

LEGISLATIVE AUDIT COMMISSION



Management
Illinois Department of Central Management Services'
Business Enterprise Program
and
Illinois Department of Transportation's
Disadvantaged Business Enterprise Program
June 2006

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

MANAGEMENT AUDIT

Illinois Department of Central Management Services' Business Enterprise Program and Illinois Department of Transportation's Disadvantaged Business Enterprise Program June 2006

Recommendations Department of Central Management Services - 15 Department of Transportation - 6

**Accepted - 7
Implemented - 14**

Introduction and Background

It is the public policy of the State of Illinois to promote the continuing economic development of minority and female owned and operated businesses and of businesses owned by persons with disabilities and to encourage the participation of these businesses in the State's procurement process as both prime and subcontractors. The mechanism through which the State implements this important public policy is the Business Enterprise and Disadvantaged Business Enterprise programs administered, respectively, by the Departments of Central Management Services (CMS) and Transportation (IDOT). Those agencies are responsible for following established laws, regulations, and policies and procedures to ensure that only qualified businesses participate in these programs. Failure to ensure that only qualified firms participate in these programs undermines the State's public policy of promoting and encouraging eligible businesses that have been victimized by past discriminatory practices so that they can enjoy open access to State contracts and sustain their further growth and development. This audit was directed by Senate Resolution Number 102, which asks the Auditor General to determine whether the State agencies administering these programs are complying with existing laws, regulations, and policies and procedures designed to implement the State's public policy and reach established contracting goals.

The Business Enterprise Program (BEP) administered by CMS, and the Disadvantaged Business Enterprise (DBE) Program administered by IDOT, certify vendors as disadvantaged businesses, after reviewing documentation submitted by applicant vendors and determining that the vendors meet various program requirements. Certified vendors are then included on lists that State agencies, universities, or contractors can use to identify potential certified businesses for use on State contracts.

CMS' BEP is governed by the Business Enterprise for Minorities, Females, and Persons with Disabilities Act (30 ILCS 575). As of August 2005, CMS' Business Enterprise Bureau

Management Audit CMS' Business Enterprise Program and IDOT'S Disadvantaged Business Enterprise Program

had seven employees. In 2005, the CMS' BEP overall participation goal was that 19% of the total dollar amount of eligible State contracts would be awarded to businesses owned by minorities, females, or persons with disabilities. Over the past five years, the total contract dollars subject to the 19% goal has decreased from \$2.5 billion to \$1.7 billion; similarly the reported dollars awarded to CMS BEP certified vendors decreased from \$407 million in 2001 to \$387 million in 2005.

IDOT's DBE Program is mandated by regulations established by the U. S. Department of Transportation. As of July 2005, IDOT's Office of Business and Workforce Diversity had six employees in its Certification Section. In 2005, IDOT's goal was to award 22.77% of the total dollar amount of eligible IDOT contracts to DBEs. Over the past five years, the total contract awards has decreased from \$1.80 billion to \$1.36 billion; however, the dollars committed to DBEs increased from \$239 million in 2001 to \$244 million in 2005.

While the two programs share a common function, there are notable differences in the requirements and functions of the two programs. Some of the differences include:

- IDOT's program is conducted pursuant to federal law and regulations; CMS' program is conducted pursuant to State law and administrative rules.
- IDOT is required to conduct site visits of each firm once every five years; CMS is not required to conduct site visits.
- IDOT has a \$750,000 limit on personal net worth; CMS does not have a limit on personal net worth.
- IDOT's gross receipts are limited to \$19.57 million (average over three years); CMS limits gross sales to \$27 million annually.
- IDOT's certification period is every five years, with a No Change Affidavit required from the vendor annually; CMS' certification period is every two years, but does not require an annual No Change Affidavit.

Report Summary and Conclusions

CMS' Business Enterprise Program

The review of CMS' Business Enterprise Program found that several aspects of the management controls and operations need to be improved:

- CMS has not always been diligent in addressing ownership and control concerns. In 14 of the 50 (28%) cases, auditors raised questions with CMS regarding vendor eligibility. As a result of the review, CMS initiated a full certification review of 10 of these vendors.
- Files were lacking critical documentation related to certification eligibility.
- CMS does not have a policies and procedures manual for its certification staff.
- CMS has not established minimum training requirements for its BEP staff.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

- CMS has not entered into written agreements with organizations from which it accepts certifications.
- The list of certified BEP businesses is not available on the State's website.

Other areas where CMS' certification procedures could be strengthened include: conducting site visits, requiring applicants to disclose all business ownerships, submitting No Change Affidavits, fully completing certification checklists and worksheets, preparing written summaries for certifications, adequately tracking when certifications expire, tracking complaints, and monitoring contract compliance.

IDOT's Disadvantaged Business Enterprise Program

The review of IDOT's DBE Program and certification files found that IDOT, in most cases, was diligent in addressing ownership and control issues. However, certification files were missing some required information. Also IDOT:

- Has not updated their policies and procedures.
- Could not provide adequate documentation of training.
- Is not certifying DBEs in a timely manner in accordance with federal regulations.
- Is not maintaining a log of complaints.

Recommendations

Condensed below are the 21 findings and recommendations presented in the Management Audit report. The following recommendations are classified on the basis of updated information provided in July 2007 by Maureen O'Donnell, Director of the Department of Central Management Services and Ron McKechnan, Chief of Audits, Illinois Department of Transportation. The first 15 recommendations apply to CMS while the last six apply to IDOT.

- 1. Ensure that the Business Enterprise Council has adequate membership and that meetings are held on a regular basis.**

Findings: The Business Enterprise for Minorities, Females, and Persons with Disabilities Act (Act) establishes the Business Enterprise Council to help implement, monitor, and enforce the goals of the Act. The Director of Central Management Services serves as the Council Chairperson and selects a Council Secretary, subject to approval of the Council. Members of the Council serve without compensation but are reimbursed for any ordinary and necessary expenses incurred in the performance of their duties.

According to the Act, the Council is also responsible for various duties including, among others:

- maintaining a list of all businesses taking advantage of the Act;

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

- reviewing compliance plans submitted by each State agency and State university (as required by the Act);
- making annual reports to the Governor and the General Assembly on the status of the program no later than March 1 each year;
- maintaining a list of all pending State contracts upon which businesses owned by minorities, females, and persons with disabilities may bid; and
- making findings, recommendations and proposals to the Governor as necessary and appropriate to enforce the Act.

CMS' administrative rules (44 Ill. Adm. Code 10) also give the Council other key responsibilities including:

- establishing the contracting goal;
- determining whether specific contracts are exempt from the goal;
- approving agency compliance plans;
- accepting certification by another entity; and
- establishing a committee to review certification denials in cases in which the applicant asks for reconsideration. The Council then votes whether to uphold the committee's decision.

The Council did not meet during calendar year 2005. According to CMS officials, as of May 2006 there were 12 vacancies on the Council, which they are awaiting the Governor's Office to fill.

Response: Accepted. The Department has been working diligently to complete the membership of the Business Enterprise Council. The Governor's Office has issued the invite letters to the Council members and appointments are imminent. The Department plans to hold a Business Enterprise Council meeting in July and on a regular basis thereafter.

Updated Response: Implemented. The Council has been revived and presently has adequate members. It meets on a regular basis.

2. Develop and adopt a policies and procedures manual for the Business Enterprise Program including specific certification procedures.

Findings: CMS does not have a policies and procedures manual for its certification staff. A policies and procedures manual would provide staff with guidance in certifying certain types of businesses (corporations, partnerships, or sole proprietorships) and work categories, serve as a guide for making decisions regarding certifications, and ensure consistency for these certifications.

Response: Accepted. The Department has developed a policies and procedures manual, which includes codified BEP certification procedures.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Updated Response: Implemented. The policy and procedure manual is complete and has been signed off by all employees. As processes continue to be reviewed and streamlined, the policy and procedure manual will be updated.

- 3. Establish minimum training requirements for certification staff and ensure that the required training is received. CMS should also track the training received by certification staff.**

Findings: As of August 2005, the BEP Bureau at CMS had a total of seven employees, including the BEP Director and the receptionist. There are three employees with direct certification responsibilities including one with review authority. The Certification Analyst and the Certification Coordinator are responsible for initial certifications, and the Operations Manager and Certification Coordinator are responsible for re-certifications. The Director of BEP reviews and approves certification decisions for both initial certifications and re-certifications.

CMS has not established minimum training requirements for its BEP staff. Furthermore, CMS could not provide documentation to show that two employees had received training; training provided to other employees was limited.

Response: Accepted. The Department has established minimum training requirements, which include providing formal training for BEP staff. As part of these requirements, BEP staff will be attending certification training workshops held by the Chicago Minority Business Development Center and the American Contract Compliance Association.

Updated Response: Partially Implemented. Staff completed their first phase of certification training in August 2006. We continue to provide training opportunities to staff, and are using a "train the trainer" approach to provide consistent training and guidance with limited resources.

- 4. Develop written agreements with those entities from which the Department accepts certifications to ensure that the entities' requirements and procedures equal or exceed those in the Act and to ensure that vendors are eligible. Agreements should include requirements, procedures, and notification of certification or denial or changes in requirements. The Business Enterprise Council should also approve all agreements.**

Findings: CMS' administrative rules allow the Business Enterprise Program to accept certifications from other entities. However, the other entities must have certification requirements and procedures equaling or exceeding those in the Act and the administrative rules. There are no formal written agreements with the entities that CMS' BEP accepts certifications from currently, which include the Illinois Department of

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Transportation (IDOT), the Women's Business Development Center (WBDC), and the Chicago Minority Business Development Council (CMBDC).

Response: Accepted. The Department is currently reviewing our arrangement with the entities from which we accept reciprocity, such as CMBDC, Women's Business Development Center, and Illinois Department of Transportation. Once this review is completed, written agreements will be developed.

Updated Response: Accepted. BEP Legal Counsel and BEP have reviewed reciprocity arrangements with the Chicago Minority Development Center (CMBDC), the Women's Business Development Center (WBDC) and the Illinois Department of Transportation (IDOT). BEP Legal Counsel is currently working on agreements to be signed by each of these entities.

5. Make the list of BEP certified vendors available on the CMS website.

Findings: The Business Enterprise Council is required by law to maintain a list of all businesses legitimately classified as businesses owned by minorities, females, or persons with disabilities to provide to the State agencies and State universities. CMS' administrative rules state that the list shall be available to the public. The rules further state that the list may be in the form of a directory available for a fee to cover the cost of compilation, publication, and distribution. According to CMS officials, the list can be requested for a \$25 fee. However, they are currently marketing the vendor list at their various outreach events by providing attendees with free copies in order to promote the program.

The list of CMS BEP certified vendors is not available on CMS' website. Because the list is only available in hardcopy, agencies and contractors may be using old lists and may not always know if new vendors have been certified that could be used to meet contracting goals. The auditors surveyed similar programs in five other neighboring states, and four of the five have a current listing of certified vendors on their website for viewing at any time. In addition to these states, IDOT has their DBE certification list on the IDOT website.

Response: Accepted. The current rules require that BEP charges a fee to provide written lists. The Department has filed rules with the Joint Committee on Administrative Rules to change the requirement to enable us to waive the fee and also to provide the list on our website.

Updated Response: Implemented. All BEP certified vendors are available via the internet at www.Sell2.Illinois.gov

6. Consider conducting site visits of all applicants.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Findings: The primary purpose of CMS' certification process is to verify that the business is owned and controlled by BEP eligible individuals in accordance with requirements of the Act. The application for initial certification, or recertification, must meet all the requirements (i.e., business 51% owned and controlled by an eligible participant, annual gross sales less than \$27 million, etc.) set forth in the Act and administrative rules.

When the application packet is received, CMS is required to make a certification decision or request additional information within 60 days after receipt of the application. According to information provided by CMS, over half of all applicants for certification received a request for additional information each of the last three years (FY03-FY05). However, very few (12.5% in FY04 and 8.6% in FY05) of those applying for recertification are asked for additional information.

When the Secretary has determined that the applicant meets the requirements of the Act and administrative rules, the Secretary will notify the applicant by letter that it has been certified. The certification is valid for two years. At the end of the two years, the vendor needs to apply for recertification if it wants to continue in the Business Enterprise Program.

Following a review of all the documentation, if a Certification Analyst makes the decision to deny an application, a denial letter is sent to the vendor. The denial letter explains the reasons for denial as well as the review process.

There are requirements and checks in place to ensure the validity of information submitted by each applicant. Some of these checks include requiring documents to be notarized, comparing information to look for discrepancies (such as comparing tax return information to the information provided in the application), contacting other certifying entities such as the Chicago Minority Business Development Council (CMBDC) and the Women's Business Development Center (WBDC), and conducting interviews or on-site visits.

On-site visits are done infrequently and are not done on a regular basis because of limited resources, according to CMS officials. Site visits were conducted for only 17 of the 621 applicants certified or recertified in fiscal year 2005. According to CMS officials, site visits are usually conducted if there are any questions regarding certification eligibility or if Illinois is the home state and the vendor is applying for consideration for a program in another state that requires a site visit.

Updated Response: Partially Implemented. Corrective Action Ongoing. Site visits are conducted when determined necessary. Approximately 800 current vendors will go through the full certification process including a site visit. A full time employee has been assigned to conduct site visits on a weekly basis. CMS performs as many site visits as possible within available resources.

- 7. Ensure that all applications for certification are processed within the required 60 days.**

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Findings: CMS is required to certify, deny, or request additional information within 60 days of receipt of the application. The average processing time for CMS certifications sampled was 33 days. Ten of the 50 certifications sampled were certified by a reciprocal agency and were not included in the analysis of timeliness because reciprocals do not submit an application and do not go through the regular certification process at CMS.

Although in most cases sampled CMS met the timeliness requirement, there were some instances in which certifications were not processed in a timely manner. Of the 40 files measured for timeliness, six applications (15%) were not processed within the required 60 days. The processing times for these certifications ranged from 82 to 118 days.

Response: Accepted. The Department has implemented procedures and holds weekly update meetings to determine the status of each pending certification file.

Updated Response: Partially Implemented. New Certifications applications are being reviewed within a 60 day period as required by the BEP Statute/Administrative Rules. CMS continues to dedicate available resources to reduce the backlog.

8. Ensure receipt of all required documentation prior to certifying or recertifying vendors.

Findings: The CMS BEP certification files tested did not always contain all the information currently required. In addition, many of the worksheets and other internal documents used by CMS BEP staff either were not fully completed or "N/A" was used without any indication of why. More importantly, few of the files reviewed contained a discussion of the issues related to the certification or the basis for the certification decision.

Even though CMS' BEP staff had conducted their own review of files in June 2005, files were still lacking critical documentation that should be in the file to establish citizenship, ethnicity, and gender. Of the 40 files selected that were CMS BEP certified, six were missing current proof of citizenship (e.g., expired resident alien card) and two were missing proof of gender or ethnicity.

Files were also lacking critical financial documentation. Four of the 40 certifications (10%) reviewed that were CMS BEP certified were missing bank signature cards that could be used to help establish control. Eight of 38 (21%) of the CMS BEP certified files were missing corporate tax returns.

Files were also missing other documentation including inventory listings and proof of vehicle ownership. Although the auditors found professional licenses in 14 of the 40 CMS BEP certified files, because there are no policies and procedures that direct when a license is required, auditors could not always determine which vendors should have been required to submit professional licenses or permits.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Approximately three-quarters of the files were missing the Illinois Department of Human Right's Form/number and the Bidder's Application Form. Vendors accepted on the basis of reciprocity are only required to submit a Bidder's Application Form, most recent tax returns, IDHR Form/number, and a copy of a certification letter from the reciprocal entity when applying for certification. Auditors tested ten reciprocals that were certified by the Chicago Minority Business Development Council (CMBDC) or the Women's Business Development Center (WBDC) and found that all ten of these were missing the Bidder's Application Form.

According to CMS BEP officials, not all of these forms are part of the formal BEP certification process. Vendors are required to submit these forms in order to be registered in the State system and eligible for State work once they are certified. According to CMS officials, these forms are sent to another bureau (the Bureau of Strategic Sourcing and Procurement) for data entry. CMS officials noted that since August 2005, copies of these forms are being kept in the certification files.

Response: Accepted. In August 2005 the Department implemented a checklist to ensure that all required documents for certification and recertification are received and included in the certification file.

Updated Response: Implemented. The Department of Central Management/Business Enterprise program has issued a policy ensuring all required documents are received prior to certifying or recertifying vendors. This policy has been implemented and also is documented in BEP's policy and procedure manual.

9. Consider requiring vendors to submit a No Change Affidavit in years when they are not going through the recertification process.

Findings: CMS recertifies vendors every two years. CMS does not require vendors to file any additional information between certifications, such as an annual No Change Affidavit. Therefore, unless vendors self-report changes, CMS does not know if any changes in the vendor's eligibility or ownership have occurred that would affect its eligibility in the years when a certification is not completed.

The auditors surveyed Illinois' neighboring states and found that comparable programs in Indiana and Missouri require a No Change Affidavit be submitted annually by vendors to maintain certification. Although Wisconsin does not require a No Change Affidavit, it recertifies participants on an annual basis.

Response: Accepted. The Department has submitted rule changes to the Joint Committee on Administrative Rules to remove the current 2-year recertification process, and replace it with a requirement that vendors file an annual no change affidavit and to institute a procedure under which all BEP-certified firms would be required to complete the entire certification process every three years.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Updated Response: Implemented. CMS has implemented a "no-change affidavit" Policy. Procedures have been developed and implemented to support this policy.

10. Ensure that all worksheets and checklists are adequately completed and that the supervisory review is documented.

Findings: A sign of review is the presence of completed checklists and worksheets. Testing was complicated by the fact that CMS files contained several types of checklists and worksheets. The worksheets and checklists reviewed were not always adequately completed and often were marked "N/A" with no indication of why that part of the worksheet or checklist was not applicable. Parts of some worksheets were simply left blank and were not utilized to ensure that the applicant was qualified for certification. For example, the auditors reviewed files to determine whether each contained a BEP Certification Checklist. Of the 40 files, 21 did not contain the checklist and two files contained the checklist but there was no second review by a supervisor.

Response: Accepted. The Department has provided training and counseling to BEP staff to ensure that every certification worksheet and checklist are adequately completed, reviewed by the analyst and approved by the manager. This requirement will be incorporated into the BEP policies and procedures manual.

Updated Response: Implemented. CMS is ensuring that all worksheets and checklists are adequately completed and that the supervisory review is documented. This process is documented in BEP's policy and procedure manual.

11. Consider establishing a central and easily accessible location for all certification files and institute a file tracking system.

Findings: Testing was complicated because of the filing system at CMS for BEP certifications. CMS stores current certification files off site with a documents storage company. In some cases, CMS could not locate all certification files. According to a CMS internal e-mail included in one of the sampled certification files, BEP program staff were given direction in July 2005 to request full certification applications from vendors who had been certified but their original file could not be located. According to CMS, as of April 2006, there were still vendors for which the original certification file could not be located and no full certification analysis had been performed.

Updated Response: Implemented. CMS has established a central and easily accessible filing system, including a tracking mechanism. The Illinois State Archives Department approved the change to the records retention policy. A record file room is located at 160 North LaSalle.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

- 12. Require all applicants to disclose all companies in which an eligible group member(s) owns more than 5% interest; and prepare a written summary of information for each certification, including any concerns regarding ownership, control, or eligibility issues in order to show the basis for the certification decision.**

Findings: Upon review of certification files, the auditors identified items that raised questions concerning the eligibility of 14 of the 50 BEP vendors sampled. As a result, CMS began a full certification examination of ten of the 50 vendors and requested additional documentation for certification files from 20 other vendors such as corporate tax returns, additional information on a merger, list of inventory/equipment, valid resident alien card, and bank signature/authorization cards. In seven of the 50 certification files tested, documentation in the certification files did not clearly show that a minority or female had control of 51% ownership of the business. Below are examples of issues that led the auditors to questions ownership and/or control of some vendors

- In a business certified as female-owned, non-eligible males are responsible for many decision making/control issues. Also, the Secretary of State's corporation database lists a non-eligible male as President.
- A 51 percent female owner of the certified business was employed by another business owned by the male who has a 49 percent interest in the certified business. Also, the certified business has a \$40,400 liability on the books to the 49 percent male owner.
- In a female-owned certified business, a non-eligible male gifted shares to the female to make her the majority owner. The male also has the prior experience in the business and the Secretary of State corporation database lists the male as President.

The auditors also identified issues in four cases pertaining to gross receipts. In three of the cases, gross receipts appeared to be more than the \$27 million limit; the owners also had an interest in other businesses. In the other case, the auditors questioned eligibility because it appeared that the owner also owned other interests; however, the amount could not be determined.

CMS also had BEP vendors listed as certified when their certifications had expired. CMS has not always been diligent in addressing ownership and control concerns. Of the seven vendors for which auditors identified control and ownership issues, the issues in four cases were discussed by CMS somewhere in the file prior to testing. However, only three of the seven received a site visit. There was also no evidence that any of these seven were brought before the BEP Council to discuss the issue. Of the four cases in which auditors identified gross receipts issues, only one had any discussion of the issue by CMS in the file, none had received a site visit, and none of these vendors had been before the BEP Council.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Response: Accepted. The Department has taken steps to improve the certification process.

- Since June 2006, we require tax records and a written affidavit from applicants regarding ownership interest in any other companies.
- Since May 2006, we record on the status sheet a detailed description from the analyst and approved by the manager, which provides rationale for the basis of the certification decision.

Updated Response: Implemented. We currently have a process in place whereby all applicants are required to disclose all companies in which an eligible member owns more than 5%. A written summary is prepared for each certification regarding the justification for the decision. This process is documented in BEP's policy and procedure manual.

13. Track vendors to determine whether recertification documents are submitted in a timely manner and use the enforcement actions that are available to decertify any vendors that do not submit for recertification in a timely manner. Monitor vendors that have been debarred by other entities and determine whether these vendors are still eligible to participate in the State's Business Enterprise Program.

Findings: CMS has not been adequately tracking when certifications expire and decertifying vendors. According to the rules, CMS is required to conduct a routine review and reconsideration of each certified business at least once every two years. According to CMS' administrative rules, there are several remedies that can be used to enforce BEP requirements. Should a vendor violate the Act, or the administrative rules for the Business Enterprise Program, the State may pursue any or all of the following actions.

- Termination of the contract involved;
- Imposition of a penalty not to exceed any profit acquired as a result of violation; and
- Suspension from the BEP program, or from further contracting with the State for a period of no more than a year, depending on the seriousness of the violation.

Although CMS has denied certifications/recertifications, CMS has not taken any enforcement actions that are referred to in CMS' administrative rules. These actions include decertification/revocation, suspension, and financial penalty.

During testing of 50 CMS BEP certification files, the auditors found four BEP vendors that had not been recertified within two years of certification or recertification. Two of these vendors were recertified after approximately a year without review because their FEIN changed. Therefore, the vendors were not recertified after two years as is required. The other two vendors' certifications expired because the time frame for recertification had passed.

Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program

When questioned about the expired certifications, CMS officials responded that vendors are given 120 days to submit recertification documentation. However the application must be postmarked at least 15 days prior to the expiration of the current certification. Failure to meet that deadline shall result in expiration of the certification. Auditors also found five vendors in CMS' BEP directory that had been debarred or decertified by the City of Chicago.

Response: The Department decertifies vendors in the system when recertification documentation is not submitted timely; these vendors are listed on a decertified vendor list. The Department also monitors vendors debarred by other entities through email notification from the entities debarring the vendor. When the Department receives the notification, appropriate action is taken which can include decertification if warranted. The Department will document these procedures in the BEP policies and procedures manual.

Updated Response: Implemented. CMS tracks vendors to determine whether their documents are submitted in a timely manner. Vendors are given a 60 day renewal notice prior to an expiration date. If a vendor does not comply, the system will decertify the vendor and generate a letter which is mailed to the vendor. This process is documented in BEP's policy and procedure manual.

14. Track and investigate complaints filed against BEP vendors.

Findings: When auditors requested the number of complaints filed with CMS, the Department could not provide the number of complaints that had been made or if there had been any investigations conducted related to complaints. According to CMS officials, information related to complaints would be contained in the individual files. Upon the review of 50 CMS BEP certification files there was also no evidence of complaints or investigations.

According to the Administrative Code, the State, or a third-party, may challenge the certification status of a business at any time. Upon receipt of information that questions the validity of a certification, the Secretary is to conduct an investigation. This may include on-site or telephone interviews, review of existing records, or collection and examination of new records to supplement, explain or clarify records previously submitted. If the investigation results in a finding that the firm is no longer eligible for BEP status, the Secretary is to notify the firm that it has been decertified. The applicant can appeal using the review and reconsideration procedures provided in the administrative rules. After decertification, the applicant cannot reapply for certification until one year has passed since the date of decertification.

Response: Accepted. The Department has established a formal process to track complaints and will maintain a written log of related investigations and resolution of complaints. The Department will also incorporate this recommendation into the BEP policies and procedures manual and train staff appropriately.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Updated Response: Implemented. We currently have a process in place to track and investigate complaints against vendors. This process is documented in BEP's policy and procedure manual.

15. Monitor contracts for compliance with required goals and to determine whether BEP vendors are performing the work. CMS should also track dollars BEP vendors receive as subcontractors.

Findings: CMS has not monitored contracts for compliance with established goals or to determine whether BEP vendors are completing the work. According to CMS officials, the Department only recently started including goals in the contracts and requiring prime contractors to submit the list of BEP vendors that would be used to meet the contract goal for approval. According to CMS officials, as of April 2006, seven contracts have goals included and CMS has begun monitoring one of these contracts for compliance with the BEP goals. No site visits have been conducted to ensure that BEP vendors are actually performing the work. Contract monitoring would allow CMS to verify that certified BEP vendors are actually performing the work and receiving the appropriate compensation that is being reported for the contract goals.

CMS also does not track work conducted by subcontractors. The auditors requested a list of CMS BEP vendors and the amount of State funds they had received for the period July 1, 2004 through January 31, 2006. Although CMS was able to provide a list of the BEP firms and total dollars received from State contracts, it did not include dollars received as subcontractors.

Response: Accepted. In November 2005, CMS began requiring that prime vendors on certain contracts subcontract with BEP-certified businesses. Subsequently the Department has implemented a procedure under which the Department requires that prime contractors regularly report their spending with BEP subcontractors. The Department then verifies that information directly with the subcontractor.

Updated Response: Partially Implemented. Corrective Action Ongoing. The Department of Central Management monitors all participation dollars with BEP vendors on Prime Contracts. Quarterly reports show expenditures paid to BEP vendors by agencies. Subcontract dollars are reported at the end of the year. Currently we are working to implement an electronic system to track this information. Four full-time employees are being hired to monitor this process, and the new unit will consist of one Compliance Manager and four Compliance Specialists.

16. Formally adopt an up-to-date policies and procedures manual for DBE certifications and distribute it to all DBE staff.

Management Audit CMS' Business Enterprise Program and IDOT'S Disadvantaged Business Enterprise Program

Findings: Since Federal law mandates the Illinois Department of Transportation's (IDOT) DBE program, the eligibility requirements are contained in the federal regulations. IDOT has an agreement with the other Illinois Unified Certification Program (IL UCP) participants dated July 2002, that delineates the process and requirements for obtaining DBE certification.

- The firm cannot have average annual gross receipts over the previous three fiscal years that exceed the cap of \$19.57 million (Note: this figure is adjusted from time to time for inflation by the Secretary of the US DOT).
- The personal net worth of each individual owner whose ownership and control are relied upon for DBE certification must be less than \$750,000
- To determine ownership and control, the authorized/registered legal name of the firm must be verified for accuracy. The analyst is required to make sure the main address of the firm is the actual physical location of the main office.
- To verify the ethnicity of the applicant, copies of two or more of the following documents are required to be obtained for review:
 - Birth Certificate
 - Membership letter or certificate from an ethnic organization
 - Tribal certificate
 - Bureau of Indian Affairs card
 - Driver's License
 - Passport
 - Armed service discharge papers
 - Baptismal certificate
 - Or any other document that provides evidence of ethnicity.

Once a determination is made about whether the firm's owner is socially and economically disadvantaged, the analyst must determine if the owner controls and owns at least 51 percent of the firm. Ownership must be real, substantial, and continuing with the owners experiencing the customary incidents of ownership, and sharing in the risks and profits associated with their ownership share.

Federal regulations require independence of non-DBE firms in areas such as personnel, facilities, and equipment. Federal regulations state that DBEs must possess the power to direct or cause the direction of the management and policies of the firm and to make day-to-day as well as long-term decisions on matters of management, policy and operations.

The Unified Certification Procedures for the IL UCP provide guidance for reviewing ownership documents to ensure that DBE eligible individuals oversee day-to-day operations, have the technical competence to perform work in their particular industry, and the DBE eligible individual has contributed to the equity of the business. Analysts are to review various documents such as:

- Equipment titles and registrations to determine ownership,
- Resumes and work histories of key personnel,
- Signed loan agreements, and

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

- Documents that demonstrate authority (e.g., hiring and firing, signature, contract negotiation, etc.).

In July 2005 the auditors met with IDOT Small Business Enterprise officials and requested a copy of the most recent policies and procedures related to DBE certification. In July 2005, the Bureau Chief of the Bureau of Small Business Enterprise provided us with a policies and procedures manual for which the most recent effective date was May 1992. Some policies in the manual had effective dates back to 1981.

During fieldwork, the Bureau of Small Business Enterprise also provided a policies and procedures manual dated 2003 on the front cover. Only one other page was dated in the policies and procedures manual and it was dated July 30, 2001. It is not clear whether these policies were ever formally approved, whether certification staff was aware of this manual, or why it was not provided to auditors upon their initial request considering it is dated 2003 on the front cover. Regardless, the Bureau has not updated their policies and procedures manual since the IDOT audit recommendations were communicated to them in August 2005.

Response: Accepted. The Department agrees with this recommendation. This finding was originally developed and cited by IDOT auditors in our management audit of the Department's DBE certification program.

With respect to our current Policy and Procedure Manual, the Department's Bureau of Small Business Enterprises' (SBE) Certification Section and Compliance Section had received and implemented the sections of the 2003 Policy & Procedures Manual pertinent to their respective functions. Although the complete Manual had not been formally adopted, all policies and procedures were current with exception to inclusion of the IL UCP certification procedures.

With USDOT's December 2002 approval of the IL UCP procedures, these became the operating authority for the certification procedures. The IL UCP procedures were not implemented until the first day of operation under the IL UCP agreement, which began in September 1, 2003. The IL UCP certification procedures have been provided to the OAG.

Corrective Action: The Department's SBE will merge and formally adopt the IL UCP certification procedures into its Policy and Procedures Manual and ensure that contract compliance policies and procedures are updated at least every two years at a minimum and as necessary. It should be noted that federal regulations do not specify a required time period with regard to the update of policy and procedure manuals. Expected Date of Completion: December 2006.

Updated Response: Implementation is in progress. The Bureau of Small Business Enterprises has updated its Policy and Procedures Manual and the draft manual is under final review for formal adoption.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

- 17. Ensure that adequate training is provided to certification staff regarding certification requirements and procedures. IDOT should also document any training received by certification staff.**

Finding: The auditors reviewed personnel files for the employees that have direct certification responsibilities and found no evidence of any relevant training. They also requested documentation from IDOT that would show that Small Business Enterprise (SBE) employees, including those with direct certification responsibilities, are provided the appropriate training. In response to these requests, IDOT officials provided us several documents.

Although it appears staff has received some training, IDOT could not provide documentation of training such as sign-in sheets to verify that certification staff attended any of these trainings. IDOT officials also could not provide any documentation that certification staff received training related to the IL UCP procedures. Although the federal regulations and IL UCP require appropriate training for certification staff, IDOT does not have any specific requirements or core curriculum for certification staff.

Response: This finding was originally developed and cited by IDOT auditors in our management audit of the Department's DBE certification program.

Corrective Action: The Department has already scheduled training for DBE certification staff. Future training events will include a USDOT DBE certification training class to be conducted June 22, 2006, and an American Contract Compliance Association training initiative that will be held August 29, 2006, through September 3, 2006 in Chicago. The Department will continue to provide on-going, in-house training to all DBE certification staff relative to program and regulatory updates.

With all future training, IDOT will maintain a log that will track staff participation in all training sessions, i.e., sign-in sheets, agenda and material covered to document the training.

Updated Response: Implemented. Certification staff attended video conference training conducted by FHWA on June 22, 2006 on DBE Certification and on July 18, 2006, Compliance staff attended EEO Contract Compliance training. Certification and Compliance staff also attended 21 hours of training offered by the American Contract Compliance Association from August 29, 2006 through September 3, 2006. SBE now has a log book to track staff training.

- 18. Take the steps necessary to complete certifications within required timeframes. Furthermore, controls should be implemented so that officials can effectively monitor the timeliness of certifications and the certification analyst assigned.**

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Finding: IDOT is not certifying DBEs in a timely manner in accordance with federal regulations. Although IDOT is required by federal regulations to complete their review of applicant firms within 90 days, during testing auditors found that only 43% of DBE applications (21 of 49) were processed within the required timeframe. IDOT has the option to extend that 90-day requirement by requesting an extension from the applicant firm. During the review of certification files, auditors found two cases in which an extension was requested.

IDOT took, on average, 131 days to complete their review and certify DBE applicants. Five applications took over 250 days to process, with two applications taking over 400 days. This does not include the days spent by external auditors (on contract with IDOT) reviewing an applicant's personal net worth.

In addition to not complying with federal regulations, the untimely processing also impacts the effectiveness of the analyst's review. For example, in some cases reviewed, IDOT used personal net worth and gross receipts information that was more than a year old.

The auditors asked IDOT officials how they track timeliness and analyst assignments. IDOT officials responded that they have a database and reports that can be used to track cases. According to IDOT officials, the Certification Analyst is responsible for moving the certification process forward, providing data for input into the database, and reporting to the section manager/unit manager.

Response: Accepted. Corrective Action. The Department will work with its Bureau of Information Processing to institute tighter management controls by updating and revising the current computer tracking system to alert DBE certification analysts and managers of needed follow-ups, documentation and action deadlines for pending files.

Updated Response: Implemented. Once an application is ready, a memo to file with a copy to the Unit/Section Manager is prepared. Monthly caseload status reports are submitted to the Unit/Section Manager by the analysts. Requests for Information (RFI) and follow-up requests are sent to firms that do not have complete responses or respond with incomplete information. Firms that do not comply are denied certification for failure to cooperate and are processed for removal of their certifications. Due to development of the new IL UCP Portal, enhancements to the current Certification database are not warranted. Certification analysts also provide caseload status reports on a monthly basis to the Unit/Section Certification Manager. Reports are also reviewed to track progression of cases assigned in order to meet deadlines.

- 19. Ensure that complete and current documentation is obtained from applicants during the certification process and included in the certification files. IDOT should also consider revisions to its record keeping process in order to make files more manageable.**

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

Finding: The IDOT DBE certification files tested did not always contain all the information currently required. Testing of file documentation was complicated because of the extensive timeliness problems in processing certifications and changing documentation requirements. IDOT and the other members of the IL UCP agreed to formulate a set of standard policies and procedures for processing certifications and annual no-change affidavits. Although the DBE Unified Certification Procedures are dated July 2002, IDOT did not implement these procedures until September 2003.

The auditors provided IDOT with a list of initial exceptions for the certification files tested. IDOT stated the reasons documents were not in the files was the information was not required at the time the firm(s) was certified. Although IDOT's requirements may have changed in some instances, IDOT has not conducted follow-up during the regular certification cycle to bring certification files into compliance with current requirements. In addition, in cases in which applicants filed an extension to file either corporate or individual tax returns, the tax returns were not filed with IDOT after the extension had expired and staff did not follow up to obtain these items.

Federal regulations require that a DBE's personal net worth cannot exceed \$750,000. In 28% of the files sampled, a statement of personal net worth was missing. An individual tax return or corporate tax return/balance sheet was missing in 30% and 13% of files, respectively. Bank signature cards, which help establish control of banking functions, were not present in 14% of the files.

In five of the 50 files sampled the auditors questioned whether the file contained adequate documentation of ethnicity/gender. They also questioned whether there was adequate documentation of citizenship in 4 of the 50 files sampled. Three of these four were the same cases for which auditors questioned proof of ethnicity/gender. In one case, IDOT accepted a snapshot of the person with their name typed under it as proof of ethnicity. Although the file contained a letter saying a birth certificate was delayed but would be sent, there was no documentation that it was ever submitted. In another case, IDOT accepted the applicant's father's birth certificate as proof of ethnicity without any proof that this was the applicant's biological father.

**Management Audit
 CMS' Business Enterprise Program and
 IDOT'S Disadvantaged Business Enterprise Program**

In September 2003, IDOT began requiring all applicants to submit at least two forms of ID for proof of citizenship and ethnicity and gender. Only six of the 50 files tested were certified after September 2003. Two of the six certifications processed after September 2003 did not have the required two forms of ID.

Two of the 50 files did not contain documentation that a site visit was conducted within the last five years. According to IDOT officials, for one of the two files missing a site visit, the visit was conducted but was not documented in the file.

Although IDOT was missing required information in some certification files, all 50 certification files contained an audit/summary. The audits/summaries discussed each certification, concerns regarding control or ownership, and the basis for issuing the certification.

The audit also noted that files were not organized, and because of the number of years that the DBE program had been in place, some files were becoming cumbersome and unmanageable due to the amount of information included from prior years. The audit recommended that the Bureau develop standardized policies and procedures for file preparation and maintenance. In testing, auditors found that some files were voluminous (6-8 volumes) and contained old information making it difficult to locate critical information.

IDOT's DBE CERTIFICATION FILES MISSING DOCUMENTATION		
DOCUMENT	Number of Files Missing	
Individual Tax Returns	15 of 50	
Statement of Personal Net Worth	14 of 50	
Bank Signature Cards	7 of 50	
Corporate Tax Returns/Balance Sheets	6 of 47 ¹	
Proof of Ethnicity/Gender	5 of 50	
Proof of Citizenship	4 of 50	
Site Visit	2 of 50	
Audit/Summary Report	0 of 50	
Note: ¹ Three firms tested were sole proprietorships and, therefore, did not file corporate tax returns. Source: OAG analysis of 50 IDOT DBE certification files.		

Response: This finding was originally developed and cited by IDOT auditors in our management audit of the Department's DBE certification program. **(See Auditor Comment #2)** The Department will continue to ensure that complete and current documentation is obtained from applicants during the certification process.

IDOT does not concur with the missing documentation findings which were commented on in the report. **(See Auditor Comment #3)** With regard to the missing documentation findings, cited examples include:

***Only one form of proof of ethnicity.** As discussed in our initial response to OAG, the African American owner of a construction company was born in rural Mississippi over 50 years ago. Per a letter from the firm, they were awaiting a copy of the birth certificate. Although a birth certificate was never provided, the owner's ethnicity was documented with a photo and verified through the onsite interview. In addition, this individual is recognized by the community as an African American, and this is how he has held himself out. As in

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

the case of the second example, the owner's ethnicity was verified during the onsite interview and supported by his father's birth certificate. It should be noted that the father was a previously certified DBE. In the third example, for proof of gender, the female owner of the construction company submitted a copy of her birth certificate which identified her as a Caucasian Female. Since women are presumed socially and economically disadvantaged, only one form of documentation of gender is requested rather than two forms. IDOT and the IL UCP participant agencies have determined that one form of documentation is sufficient to support an individual's claimed ethnicity/gender in most cases, and the practice is to request only one form rather than two, except when there are questions regarding ethnicity. The federal regulations that govern group membership determinations state that in making such a determination, you must consider whether the person has held himself out to be a member of the group over a long period of time prior to application for certification and whether the person is regarded as a member of the group by the relevant community. You may require the applicant to produce appropriate documentation of group membership. **(See Auditor Comment #4)**

***Personal Net Worth (PNW) statements missing.** As discussed in our initial response to the OAG, IDOT did not require PNWs to be submitted with No Change Affidavits until late 2003 with the implementation of the IL UCP. As a rule, PNW statements are completed on an annual/fiscal basis. IDOT and the IL UCP accept a firm's most current PNW statement, as of the date of the filed No Change Affidavit. Note: The federal regulations governing No Change Affidavit submittals do not require PNWs or tax returns to be submitted on an annual basis with the Affidavit. **(See Auditor Comment #5)**

***Tax information missing.** As discussed with OAG, an example was provided for an applicant who applies for DBE certification in late 2005, using 2004 tax information. The eligibility decision for the firm was rendered in February 2006. While the file was processed without 2005 tax information, the review relied upon the most current information available at the time the decision was rendered – three years of filed tax returns (2004, 2003, & 2002). A No Change Affidavit and 2005 tax information will then be due upon the firm's next anniversary date in February 2007.

Although the file does not contain 2005 information, it would not be considered "missing" by IDOT or the IL UCP participant agencies, as the most current information available was used at the time the eligibility decision was rendered. Note: Robert Ashby, USDOT Deputy Counsel, agreed with this example in a May 2006 teleconference call, and IDOT has requested his written concurrence. **(See Auditor Comment #6)**

***Bank signature card missing.** In instances when the bank signature card was not in the file, a bank resolution was generally on file. While the bank signature card identifies the individuals who can sign checks on behalf of the firm, a bank resolution also identifies those individuals who can financially obligate the firm through loans, lines of credit, etc., thus making the bank resolution more pertinent in the review process. The resolution also identifies officers of the firm with authority to effect all transactions for the firm. In addition, in the majority of the cases cited, the firms are solely owned by a socially and economically

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

disadvantaged individual and as such, this is the only person who can financially obligate or conduct business on behalf of the firm. **(See Auditor Comment #7)**

Corrective Action: IDOT will maintain the process of ensuring that the most current year of corporate/individual tax returns and a PNW statement is received with each annual No Change Affidavit submitted. With this practice, IDOT will always have the most recent three years of corporate/individual tax returns and PNW statements in file. In addition, IDOT will contact firms and make every effort to acquire any missing file information. We expect to accomplish this by September 1, 2006.

IDOT, in order to make files more manageable, will maintain the original filed certification application and supporting documentation and consolidate the last three years of No Change Affidavits with financials. Documentation of filed No Change Affidavits between these periods will be stored apart from these files.

AUDITOR COMMENTS:

#2: This finding **was not** developed by IDOT auditors. This finding was developed by OAG auditors upon their review of 50 IDOT DBE certification files.

#3: While the Department does not concur with the OAG's missing documentation finding in this report, the Department **did** concur with a **similar** finding in IDOT's August 2005 audit of its DBE certification process. That audit similarly concluded that ". . . certification files were absent critical information necessary for the certification process." The IDOT audit report then goes on to list the "missing Required Eligibility Decision Documentation" for 24 cases. Documentation cited as missing included items similar to those identified as missing by OAG auditors, such as tax returns, financial statements, and bank resolutions. IDOT agreed with the IDOT auditors' recommendation to improve certification file documentation noting that it "will focus its immediate attention on securing the required documents cited prior to performing any new certification renewals on the identified firms"

#4: The exceptions developed by OAG auditors were based on testing compliance with policies and application documentation requirements established by IDOT. Regarding ethnicity, certification procedures state:

"Ethnicity should be resolved early. In cases where the ethnicity status cannot be determined, additional documentation is required. Copies of **two or more** documents evidencing ethnicity are necessary. . . ." (emphasis added)

In one of the cases cited by IDOT, the only documentary evidence in the case file of the applicant's ethnicity was a picture of an individual standing by a truck, with his name typed below the picture. The auditors questioned whether the picture provided sufficient evidence (such as whether the person in the picture was actually the person making the application), and, therefore, concluded that pursuant to IDOT requirements, additional evidence should have been obtained.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

In another case, the only evidence of ethnicity was a birth certificate – not of the applicant, but of the applicant's father. No other documentation, such as a driver's license, baptismal certificate, etc. for the applicant was found in the file. Again, the auditors questioned whether this provided sufficient evidence (the applicant could be adopted, could be from a prior marriage, etc.) and concluded that pursuant to IDOT requirements, additional evidence should have been obtained.

The auditors do not dispute that on-site interviews, or site visits, are an effective certification tool. However, IDOT certification requirements specify that applicants are required to submit adequate documentary evidence of ethnicity, and in the cases cited, such documents were not submitted.

#5: The OAG **did not** include missing PNWs as an exception if the No Change Affidavit preceded late 2003.

#6: The example cited by IDOT is a **fictional** example, and is not an exception cited in the audit report. The example cited by IDOT **would not** have been counted as an exception by the auditors. As an example of one of the exceptions cited by OAG auditors, the eligibility decision was rendered by IDOT on May 11, 2004; the most recent corporate tax information in the file at that time was from 2001. Tax information from at least 2002, and possibly 2003, should have been available to the Department at the time the eligibility decision was made.

#7: Per IL UCP Certification Procedures and IDOT's 2003 policies and procedures both bank signature cards and bank resolutions are required for corporations.

Updated Response: Implemented. As a result of the audit, the tested firms were contacted and requested to provide missing documentation as identified by the OAG. In addition, when the No Change Affidavit files were prepared, the analyst contacted the firms to request any missing documentation. A No Change Affidavit file has been created. This file, which is separated by year, contains the firm's No Change Affidavit, tax returns and all correspondence relating to the firm 5 year no change period. The No Change files include the firm's tax returns as it relates to the firms no change period.

20. Keep a log of complaints received as a control to ensure that complaints are adequately investigated and resolved.

Finding: IDOT, along with all other IL UCP participants, accepts written complaints from any person alleging that a currently certified firm is ineligible. In the written complaint, the complainant must state specific reasons for ineligibility as well as attach any documentation that supports the complaint.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

The auditors asked IDOT officials for a listing of complaints. Officials told us that IDOT does not have a complaint file or log. If a complaint is submitted, IDOT follows up on the case and then the complaint gets filed in the firm's certification file.

While IDOT could not provide a log or list of complaints filed, auditors found evidence in the files tested that investigations had been conducted into allegations. According to US DOT Office of Inspector General, IDOT refers approximately 7 to 10 DBEs per year for investigation and most of these would be founded. However, according to the OIG official, it is difficult to debar or suspend a firm without a civil conviction. Therefore, the certification part of the DBE process is key to keeping out firms that are not legitimate.

If the US DOT determines that information contained in the certification records or other available information provides reasonable cause to believe that an IL UCP-certified DBE firm does not meet the eligibility criteria, the US DOT may direct the certifying state to initiate a proceeding to remove the firm's certification. The certifying state and the firm are provided notice setting forth the reasons for the directive, including any relevant documentation or other information. The certifying state must immediately commence and prosecute a proceeding to remove eligibility. According to information provided by the Department, IDOT decertified 24 vendors over the three-year period 2002 through 2004. However, the Department has not suspended or debarred any firms for the three year period.

Response: Accepted. A complaint log will assist with managing the complaint process.

Corrective Action: A log will be maintained as a control to ensure that complaints are investigated and resolved. In addition to IDOT's current process of a firm's individual file containing documentation and related follow-up activities, IDOT's log will record and date all investigations and resolutions.

Updated Response: Implemented. A complaint log has been developed.

21. Closely track when No Change Affidavits and re-certifications are due and decertify vendors that do not file the required applications and affidavits in a timely manner.

Finding: According to IDOT officials, the annual No Change Affidavits are manually generated monthly, based upon a request by the Intake Coordinator/Analyst and the notification letters are generated and mailed 60 days prior to the firm's anniversary date.

Of the 50 certifications tested, one certification had expired months prior to the applicant applying for recertification. This firm's certification expired in June 2005; however, the recertification application was not received by IDOT until January 2006. The firm remained certified during the interim. At the time of testing, no certification decision had been made.

**Management Audit
CMS' Business Enterprise Program and
IDOT'S Disadvantaged Business Enterprise Program**

In two other cases the firm did not file the required No Change Affidavit in a timely manner. In one case a No Change Affidavit, which was due in January 2005, was not received by IDOT until July 13, 2005. This firm remained a certified DBE despite filing a No Change Affidavit six months late. In the other case a No Change Affidavit was due in September 2005. IDOT sent the firm a notice to submit the No Change Affidavit in July 2005. At the time of our testing in February 2006, IDOT still had not received the No Change Affidavit but the firm continued to be listed as a certified DBE. According to IDOT's responses to our testing, this firm should have been decertified.

Response: Accepted. We will work to more closely monitor and track the timeliness of submittals relative to annual No Change Affidavits and supporting documentation.

As the DBE program is one of inclusions, IDOT attempts to work closely with certified firms through Requests for Information letters, follow-up calls by analysts and supportive services consultant assistance to assist firms in maintaining their eligibility. IDOT does not start a decertification (due process) proceeding based on technical deficiency (versus one for cause) until all avenues to acquire information have been exhausted for firms who are certified. In effect, the federal regulations state that an already certified DBE no longer has to "reprove" its eligibility. See attached USDOT METRA appeal decision.

Corrective Action: IDOT will be better able to more closely track when No Change Affidavits and Affidavits of Continued Eligibility are due and decertify firms that do not file the required documentation in a timely manner with the implementation of the IL UCP portal. The portal, when complete, will provide newer technology programming that will help to eliminate any timeliness issues, i.e., the system will automatically generate correspondence based on tickler dates such as certification anniversary dates, No Change Affidavits, renewals, etc.

In the interim, IDOT will generate No Change Affidavits and Affidavits of Continued Eligibility reports monthly. In addition, the Department's Bureau of Information Processing will work to enhance the current database to assist with monitoring and tracking until completion of IL UCP portal project.

Updated Response: Implementation is in progress. A No Change notice letter and listing is generated 60 days prior to the firm's anniversary date. An expiration notice list is also generated 60 days prior to a firm's certification renewal date. If the No Change Affidavit is not received thirty days after the No Change letter is sent, based on analysts tickler file, a reminder notice is sent to the firm. If the firm does not respond to the reminder notice, a notice of proposed decertification letter is issued. A No Change Affidavit report is also generated for the Section Manager/Bureau Chief to review.

The Request for Proposal, for the IL UCP Portal, is under final review by IDOT's Bureau of Information Processing. This portal will aid in more fully automating these tracking processes. Following review and approval by Central Management Services, the RFP will be issued. It is anticipated that a vendor will be on board by late 2007.