25, 2011. The auditors' opinion was stated as follows:

"The Illinois Power Agency's accounting records were inadequate and contained numerous inconsistencies. As a result, we were unable to satisfy ourselves about the accuracy and completeness of the accounting records by means of other audit procedures.

Because of these matters, we were unable to apply other auditing procedures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

Additionally, the Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes contain a scope disclaimer. The pervasive issues were so significant that an Auditors' opinion could not be issued."

The Illinois Power Agency was created by the Illinois Power Agency Act in PA 095-0481 in 2007. The Agency's mission is to (a) develop procurement plans to ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest cost over time, (b) conduct competitive procurement processes to procure the supply resources identified in the procurement plan, (c) develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority, and (d) supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in Illinois.

During FY10, the Agency developed a procurement plan and held five energy supply auctions for the two major utility companies. For all five auctions, bid participation fees were assessed. In prior years, these fees were collected by third parties, and as of June 30, 2010 approximately 50% of the prior year fees were still held by the procurement administrator. The fees which were not collected by third parties were being held as

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undeposited checks at June 30, 2010. The amounts payable to the Agency could not accurately be determined due to lack of accounting records.

Mr. Mark Pruitt was the Director during the audit period. He is the Agency's first and only director, appointed April 21, 2008. The Director is responsible for all functions of the Agency and completion of the statutory and contractually assigned duties and responsibilities of the Agency. There is now one other employee, hired in December 2010, who serves as CFO.

Expenditures From Appropriations

The General Assembly appropriated a total of \$6,350,000, from the Illinois Power Agency Trust Fund and the Illinois Power Agency Operations Fund, to the Illinois Power Agency for FY10. The appropriations for FY09 and FY08 were from GRF. Appropriations and expenditures are described in the table below.

	2010	2009	2008
Appropriations	\$ 6,350,000	\$ 1,318,000	\$1,250,000
Expenditures	\$ 2,660,226	\$ 1,044,272	-
Lapsed Balances	\$ 3,689,774	\$ 273,728	\$1,250,000

For FY10, total expenditures and total lapsed balances are approximate. The Agency did not begin operations until FY09, thus there were no expenditures in FY08. All appropriations, expenditures and lapsed balances for FY10 were obtained from records of the State Comptroller. The Agency did not provide accounting reports to the auditors. (See Finding #15)

Cash Receipts

IL Power Agency Trust Fund	2010	2009	2008
Utilities–Generating Companies	\$ -	\$ -	\$ 25,000,000
Interest	-	644,193	615,872
Total Receipts	\$ 171,468	\$ 644,193	\$ 25,615,872

The Agency Trust Fund may accept, receive and administer any grants, loans or other funds available to it by any source. Any funds received by the Fund shall not be considered income, but shall be added to the principal of the Fund. The General Assembly may annually appropriate from the Fund to the Agency an amount not to exceed 90% of the annual investment income earned by the Fund. During FY08, \$25 million was received from two utility companies as mandated by law.

Additionally, bid participation and supplier fees of \$986,000 were assessed in FY08 and FY09. However, these fees were never deposited into the State Treasury, but were instead held by the procurement administrators. The Agency received monies in FY10;

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however, no action was taken to record the amounts in the accounting records or deposit the monies in the State Treasury.

Property and Equipment

The Agency does not own any State property. The Agency does use and maintain some office equipment. However, this equipment is owned by CMS. (See Finding No. 28.)

Locally Held and Nonappropriated Funds

The Agency did not work with the Office of the State Comptroller to establish any locally held funds. However, amounts were held with a procurement administrator as of June 30, 2010. It could not be determined if these amounts were held in separate funds or if the amounts were accruing interest. Additionally, the amounts held could not be accurately determined. (See Finding No. 6.)

Accounts Receivable

The Agency reported accounts receivable of \$9,009,000 at June 30, 2010. The balance is attributed to supplier and bid fees charged to energy suppliers. Some of these fees are related to prior year auctions and are still held at procurement administrators outside of the State Treasury. In addition, management has incorrectly recorded a receivable for checks received by the Agency throughout FY10 but not deposited. (See Finding No. 7.)

Accountants' Findings and Recommendations

Condensed below are the 35 findings and recommendations, 18 repeated, included in the audit report. The following recommendations are classified on the basis of information provided in the audit report.

Accepted or Implemented

- 1. Maintain adequate documentation necessary to comply with the requirements of the Illinois Power Agency Act. (Repeated-2009)**

Finding: The Illinois Power Agency (Agency) did not submit accurate and complete financial information to the Governor, General Assembly or the auditors.

The Agency is required to submit financial and operating information in accordance with generally accepted accounting principles. However, for the second year in a row, the

Accepted or Implemented – continued

Agency did not provide accurate and complete financial information. Specifically, the financial information provided did not contain all the necessary information regarding funds held outside of the State Treasury. In addition, certain financial information could not be supported by the Agency.

The Director stated the Agency did not have trained staff to support the financial reporting functions during the audit period.

Response: Accepted. To generate and maintain adequate documentation necessary to comply with the requirements of the Illinois Power Agency Act, the Agency requested and received the assistance of Central Management Services (CMS) in July 2010 to create the Agency's FY 2009 and FY 2010 financial statements, and FY 2010 GAAP package submittals. Additionally, CMS assisted the Agency in preparing and submitting payments into treasury accounts, filing Contract Obligation Documents and vouchers with the Office of the Comptroller, and transferring funds between agency accounts.

The Agency also entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. The Agency's hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center. Together, the Administrative and Regulatory Shared Services Center and the agency CFO are processing the Agency's fiscal transactions and maintaining complete records of those activities for use in reporting and responding to data requests.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist in auditing the records at ComEd and Ameren to assure that IPA is receiving all the revenue it should. Additionally, the firm will assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY 2009 and 2010 periods. Lastly, the agency will seek to use the firm's utility expertise to assist in setting up processes appropriate to the agency's interactions with the utilities. The Agency will enhance its current financial reporting arrangements with the assistance of the Office of Accountability which will assist in the creation of audit compliant processes that support financial reporting tasks.

2. Comply with the SAMS Manual requirements and financial reporting process. (Repeated-2009)

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Finding: The Agency failed to follow the requirements of the Statewide Accounting Management System (SAMS) relating to the receipting, obligating and expending from State Treasury-held funds and the financial reporting process established by the Office of the State Comptroller.

Auditors noted the Agency did not submit certain accounting reports to the Office of the State Comptroller. In addition, the Agency failed to timely file contracts and timely obligate funds with the Office of State Comptroller.

The Director stated the Agency did not have trained staff to support the SAMS Manual requirements during the audit period.

Response: Accepted. To comply with the SAMS Manual requirements and financial reporting processes, the Agency requested and received the assistance of Central Management Services (CMS) in July 2010 to assist the Agency in complying with SAMS Manual requirements and financial reporting processes including the FY 2009 and FY 2010 financial statements, and the agency's FY 2010 GAAP package submittals.

The Agency also entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. A substantial amount of the Administrative and Regulatory Shared Services Center interactions with the Agency relate to complying with SAMS Manual requirements. The Agency hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO has contacted CFOs in other Agencies to request information regarding best practices with regard to SAMS and other fiscal matters, and will request to receive any available training from the Office of the Comptroller with regard to SAMS. Together, the Administrative and Regulatory Shared Services Center and the agency CFO are processing the Agency's fiscal transactions in compliance with SAMS requirements, and maintaining complete records of those activities for use in reporting and responding to data requests.

3. Hire staff needed to carry out the responsibilities of the Agency and ensure supporting documentation is maintained. (Repeated-2009)

Finding: The Agency did not provide all the requested documentation to the auditors such as supporting documentation for the financial statements, specifically accounts receivable and accounts payable. As a result, auditors did not express an opinion on the Agency's financial statements.

The Director stated the Agency did not have trained staff or internal systems to generate complete and accurate responses to data requests during the audit period.

Accepted or Implemented – continued

Response: Accepted. To carry out the responsibilities of the Agency and ensure supporting documentation is maintained, the Agency requested and received the assistance of Central Management Services (CMS) in July 2010 to create the Agency's FY 2009 and FY 2010 financial statements, and FY 2010 GAAP package submittals. Additionally, CMS assisted the Agency in preparing and submitting payments into treasury accounts, filing Contract Obligation Documents and vouchers with the Office of the Comptroller, and transferring funds between agency accounts. Documentation generated by the tasks performed by CMS on behalf of the Agency have been retained, and are serving as a model for records collection and retention for the Agency.

The Agency also entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. Administrative and Regulatory Shared Services Center activities generate records and reports for the Agency that are accessible and available to the Agency. The Agency hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to support further documentation and reporting functions. Together, the Administrative and Regulatory Shared Services Center and the agency CFO are processing the Agency's fiscal transactions and maintaining complete records of those activities for use in reporting and responding to data requests.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY 2009 and 2010 periods. The Agency will enhance its current financial reporting arrangements with the assistance of the Office of Accountability which will assist in the creation of audit compliant processes that support financial reporting tasks.

4. Develop adequate procedures over cash receipts, cash disbursements, accounts receivable and accounts payable to ensure fiscal responsibility. (Repeated-2009)

Finding: The Agency did not establish adequate accounting procedures and internal controls. Although the Agency has been in existence for more than two years, they had not established a general ledger accounting system. Further, the Agency did not have procedures in place to record and deposit receipts, pay bills when due, track accounts receivable or accounts payable, or track and monitor complaints related to billings.

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During fiscal year 2010, the Agency expended \$ 2,310,226 from the State Treasury held appropriation. The auditors are uncertain how much money may have been expended or bartered with from funds held by third parties.

Additionally, as a result of the lack of proper procedures in place, the Agency did not record and document receipts from several sources. During the audit, it was determined at least \$1 million in funds were held in the possession of the Director for several months before being deposited into a Treasury fund. In fact, it was not until the auditors brought the issue to the attention of the Comptroller's Office and the Treasurer's Office did the Director deposit the funds.

In addition, the Agency did not pay bills in a timely manner, which resulted in some expenditures not being paid due to insufficient appropriation authorization. Additionally, the Agency is either unable or unwilling to determine the accurate amount of receipts, expenditures, receivables or payables.

The Director stated the Agency did not have trained staff or internal controls to complete Agency transactions in a timely manner during the audit period.

Response: Accepted. To establish adequate procedures over cash receipts, cash disbursements, accounts receivable, accounts payable and ensure fiscal responsibility, the Agency is developing internal controls structures with the assistance of the Office of Accountability. Processes and procedures to ensure appropriate oversight and recording of interactions and transactions between the Agency and vendors, utilities, the Administrative and Regulatory Shared Services Center are the primary focus of the control development process.

Controls utilized by other agencies are being reviewed for use and application to the IPA. The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY09 and FY10 periods. An additional task for the vendor will be to assist the Agency by recommending appropriate controls specific to the Agency's accounting functions.

- 5. Develop a formal budgeting process to ensure all funds of the Agency are spent and managed in a fiscally responsible manner. Further, remit all funds collected on behalf of the Agency to the Agency and deposit funds in a State Treasury Fund. (Repeated-2009)**

Finding: The Agency did not have a formal budgeting process to effectively utilize its resources. During FY10, the Agency received appropriations of \$6,350,000.

In FY09, the Agency contracted with a procurement administrator for \$490,715 and obligated only \$246,999 for the fiscal year. However, the procurement administrator submitted billings totaling an estimated \$368,201, which was \$121,202 over the obligation

Accepted or Implemented – continued

amount. The billings were not paid within the fiscal year. Further, according to the Director, the procurement administrator had retained the bidder fees collected for the Agency as payment for services. At the end of FY10, the procurement administrator still held these funds and the Director did not attempt to collect these funds.

The Director stated the Agency did not have trained staff or internal systems to manage expenditures against budget during the audit period.

Response: Accepted. To ensure all funds are spent and managed in a fiscally responsible manner and that all funds collected on behalf of the Agency are remitted and deposited into a State Treasury Fund, the Agency has hired a Chief Financial Officer. The Agency hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is supported in her work by the Administrative and Regulatory Shared Services Center through an interagency agreement entered into in December 2010. Additionally, the CFO has contacted CFOs in other Agencies to request information regarding best practices with regard to Budgeting and fiscal controls. The Agency will enhance its current financial reporting arrangements with the assistance of the Office of Accountability which will assist in the creation of audit compliant processes that support budgeting and reporting.

- 6. Implement the appropriate procedures to receive and deposit State revenues and collect interest. Additionally, obtain and properly deposit all funds held by the procurement administrators, on behalf of the Agency, as soon as possible. (Repeated-2009)**

Finding: The Agency improperly allowed State funds to be held in accounts outside the State Treasury without proper statutory authority.

In order to determine the activities conducted by the Agency outside of the State Treasury, auditors requested information from the Procurement Administrators and the Utilities. As a result, an estimated \$490,000 or more of State funds were held by a Procurement Administrator as of June 30, 2010. As of June 30, 2009 an estimated \$986,000 or more of the State's funds were held by the two Procurement Administrators. These estimates are based entirely upon self-reported information submitted by the responding Procurement Administrators.

The Director stated the Agency did not have trained staff, established accounts or accounting systems to receive and deposit fees during the audit period.

Response: Accepted. During the 2009 procurement cycle, one utility collected \$657,031.20 in bidder fees on behalf of the Agency, one procurement administrator

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collected \$488,325, and a second procurement administrator collected \$496,988. The fees due to the Agency were paid by vendors to register in the IPA-managed procurements (Bidder Registration Fees), and if they were successful in winning bids (Contract Award Fees). The utility and the first procurement administrator transferred their collected fees to the Agency, and the Agency deposited those funds into the State Treasury.

The second procurement administrator in the 2009 procurement has held the fees in lieu of payments on \$490,000 in invoices issued by the procurement administrator to the Agency for services rendered during the 2009 procurement cycle. This was an incorrect treatment of the funds, and the Agency has requested that the funds be reimbursed. This procurement administrator has filed a claim against the Agency in the Court of Claims to secure payment from the Agency on the invoices due. The vendor will return the collected funds when their claim is settled in the Court of Claims.

All fees paid to the Agency during the Spring 2010 procurement cycle were collected by the Agency, but were late in deposit into the State Treasury due to a lack of formal receipting and depositing procedures and a bank clearing account for the Agency. All fees paid to the Agency during the December 2010 renewable energy procurement cycle were collected by the Agency and promptly deposited into the State Treasury reflecting the successful implementation of the Agency's payment receiving and depositing processes.

The Agency's newly hired Chief Financial Officer started working at the Agency in January 2011 with primary responsibilities of managing Budgeting, Accounting, and Financial Reporting functions. The CFO is responsible for the receipting and same day deposit of all payments to the Agency. The CFO is assisted in the processing of payments to the Agency by the Administrative and Regulatory Shared Services Center. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist in auditing the records at ComEd and Ameren to assure that IPA is receiving all the revenue it should. Additionally, the firm will assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY 2009 and 2010 periods. Lastly, the agency will seek to use the firm's expertise to assist in setting up processes to facilitate monitoring and evaluation of Accounts Receivable.

7. Develop and maintain an aged listing of accounts receivable.

Finding: The Agency did not maintain an aged listing of accounts receivable.

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The Director stated the Agency did not have trained staff or systems to develop procedures related to the reporting of aged receivables.

Response: Accepted. The Agency's newly hired Chief Financial Officer started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO has responsibility for reporting aged receivables. The CFO is supported by the Administrative and Regulatory Shared Services Center through and Interagency Agreement. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center. Together, the Administrative and Regulatory Shared Services Center and the agency CFO are processing the Agency's fiscal transactions and maintaining complete records of those activities for use in establishing an Aged Listing of Accounts Receivable.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist in auditing the records at ComEd and Ameren to assure that IPA is receiving all the revenue it should. Additionally, the firm will assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY 2009 and 2010 periods. Lastly, the agency will seek to use the firm's expertise to assist in setting up processes to facilitate monitoring and evaluation of Accounts Receivable.

8. Follow the terms as prescribed by State statute when executing consulting procurement plan contracts.

Finding: The Agency entered into a consulting contract for a term exceeding the one-year time period allowed by State statute.

Auditors noted a contract entered into with the expert firm hired to develop the procurement plan was for five years with an option for two one-year extensions, which exceeds the allotted term as mandated. The total contract amount is \$5,940,000.

The Director stated the Agency did not have trained staff to support the review of contract documents submitted to the Office of the Comptroller.

Response: Accepted. The Agency Director erred by setting a contract period of five years instead of the single year with an optional one-year extension as provided in the IPA Act. Pricing for the contract was not dependent on length of contract. The Agency has drafted a contract amendment reducing the contract length from 5 years to a single year with an optional one-year extension as specified by the IPA Act.

To ensure that contract terms are consistent with statutory limits, the agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary

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responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. Contract review is now managed by the Agency CFO. The CFO will be supported in this task by the General Counsel and Procurement Bureau personnel who will also review contracts prior to execution to ensure compliance with IPA Act and the Procurement Code. The Office of Accountability will assist in the formalizing the processes and controls used by the Agency in evaluating and executing contracts.

9. Carefully review all contracts prior to execution.

Finding: The Agency approved payment of an invoice for services performed outside the terms of the contract. One voucher totaling \$850,000 was denied payment by the Comptroller's Office due to the fact that the services were performed without a valid contract. The Agency did have a fiscal year 2010 contract with the vendor. However, auditors noted the contract was a one day contract (March 6, 2010) and all services were performed March 9, 2010 or later.

The Director stated the Agency did not have trained staff to support the review of contract documents submitted to the Office of the Comptroller.

Response: Accepted. An incorrect contract end date of 3/9/2010 was entered into the contract extension submittal to the Office of the Comptroller. That date was corrected to 3/9/2011 and submitted to the Office of the Comptroller; however, the voucher related to payment to the contractor was not filed before the end of the lapse period.

The vendor has filed in the Court of Claims to recover the payments due them by the Agency.

To ensure that contract documents are accurate, the agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. Contract documents are now reviewed by the Agency CFO. The CFO will be supported in this task by the General

Counsel and Procurement Bureau personnel who will also review contracts prior to execution to ensure compliance with IPA Act and the Procurement Code. The Office of Accountability will assist in the formalizing the processes and controls used by the Agency in evaluating and executing contracts.

10. Consider both the direct and indirect costs related to the preparation of the annual procurement plan in order to ensure the appropriate fees are assessed to cover the costs. (Repeated-2009)

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Finding: The Agency did not assess an adequate fee to each utility to ensure the cost of the preparation of the annual procurement plan was covered. Based on information provided by the Director, the indirect costs plus the costs of the procurement planning consultants exceeds the amount assessed to the bidders. The cost of the preparation of the annual procurement plan was estimated at \$411,298 while the fees assessed, as represented by the Director, were \$350,000.

The Director stated the Agency sought to support internal operational costs with the interest earnings from the IPA Trust Fund during the audit period.

Response: Accepted. The CFO and the Director have adjusted the Agency's budget planning to anticipate little to no revenue from the IPA Trust Fund, and to cover Agency operating costs through higher fees assessments on Agency managed wholesale power procurements. Once hired, the Agency's General Counsel will be tasked with rules drafting to reflect the fees assessment methods and practices proposed by the Agency CFO. Anticipated Procurement Bureau staff will assist the CFO with estimating procurement costs (both direct and indirect), and tracking expenses related to procurement events and planning. The Office of Accountability will assist in the creation of processes and controls that establish appropriate fee estimation, assessment, and reporting.

11. Draft and adopt formal Agency rules, establish procedures for monitoring the administration of contracts, establish procedures for the recovery of costs incurred in connection with the development and construction of a facility, and implement accounting rules and a system of accounts as required by State statute. (Repeated-2009)

Finding: The Agency did not adopt rules for operation, administration, accounting and reporting as specified in the Illinois Power Agency Act.

The Director stated the Agency did not have trained staff to draft, submit, and implement rules related to the administration of contracts, cost recovery in connection with the development and construction of a facility, and accounting rules and a system of accounts during the audit period.

Response: Accepted. The Agency hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is supported in her work by the Administrative and Regulatory Shared Services Center through an interagency agreement entered into in December 2010. Additionally, the CFO has contacted CFOs in other Agencies to request information regarding appropriate fiscal rules and systems. Planned hires of Procurement and Development Bureau staff will be tasked with identifying and drafting process descriptions and rules regarding their key mission and administrative tasks.

The Office of Accountability which will assist in the review and formalizing of rules with the planned General Counsel hire. The General Counsel will be responsible for managing the

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formal submittal of agency rules and ensuring that compliance measurements are taken and evaluated.

- 12. Establish the required bureaus and appoint chiefs to these bureaus who meet the qualifications of the statute in order to ensure the Agency functions properly and in a cost-effective manner. Also, hire the staff needed to carry out administrative tasks. (Repeated-2009)**

Finding: The Agency did not establish a Planning and Procurement Bureau or a Resource Development Bureau as required by its enabling statute. In addition, various Agency administrative requirements were not completed by the Director, who was the Agency's sole employee.

The Director stated the narrow job requirement criteria and unstable funding streams prevented the hiring of Agency staff during the audit period.

Response: Accepted. To establish the required bureaus, the Agency has prepared position descriptions for the Procurement and Development bureau chiefs and support staff. These positions will be submitted for review by the Civil Service Commission in FY 2011. Research and outreach to locate individuals meeting the statutory requirements of the bureau chiefs is ongoing.

To carry out administrative tasks, the Agency plans to hire a General Counsel and has hired a Chief Financial Officer. The Agency's CFO started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center which supports the CFO through an Interagency Agreement.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist in auditing the records at ComEd and Ameren to assure that IPA is receiving all the revenue it should. Additionally, the firm will assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY09 and FY10 periods. Lastly, the agency will seek to use the firm's utility expertise to assist in setting up processes appropriate to the agency's interactions with the utilities.

- 13. Approve and submit vouchers in a timely manner. Vouchers should be marked as "paid" when sent to the State Comptroller's Office so that duplicate payments are not made. (Repeated-2009)**

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Finding: The Agency did not submit vouchers in a timely manner. During contractual services testing, auditors noted the following:

- 15 of 15 contractual services vouchers, totaling \$ 1,055,348, were not approved for payment within 30 days.
- 12 of 15 (80%) contractual services vouchers, totaling \$ 604,580, were not paid within 60 days.

The Director stated the Agency did not have trained staff to support the timely preparation and submittal of vouchers during the audit period.

Response: Accepted. To approve and submit vouchers in a timely manner, the Agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is responsible for the preparation and initiation of vouchers. The CFO is assisted in the submittal of contracts and Contract Obligation Documents by the Administrative and Regulatory Shared Services Center. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center. Additionally, the CFO has contacted CFOs in other Agencies to request information regarding best practices with regard to voucher processing and will request to receive any available training from the Office of the Comptroller with regard to voucher processing procedures.

14. Develop procedures in order to ensure uncollectible receivables are referred to the Comptroller's Offset System.

Finding: The Agency had not developed procedures in order to ensure uncollectible receivables were referred to the Comptroller's Offset System.

The Director stated the Agency did not have trained staff to develop procedures related to the reporting of uncollectible receivables.

Response: Accepted. To develop procedures in order to ensure uncollectible receivables are referred to the Comptroller's Offset System, the Agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is responsible for referring uncollectible receivables to the Comptroller's Offset System. The CFO is assisted in the submittal of contracts and Contract Obligation Documents by the Administrative and Regulatory Shared Services Center. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts

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Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center.

Additionally, the CFO has contacted CFOs in other Agencies to request information regarding best practices with regard to SAMS and other fiscal matters, and will request to receive any available training from the Office of the Comptroller with regard to the Comptroller's Offset System.

15. Develop procedures to perform monthly reconciliations between Agency records and the Comptroller's reports.

Finding: The Agency did not have procedures in place to perform monthly reconciliations between Agency records and the Comptroller's reports. Additionally, formal monthly reconciliations were not prepared.

The Director stated the Agency did not have trained staff or systems to develop procedures related to monthly reconciliation of Agency and Comptroller records.

Response: Accepted. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. The Agency's newly hired Chief Financial Officer started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is reviewing accounting software packages that will support management of Agency finances, and to serve as a control and reconciliation feature in relation to interactions with the Administrative and Regulatory Shared Services Center. Together, the Administrative and Regulatory Shared Services Center and the agency CFO are processing the Agency's fiscal transactions and maintaining complete records of those activities for use in conducting monthly reconciliations.

The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist in auditing the records at ComEd and Ameren to assure that IPA is receiving all the revenue it should. Additionally, the firm will assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY09 and FY10 periods. Lastly, the agency will seek to use the firm's expertise to assist in setting up processes to facilitate monthly reconciliations between Agency, Administrative and Regulatory Shared Services Center, and Comptroller reports. The Office of Accountability which will assist in the creation of audit compliant processes that support financial reporting tasks.

Accepted or Implemented – continued

16. Adopt rules related to fees and charges collected to fund operations.

Finding: The Agency had not adopted formal rules related to fees and charges it is authorized to collect and deposit in order to fund Agency operations.

The Director stated the Agency did not have trained staff to draft, submit, and implement rules related to the collection of fees to support Agency operations.

Response: Accepted. To adopt rules related to fees and charges it has the authority to collect to fund operations, the CFO and the Director have adjusted the Agency's budget planning to anticipate little to no revenue from the IPA Trust Fund, and to cover Agency operating costs through higher fees assessments on Agency managed wholesale power procurements. Once hired, the Agency's General Counsel will be tasked with rules drafting to reflect the fees assessment methods and practices proposed by the Agency CFO. Anticipated Procurement Bureau staff will assist the CFO with estimating procurement costs (both direct and indirect), and tracking expenses related to procurement events and planning. The Office of Accountability will assist in the creation of processes and controls that establish appropriate fee estimation, assessment, and reporting.

17. Implement the appropriate procedures to ensure that all contract documents are properly and timely filed and paid according to the approved contract amounts. (Repeated-2009)

Finding: The Agency did not file contract obligation documents and contracts with the Comptroller subsequent to the date of the initiation of the contracts. All six contracts tested, totaling \$7,695,000, were filed with the Comptroller on July 29, 2010, 29 days after the fiscal year end. This ranged from 38 days to 393 days subsequent to the start date of the contracts.

The Director stated the Agency did not have trained staff or systems to support the timely filing of contract documents during the audit period.

Response: Accepted. To ensure that all contract documents are properly and timely filed and paid according to the approved contract amounts, the Agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. The CFO is responsible for the preparation and initiation of contract submittals.

The CFO is assisted in the submittal of contracts and Contract Obligation Documents by the Administrative and Regulatory Shared Services Center. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in

December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions.

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Additionally, the CFO has contacted CFOs in other Agencies to request information regarding best practices with regard to contract processing, and will request to receive any available training from the Office of the Comptroller with regard to SAMS procedures.

The anticipated hiring of Bureau staff and a General Counsel will enhance the ability of the CFO to manage contract filing. The Office of Accountability will assist in the creation of processes and procedures that support contract approval and processing.

18. Establish rules for the development of prequalified supplier lists for construction and construction-related professional services and for professional and artistic services. (Repeated-2009)

Finding: The Agency did not promulgate rules for the development of prequalified supplier lists for construction and construction-related professional services and for professional and artistic services.

The Director stated the Agency did not have trained staff to draft, submit, and implement rules related to creating prequalified supplier lists for construction and construction-related professional services and the periodic updating of those lists.

Response: Accepted. To establish rules for the development of prequalified supplier lists the Agency has reviewed the pre-qualification rules published for the Capital Development Board in “TITLE 44: GOVERNMENT CONTRACTS, PROCUREMENT AND PROPERTY MANAGEMENT. SUBTITLE B: SUPPLEMENTAL PROCUREMENT. CHAPTER XII: CAPITAL DEVELOPMENT BOARD PART 950 PREQUALIFICATION AND BIDDER RESPONSIBILITY SECTION 950.170 PROCESSING OF CONTRACTOR PREQUALIFICATION AND BIDDER RESPONSIBILITY AND RENEWAL APPLICATIONS as they relate to prequalifying contracts.

The anticipated General Counsel and Resource Development Bureau personnel will be tasked with ensuring that rules for creating prequalified supplier lists for construction and construction-related professional services are drafted, approved, implemented, and the periodically updated.

19. Include the required plan for post-performance review in all future solicitation documents. (Repeated-2009)

Finding: The Agency did not include a plan for post-performance review in the uniform documents developed for the solicitation, review, and acceptance of all professional and artistic services.

Accepted or Implemented – continued

The Director stated the Agency Director was not aware of the requirement.

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Response: Accepted. To ensure that an appropriate post-performance review is included in all future solicitation documents, the Agency has engaged the Executive Ethics Commission and has been assigned a state procurement officer. The officer is assisting the Agency in managing solicitation drafting, review, and postings. The Executive Ethics Commission has provided the following reference to the Agency regarding post-performance review:

Title 44: Government Contracts, Procurements and Property Management, Subtitle A: Procurement and Contract Provisions, Chapter 1: Department of Central Management Services, Part 1, Standard Procurement Section 1.2035 Competitive Selection Procedures for Professional and Artistic Services, Subchapter s) states: The SPO of the using agency shall provide a synopsis of the contract and shall rate the vendor's performance using the form developed by the CPO. A copy of the completed form shall be provided to the CPO.

The Agency has requested a copy of the form for inclusion in future procurement events. Once received, the Agency will include the form in all procurement drafts, and support the vendor performance review. The anticipated General Counsel and Procurement Bureau personnel will be tasked with ensuring that the post-performance review is a standard part of any Agency Professional and Artistic Services solicitations. The Office of Accountability will assist in the formalizing the processes and controls used by the Agency to ensure appropriate controls are in place to guide these activities.

20. Post the required Requests for Proposal and Notice of Awarded Contracts to the Procurement Bulletin.

Finding: The Agency did not post Requests for Proposal (RFP) and Notice of Awarded Contracts to the Procurement Bulletin for:

- Two of the six solicitations, and
- Five of the six awards.

The Director stated the Agency did not have trained and available staff to complete necessary posting of contract awards and notices.

Response: Accepted. To ensure that Requests for Proposals and Notices of Award are posted on the Procurement Bulletin, the Agency has engaged the Executive Ethics Commission and has been assigned a state procurement officer. The officer is assisting the Agency in managing solicitation drafting, review, and postings.

Additionally, the anticipated General Counsel and Procurement Bureau personnel will be tasked with ensuring postings, notices, and other necessary documentation of procurement events are executed in compliance with IPA Act and the Procurement Code. The Office of Accountability will assist in the formalizing the processes and controls used by the Agency to ensure appropriate controls are in place to guide these activities.

21. Carefully review documents to ensure the terms of the contract are consistent with the terms of the contract obligation document.

Finding: The Agency entered into contracts where the terms per the contract were not consistent with the terms in the contract obligation document (COD).

During testing, auditors noted the term of one of five contracts tested, totaling \$5,940,000 was not consistent with the term per the COD. The terms outlined in the COD were June 21, 2010 through June 30, 2014 versus the contract terms which were June 21, 2010 through June 30, 2015.

The Director stated the Agency did not have staff to support the reviews of Contract Obligation Documents and vouchers prior to submittal to the Office of the Comptroller during the audit period.

Response: Accepted. To ensure that contract terms are consistent with contract obligation documents, the agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. Contract Obligation Document initiation and tracking is now managed by the Agency CFO. The Agency entered into an Interagency Agreement with the Administrative and Regulatory Shared Services Center in December 2010 to support Agency Accounts Receivables, Accounts Payables, Voucher Processing, General Accounting, Financial Statement Reporting and Human Resources functions. Contract Obligation Document filing is now managed through the Administrative and Regulatory Shared Services Center. All Contract Obligation Documents are reviewed for accuracy prior to submittal to the Office of the Comptroller.

The Agency will enhance its internal voucher preparation, submittal and tracking processes with the assistance of the Office of Accountability. The Office of Accountability will assist in the creation of audit compliant processes that support timely and accurate Contract filing and processing.

22. Establish methods of outreach to minority owned businesses, female owned business and businesses owned by persons with disabilities.

Finding: The Agency did not conduct outreach to minority owned businesses, female owned businesses, and businesses owned by persons with disabilities when offering bids for professional services, including legal services, procurement administrators, and procurement planning consultants.

Accepted or Implemented – continued

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The Director stated the Agency did not have the staff or resources to conduct outreach beyond posting solicitation documents on the state procurement bulletin.

Response: Accepted. The Director has engaged the CMS Business Enterprise Program for listings of organizations which maintain publications in which the IPA can advertise future solicitations. The anticipated General Counsel and Procurement Bureau personnel will review advertising requirements and implement outreach plans consistent with the IPA Act and the Procurement Code. The Office of Accountability will assist in the formalizing the processes and controls used by the Agency in evaluating and executing contracts.

The Agency will schedule advertisements in available minority-oriented publications in conjunction with posting of solicitations on the Illinois Procurement Bulletin.

23. Ensure all information documented in solicitations is accurate.

Finding: During the audit period the Agency issued a RFQ for consulting firms to provide expertise in various energy related fields. During the review, auditors noted:

- The RFQ stated the Agency was required to issue an RFQ and then a separate Request For Proposal (RFP) to those respondents of the RFQ which were deemed qualified, as required by the Illinois Power Agency Act. However, the Illinois Power Agency Act (20 ILCS 3855/1-75 (a)) only requires an RFQ for experts or expert consulting firms to develop the procurement plans and for procurement administrators, not consulting services, to develop methodologies and strategies.
- The RFQ stated an Evaluation Committee would evaluate the solicitations; however, the Executive Director was the only evaluator.
- The RFQ stated the evaluation of “Capabilities” would be conducted on a point ranking system; however, detail of the point ranking system was not documented.

Additionally, the solicitation overview posted on the Procurement Bulletin stated vendor responses were due to the Agency’s office by March 16, 2010 at 2:30pm. However, according to Section 3.8 (Opening) of the RFQ, responses would be opened at the Agency’s office in Chicago on “Thursday, July 24, 2008, 2006, 5:00 pm”, which was two to four years before the responses were due.

The Director stated the Agency did not have available staff to assist in the administration of solicitations and notices.

Response: Accepted. The Agency has engaged the Executive Ethics Commission and has been assigned a state procurement officer to assist the Agency in managing solicitation drafting, review, and postings. The CFO will be available to participate as an Evaluation Committee member. The Office of Accountability will assist in the creation of processes and controls that comply with the Procurement Code with regard to vendor scoring and selection. Once hired, the Agency’s General Counsel and Procurement Bureau staff will manage solicitation processes consistent with the Procurement Code, the

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IPA Act, and internal controls and rules.

- 24. Ensure proposals are evaluated as documented in the solicitations. Additionally, ensure all evaluations are appropriately documented and conducted by an Evaluation Committee.**

Finding: In comparing the two sets of “Scoring Sheets” auditors noted:

- One vendor had additional categories marked on the first set and not on the second set (personnel resumes, staff availability, and additional services were marked on the first set).
- One vendor had the “Additional Services” category marked N/A; however, the same category was blank on the second set of “Scoring Sheets.”
- The “Scoring Sheets” indicated one vendor was deemed unqualified; however, there was no documentation supporting the determination.
- The Scoring Sheets did not contain an evaluation for Section 5.1 of the RFQ dealing with “General Requirements” instructions (signed original, correct number of copies, no promotional or display material, and referenced attachments).

According to the Director, the Agency received one proposal to the RFP. Auditors reviewed the “Scoring Sheet” to determine if the vendor’s proposal was evaluated as outlined in the RFP, noting:

- The “Administrative Requirements” were not evaluated, and
- The “Other Service” under the “Capability” Section was not evaluated.

In addition, the vendor’s proposal was awarded more points than the maximum allowed.

The RFQ and the RFP stated the vendors’ proposals would be evaluated by an Evaluation Committee; however, the Director was the only evaluator.

The Director stated the Agency did not have available staff to assist in the administration of solicitations and notices.

Response: Accepted. The Agency has engaged the Executive Ethics Commission and has been assigned a state procurement officer to assist the Agency in managing solicitation drafting, review, and postings. The CFO will be available to participate as an Evaluation Committee member. The Office of Accountability will assist in the creation of processes and controls that comply with the Procurement Code with regard to vendor scoring and selection. Once hired, the Agency’s General Counsel and Procurement Bureau staff will manage solicitation processes consistent with the Procurement Code, the IPA Act, and internal controls and rules.

Accepted or Implemented – continued

25. Enter into agreements and seek reimbursement from the two utilities.

Finding: The Agency did not enter into third party agreements with the utilities for reimbursement of consulting fees.

In June 2010, the Agency entered into a five year contract for \$5,940,000 with the vendor. The Agency paid \$350,000 to the vendor during the audit period. According to the Director, the two utilities had not reimbursed the Agency.

The Director stated the Agency relied on statutory language being sufficient to govern the recovery of costs from the Utilities.

Response: Accepted. The Agency has drafted agreement language to formalize the cost recovery schedules, documentation, and cost allocations for the billing of the Utilities for cost recovery on procurement planning service cost obligations. The Agency will seek acceptance of agreements with the Utilities and re-issue invoices in a manner consistent with the agreement language. The Office of Accountability will assist in the creation of audit compliant processes that will be used by the Agency to manage the reimbursements due from the Utilities.

26. File all required reports and in a timely manner. (Repeated-2009)

Finding: The Agency did not submit various reports to the appropriate parties such as:

- Quarterly accounts receivable reports with the State Comptroller' Office.
- The Agency Workforce Report with the Secretary of State and the Governor's Office.
- The Fiscal Control and Internal Auditing Act (FCIAA) Certification with the Office of the Auditor General.
- The Headquarters Report, TA-2 Form with the Legislative Audit Committee.
- The Fee Imposition Report for fiscal year 2010 with the Comptroller's Office.

The Director stated the Agency did not have trained staff to support the reporting functions during the audit period.

Response: Accepted. To ensure the timely completion and filing of reports, the Agency has hired a Chief Financial Officer who started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. Supported by the Administrative and Regulatory Shared Services Center through an Interagency Agreement, the CFO is processing the Agency's fiscal transactions and maintaining complete records of those activities for use in filing regular financial reports.

The Agency CFO and Director have identified non-financial reporting requirements for the Agency, and have developed a calendar and planning schedule to support the timely preparation and submittal of the reports. The Office of Accountability will assist in the

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creation of audit compliant processes that support controls to assure appropriate report development.

27. Develop a website and make available to the public the procurement plan. (Repeated-2009)

Finding: The Agency failed to post a copy of the procurement plan on the Agency's website.

The Director stated the Agency did not have the staff available to create and maintain an agency website during the audit period.

Response: Accepted. The Agency engaged the Illinois Department of Central Management Services to design and post an IPA agency website at www.illinois.gov/ipa.

The 2011 Procurement Draft Plan and Final Plan were posted at the Agency site in August and September of 2011. Consistent with the statute, the Draft and Final Plans for 2011 were also posted on the Illinois Commerce Commission website as well. The Agency will continue to utilize the website to post future procurement plans and advertise procurement-related events.

28. Purchase or lease basic equipment, and include these types of expenditures in the operating budget of the Agency. (Repeated-2009)

Finding: The Agency did not have basic office equipment such as a fax machine, copier, printer or scanner.

The Director stated the Agency utilized the computers, telephones, and printers that were provided to the agency by Central Management Services when the agency was formed and resided in the James R. Thompson Building in Chicago.

Response: Accepted. Since moving to the Michael A. Bilandic Building in Chicago, and with the hiring of the CFO, the Agency has started securing necessary equipment (desks, chairs, tables, files, telephones, Blackberry devices, printers, computers, and office supplies). A needs assessment for a combined printer, fax, and scanner has been completed, and is expected to be installed in Spring 2011. The Agency will continue to use the procurement services and contracts provided by the Department of Central Management Services to meet Agency office and technology needs.

Accepted or Implemented – continued

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29. Review phone plan and select the plan that will minimize monthly costs. (Repeated-2009)

Finding: The Agency had significant overages on its cellular telephone bills of \$3,576 from July – December 2009. The billings were for the Director.

The Director stated his cell phone account was covered by a limited data volume package during a portion of the audit period. Data volumes used during the period exceeded the original contract limits.

Response: Accepted. The cell phone package was converted in January 2010 to an unlimited data package that has yielded lower monthly cellular charges. The Agency CFO and Director will review cell phone charges on monthly statements to ensure lowest cost services are provided. The Office of Accountability will assist the Agency in establishing internal controls regarding telephone use and billing review.

30. Establish policies and procedures which will ensure timesheets are being prepared and submitted periodically and maintained by the Agency as required by statute. (Repeated-2009)

Finding: The Agency did not prepare and maintain timesheets documenting the employee's time spent each day on official business for July through December 2009.

The Director stated he was not aware of the time-reporting requirement prior to January 2010.

Failure to maintain the required timekeeping records increases the potential that the State is paying for services that have not been performed.

Response: Accepted. Once notified of the requirement, the Director started maintaining timekeeping utilizing forms provided by CMS in January 2010. The Agency CFO reports her time in the same manner. The Office of Accountability will assist the Agency in establishing internal controls regarding time reporting.

31. Obtain and utilize the correct mileage reimbursement rate.

Finding: The Agency used the incorrect mileage reimbursement rate. During a review of the Director's travel expenditures, it was noted that mileage reimbursement amounts exceeded the federal reimbursement rate for travel after January 1, 2010. A rate of \$ 0.505 per mile was used versus the correct rate of \$.50 per mile.

The Director stated the Agency did not update the mileage reimbursement rate on the Agency's C-10 form to reflect the reduction in rates from \$0.505 to \$0.500. As a result of the use of the incorrect rate, \$18.66 was reimbursed in mileage in excess of approved rates.

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Response: Accepted. The Director has written a reimbursement check to the Illinois Treasurer's Office in the amount of \$18.66. Additionally, the mileage reimbursement rate on the Agency's C-10 has been corrected. The Agency's newly hired Chief Financial Officer started working at the Agency in January 2011 with primary responsibilities of managing Agency Budgeting, Accounting, and Financial Reporting functions. Voucher preparation and proofing are now managed by the Agency CFO.

The Agency will update the mileage reimbursement rates used on the C-10 form in accordance with the release of future travel bulletins from the Director of Central Management Services. The Office of Accountability will assist the Agency in establishing internal controls regarding travel reimbursements and voucher preparation.

32. Develop procedures related to employee vehicle use.

Finding: The Agency did not have procedures in place to ensure employees using personal vehicles for State business were properly insured or licensed.

The Director stated the Agency did not have trained staff to support the development of formal Employee Vehicle usage policies.

Response: Accepted. The Director and the CFO are researching vehicle use policies used by other Illinois Agencies. Licensing and proof of insurance are the primary focus of the research effort. The Agency will establish vehicle use procedures appropriate to how personnel utilize vehicles as part of their duties. The Office of Accountability will assist the Agency in establishing internal controls and procedures regarding employee vehicle use.

33. Adopt a formal policy for telephone usage.

Finding: The Agency had not adopted a policy for (a) approving long distance calls or verifying calls were for official business, (b) limiting personal phone calls and (c) collecting reimbursements when necessary.

The Director stated the Agency did not have trained staff to support the development of a records retention policy.

Response: Accepted. The Agency CFO is researching telephone usage policies maintained by other similar agencies, and will recommend appropriate policies. The Office of Accountability will assist the Agency in establishing internal controls and procedures regarding telephone usage.

Accepted or Implemented – concluded

34. Take the necessary steps to provide a telecommunication device for the hearing or speech impaired.

Finding: The Agency did not have a telecommunication device for the hearing or speech impaired located in the office as required by the Civil Administrative Code.

The Director stated he was unaware of the requirement to maintain a telecommunication device for hearing and speech impaired.

Response: Accepted. The Agency has requested assistance from the Central Management Services Customer Service Center in securing a telecommunication device for hearing and speech impaired for installation at the Agency offices through a telecommunications service request to the Department of Central Management Services.

The Agency will ensure that the telecommunications device is operating through periodic testing.

35. Adopt a formal record retention policy.

Finding: The Agency had not adopted a formal record retention policy.

The Director stated the Agency did not have trained staff to support the development of a records retention policy.

Response: The Agency CFO is researching records retention policies maintained by other similar agencies, and will recommend appropriate formal retention policies to replace the informal practices currently in use. The Agency plans to obtain outside assistance from a public accounting firm familiar with utility regulation to assist the CFO in completing a forensic recovery of documentation to support Agency financial records and reports for the FY 2009 and 2010 periods. An additional task for the vendor will be to assist the Agency by recommending appropriate records retention practices specific to the Agency's accounting functions. Additionally, the Office of Accountability will assist the Agency in establishing internal controls and procedures appropriate for records retention.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle 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 for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records or avoid lapsing or loss of federal or donated funds. The Chief procurement officer may

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promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The 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.

The Agency reported no emergency purchases during the audit period.

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 Illinois Power Agency submitted travel headquarters report for the first time on March 24, 2011.