

IN THE EXECUTIVE ETHICS COMMISSION
OF THE STATE OF ILLINOIS

In re: MARK PRUITT and) OEIG Case # 11-00517
KRISTENE CALLANTA

OEIG FINAL REPORT (REDACTED)

Below is a final summary report from an Executive Inspector General. The General Assembly has directed the Executive Ethics Commission (Commission) to redact information from this report that may reveal the identity of witnesses, complainants or informants and “any other information it believes should not be made public.” 5 ILCS 430/20-52(b).

The Commission exercises this responsibility with great caution and with the goal of balancing the sometimes competing interests of increasing transparency and operating with fairness to the accused. In order to balance these interests, the Commission may redact certain information contained in this report. The redactions are made with the understanding that the subject or subjects of the investigation have had no opportunity to rebut the report’s factual allegations or legal conclusions before the Commission.

The Commission received a final report from the Governor’s Office of Executive Inspector General (“OEIG”) and a response from the agency in this matter. The Commission, pursuant to 5 ILCS 430/20-52, redacted the final report and mailed copies of the redacted version and responses to the Attorney General, the Governor’s Executive Inspector General and to Mark Pruitt and Kristene Callanta at their last known addresses.

The Commission reviewed all suggestions received and makes this document available pursuant to 5 ILCS 430/20-52.

FINAL REPORT

I. INTRODUCTION

On April 7, 2011, the Office of Executive Inspector General (“OEIG”) received a complaint regarding the (former) Director of the Illinois Power Agency (“IPA” or “Agency”) Mark Pruitt. During the course of the investigation, the OEIG discovered that Mr. Pruitt failed to effectively and efficiently manage the IPA in a variety of manners set forth in this report. The OEIG also discovered that the IPA Chief Financial Officer (“CFO”) failed to fully comply with ethics training.

II. BACKGROUND

A. *The Illinois Power Agency*

On August 28, 2007, the IPA was established pursuant to the Illinois Power Agency Act, 20 ILCS 3855 (the "IPA Act"). Among other goals, the primary purpose of the IPA is to secure "adequate, reliable, affordable, efficient, and environmentally sustainable electric service for the people of Illinois at the lowest total cost over time." 20 ILCS 3855/1-5(10)(A). To fulfill the Agency's purpose, the IPA Act grants several powers to the Agency, including the power to "obtain and employ personnel and hire consultants that are necessary to fulfill the Agency's purposes, and to make expenditures for that purpose within the appropriations for that purpose." 20 ILCS 3855/1-20(b)(4). The IPA Act also imposes several obligations on the Agency, including the following: annual reporting; the creation of Agency policies; the creation of bureaus; outreach for businesses owned by minority, female, and disabled persons; and compliance with other State laws.

1. Annual Reporting

The IPA must report annually to the Governor and the General Assembly on the Agency's operations and transactions setting forth:

[b]asic financial and operating information specifically detailed for the reporting year and including, but not limited to, income and expense statements, balance sheets, and changes in financial position, all in accordance with generally accepted accounting principles, debt structure, and a summary of funds on a cash basis.

20 ILCS 3855/1-125(10).

2. The Creation of Agency Policies

The Agency also must create and implement "necessary and appropriate" rules "relevant to the operation of the Agency." 20 ILCS 3855/1-35. This obligation explicitly extends to "procedures for monitoring the administration of any contract administered directly or indirectly by the Agency," but by its "necessary and appropriate" clause, also implicitly includes personnel and procedural policies inherent in the administration of a State agency. See 20 ILCS 3855/1-25.

3. The Creation of Bureaus

The IPA Act obligates the IPA to "establish a Planning and Procurement Bureau and a Resource Development Bureau," each with a chief that reports to the Director. 20 ILCS 3855/1-70(b). The IPA Act states that these bureaus are to develop and monitor procurement plans for the IPA, as well as maintain and distribute lists of expert and consulting firm qualifications. 20 ILCS 3855/1-75(a).

4. Conduct Outreach for Businesses Owned by Minority, Female, and Disabled Persons

The IPA Act mandates that the Director or designee conduct outreach to businesses owned by minority, female, and disabled persons, including “advertisements in periodicals and newspapers, mailings, and other appropriate media.” 20 ILCS 3855/127.

5. *The Illinois Power Agency Must Comply with Applicable State Laws*

The IPA Act obligates the Agency to comply with State law. As examined in this investigation, those laws include the IPA Act, 20 ILCS 3855; the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10; and the State Officials and Employees Ethics Act (“Ethics Act”), 5 ILCS 430.

B. *Director Pruitt’s Appointment as Director of the Illinois Power Agency*

State law makes specific provision for who is qualified to serve as Director, namely:

The Director of the Illinois Power Agency must have at least 15 years of combined experience in the electric industry, electricity policy, or electricity markets and must possess: (i) general knowledge of the responsibilities of being a director, (ii) managerial experience, and (iii) an advanced degree in economics, risk management, law, business, engineering, or a related field.

20 ILCS 5/5-222.

On April 14, 2008, former Governor Rod Blagojevich appointed Mark Pruitt Director of the Illinois Power Agency. The appointment of Mr. Pruitt carried with it the implicit acknowledgement that Mr. Pruitt possessed all of the statutory qualifications for the position.

C. *Oversight Changes to the Illinois Power Agency*

In 2007, when the IPA was created, it was an agency that reported to the Governor. On October 5, 2011, Governor Pat Quinn exercised his appointment authority over the IPA and appointed Arlene Juracek Director of the IPA, thereby removing Mr. Pruitt. As of the date of this report,¹ Ms. Juracek continues to serve as the Acting Director.

On October 26, 2011, the General Assembly amended 5 ILCS 430/20-5 to transfer the appointment authority of the IPA from the Office of the Illinois Governor to the Illinois Executive Ethics Commission (“EEC”), giving the EEC the power to appoint an IPA director.² See Public Act 97-618. Subsequently, on February 6, 2012, the General Assembly further amended the law regarding the EEC’s power to appoint a director or acting director as follows:

In case of a vacancy in the office of Director of the Illinois Power Agency during a recess of the Senate, the Executive Ethics Commission may make a temporary

¹ February 22, 2012.

² For purposes of the Ethics Act, the ultimate jurisdictional authority for the EEC is the Governor. See 5 ILCS 430/1-5 (defining the “ultimate jurisdictional authority” as the Governor if another authority is not specified, as none is for the EEC).

appointment until the next meeting of the Senate, at which time the Executive Ethics Commission shall nominate some person to fill the office, and any person so nominated who is confirmed by the Senate shall hold office during the remainder of the term and until his or her successor is appointed and qualified.

5 ILCS 430/20-5. These amendments also allowed the EEC to remove any acting director.

D. The Auditor General's Attempted Audits

The Illinois Office of the Auditor General (“Auditor General”) is charged with reviewing the obligation, expenditure, receipt and use of public funds, which includes monitoring of State agencies’ use of these funds. *See* 30 ILCS 5/3-1. During an audit, the Auditor General evaluates financial records, compliance with State and federal laws and regulations, and program performance after the close of its fiscal year. According to the Auditor General, State agencies are obligated to:

- utilize State funds in accordance with the purpose for which State funds were appropriated or otherwise authorized by law, and in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law;
- comply, in all material respects, in its financial and fiscal operations with applicable laws and regulations, including the State uniform accounting system;
- collect State revenues and receipts in accordance with applicable laws and regulations and maintain an appropriate accounting and record keeping of such revenues and receipts which is fair, accurate and in accordance with the law; and
- appropriately handle money or negotiable securities or similar assets on behalf of the State or held in trust, including ensuring that such assets have been held and properly administered and that the accounting and recordkeeping is accurate according to law.

In two attempted audits conducted of the IPA, the Auditor General concluded that the IPA failed numerous obligations to comply with State law and other general auditing policies.

1. The Auditor General's FYs 2008 & 2009 Report

i. The Report

On March 3, 2010, the Auditor General issued a report addressing the attempted financial audit of the IPA examining FYs 2008 & 2009.³ The Auditor General’s report was issued in lieu of an audit because the Auditor General concluded that an audit could not be completed because of the IPA’s inability to produce sufficient financial statements and note disclosures. In the report the Auditor General made 22 findings against the IPA, including:

³ The IPA’s FYs 2008 & 2009 audit spanned an approximate two-year period beginning at the Agency’s creation on August 28, 2007, and ending on June 30, 2009.

- The Agency failed to prepare or submit financial information to the Governor, General Assembly or the auditors, and failed to provide all the requested documentation to the auditors;
- The Agency failed to establish adequate accounting procedures and internal controls, implement a formal budgeting process, or adopt rules for the operation, administration accounting, and reporting required by the IPA Act;
- The Agency failed to follow the requirements of the Statewide Accounting Management System 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;
- The Agency failed to establish a Planning and Procurement Bureau or a Resource Development Bureau as required by the IPA Act;
- The Agency obligated the entire FY 2009 budget to payment of contractual services, thus being unable to pay any operating expenses, such as Mr. Pruitt's travel expenses;
- The Agency processed contractual and personal service vouchers lacking the requisite supporting documentation and approved for payment invoices totaling an amount exceeding that authorized by the contract;
- The Agency failed to assess adequate fees to ensure the costs of the procurement process were covered and failed to contract for the bidder and supplier fees related to the public energy auctions; and
- The Agency failed to acquire basic office equipment, publicize procurement plans, timely submit vouchers, develop prequalified supplier lists, submit reports, file statements of economic interest, and keep employee time records in accordance with State law.

The Auditor General concluded that the Agency's practices were in contravention of at least 12 different State statutes, as well as the Administrative Code:

The Illinois Power Agency Act	20 ILCS 3855
The Illinois State Auditing Act	30 ILCS 5
The Fiscal Control and Internal Auditing Act	30 ILCS 10
The State Officers and Employees Money Disposition Act	30 ILCS 230
The Public Utilities Act	220 ILCS 5
The State Records Act	5 ILCS 160
The State Prompt Payment Act	30 ILCS 540
The Illinois Administrative Code	Ill. Admin. Code, tit. 74, § 900

The State Employment Records Act	5 ILCS 410
The Illinois Governmental Ethics Act	5 ILCS 420
The State Officials and Employees Ethics Act	5 ILCS 430
The State Finance Act	30 ILCS 105
The Illinois Procurement Code	30 ILCS 500

The report indicated that Director Pruitt agreed or accepted all of the Auditor General’s findings of inadequacy and noncompliance.

ii. Mr. Pruitt’s July 29, 2010 Testimony Before the Legislative Audit Commission (First Appearance)

On July 29, 2010, the Legislative Audit Commission held a hearing at which the Auditor General’s FY 2008 & 2009 report relating to the IPA was discussed. The Auditor General, members of his staff, and Mr. Pruitt testified at the hearing. Mr. Pruitt had been in the position of Director for two years and three months at the time of the hearing. At the hearing, Auditor General staff testified that delays in conducting the audit were attributable to Mr. Pruitt’s failure to release necessary financial documentation.

Mr. Pruitt, the IPA’s sole employee at the time, testified that he was “sought out by the Governor’s Office” to fill the directorship and agreed that when he took the job, he was not adequately prepared to institute an agency like the IPA and move it forward. In his own assessment Mr. Pruitt indicated that the mandates of operating the IPA had not been met in fiscal years 2008 and 2009.

During his hearing testimony, Mr. Pruitt assured the members of the Legislative Audit Commission that he “underst[oo]d what ha[d] to be done, relative to . . . [the f]iling of contracts, obligation documents, preparation and filing of invoice-vouchers and the like,” and that he had “put together a plan for compliance with each of the [Auditor General’s] findings.” Mr. Pruitt also assured the legislators that he was hiring a chief financial officer, a general counsel, and a mid-level administrative support person to assist the Agency.

2. The Auditor General’s FY 2010 Report

i. The Report

On March 24, 2011, about eight months after Mr. Pruitt testified before the Legislative Audit Commission, the Auditor General issued a second report on the IPA examining FY 2010.⁴ Like in the Auditor General’s first report, the Auditor General again found it impossible to issue an opinion on the IPA’s financial statements based on the inadequacy and inconsistency of the IPA’s accounting records.

⁴ The IPA’s FY 2010 spanned July 1, 2009, to June 30, 2010.

Despite not auditing the IPA, the Auditor General still issued 35 findings against the Agency. Of the 35 findings, 17 were new and 18 were repeat findings, including that the IPA did not submit accurate and complete financial information to the requisite oversight bodies and that the IPA failed to abide by the requisite accounting standards and implement accounting systems. Mr. Pruitt's prior assurances that he understood what needed to be done and would remedy the IPA's problems were not fulfilled. Among the 17 new findings, the Auditor General found:

- The Agency failed to maintain a listing of accounts receivable, to develop procedures related to uncollectible receivables, or to implement procedures to perform monthly reconciliations between Agency records and Comptroller reports;
- The Agency improperly entered into a consulting contract for a term exceeding the time period allowed by State law and approved payment to a vendor based on an invoice for services performed outside of the terms of the contract;
- The Agency failed to post notices of requests for proposals and awards of contracts in the State's Procurement Bulletin, or to file contract and related obligation documents with the Comptroller subsequent to the initiation of the contracts; and
- The Agency failed to conduct outreach to minority owned businesses, female owned businesses, and businesses owned by persons with disabilities when offering bids for professional services.

The Auditor General concluded that in addition to twelve of the State laws and administrative rule provisions previously identified, the IPA also violated the following laws:

The State Comptroller Act 15 ILCS 405

The Illinois Vehicle Code 625 ILCS 5

The Civil Administrative Code of Illinois 20 ILCS 405

The report indicated that Director Pruitt again agreed or accepted all of the Auditor General's findings of inadequacy and noncompliance.⁵

ii. Mr. Pruitt's March 29, 2011 Testimony Before the Legislative Audit Commission (Second Appearance)

On March 29, 2011, five days after the Auditor General issued its second report, Mr. Pruitt again appeared and testified before the Legislative Audit Commission. At his second appearance, [redacted], Mr. Pruitt testified that:

⁵ Director Pruitt did not attend the Auditor General's audit exit conference. Rather, he sent the IPA's CFO, who at the time had been employed fewer than 60 days.

the IPA has made substantial strides in establishing the framework necessary to meet [its] compliance requirements and providing the accountability and transparency that the public and the Legislature demand and deserve.

Mr. Pruitt also testified that he had hired a chief financial officer and was “in the process of hiring a [g]eneral [c]ounsel.” [Redacted].

III. INVESTIGATION

In the course of this investigation, the OEIG gathered and subpoenaed documents and other evidence, as well as conducted interviews. The relevant information is summarized below.

A. *Document & Record Review*

The OEIG acquired Mr. Pruitt’s email data, computer data, and personal laptop data files. In addition, the OEIG reviewed documents and records, as well as records obtained via subpoena.

1. *Employee Hiring Records*

Despite the IPA Act requirement that the Agency set up internal bureaus and hire bureau chiefs, for almost three years Director Pruitt was IPA’s only employee. [Redacted].⁶

Investigators learned that on January 11, 2011, Mr. Pruitt hired Kristene Callanta as CFO. A review of the resume Ms. Callanta provided to the State of Illinois in August or September 2010, revealed that Ms. Callanta has the following experience:

- Sales Associate at Sears (1991-94);
- Hostess/Phone Order Taker at Suprarossa (1994-95);
- Receptionist at Planet Fitness d/b/a World Gym (1995);
- A/R Staff at Planet Fitness d/b/a World Gym (1995-96);
- Bookkeeper at Planet Fitness d/b/a World Gym (1996-97);
- Assistant Controller at Planet Fitness d/b/a World Gym (1997-2000); and
- Accounting Assistant at Financial Controllers, Inc. (2000-2009).⁷

2. *Attorney Invoices*

Investigators reviewed monthly invoices submitted to the IPA from a Chicago law firm (“the Law Firm”), who was contracted to serve as the Agency’s general counsel. The monthly invoices stated that the Law Firm performed approximately \$647,227 in legal work from November 14, 2008, through June 14, 2011. The billing records do not detail specific tasks undertaken on the IPA’s behalf; rather they attest that the Law Firm engaged in several generalized activities, including: extranet development; drafting Agency rules; attending

⁶ [Redacted].

⁷ Although Ms. Callanta’s resume indicated that she held the Accounting Assistant position through the “Present,” the OEIG learned that her employment with Financial Controllers ended in 2009.

meetings of the Illinois Commerce Commission; legal research; communicating with utilities related to procurement of energy; and assisting the IPA with other miscellaneous legal matters.

An analysis of the major tasks performed revealed that the cost to the State was approximately \$425 per hour, delineated as indicated for the following activities:

Activity	Approximate Cost to the IPA
Extranet Development	\$1,912.50
Drafting Agency Rules	\$35,020.00
Attending ICC Meetings	\$49,385.00
Legal Research	\$105,740.00

OEIG investigators confirmed that the IPA paid the Law Firm for the work listed on the above chart.

3. Vendor Payments Prior to the Execution of the Vendor Contract

The OEIG reviewed several invoices from an IPA vendor, as well as the IPA's contract with the vendor. The invoices noted a list of payments made to the vendor from the Agency totaling \$1,280,402.56 for work performed from September 3, 2010, through June 3, 2011. The memo line on a September 3, 2010 check for \$350,000 notes that the payment was for the "IPA Procurement Process." OEIG investigators discovered that the vendor was paid for services initiating in 2010, even though the contract for those services had not been signed by Director Pruitt until June 2, 2011, one day prior to the June 3, 2011 termination date of the contract.

4. Contractors' Rates Compared with State Procurement Officers' Rates

The OEIG reviewed the monthly salary of Illinois State Purchasing Officers ("SPOs"), the positions within State agencies that exercise an agency's procurement authority, at agencies of comparable budget to the IPA.

The monthly salary for SPO positions ranged from \$5,289 to \$7,541⁸ for consecutive periods of work.⁹ By comparison, the IPA had contracts with two vendors to manage the IPA's procurement activities. A review of invoices sent to the IPA reveals periods of work from February 2009 through May 2011 – encompassing, at times, only a few days of work per month – for which one particular vendor charged the IPA an estimated monthly sum of \$82,128, and the other vendor charged an estimated monthly cost of \$212,556 for procurement management services. These monthly amounts billed by the vendors (and paid by the IPA) range between 10 and 28 times the highest salary earned by SPOs in the other State agencies examined.

5. Mark Pruitt's Swipe Logs

⁸ These monthly figures are equivalent to between \$63,468 to \$90,492 per year.

⁹ There are also four Chief Procurement Officers ("CPOs") in the State, a position with greater oversight of procurement matters than that of an SPO. The monthly salaries of the CPOs range from \$8,435 to \$10,531, or between \$101,220 to \$126,372 per year.

The OEIG learned that Mr. Pruitt completed timesheets noting State time from January 4, 2010, until June 30, 2010, and then maintained a handwritten personal ledger of his hours from July 1, 2010, through September 23, 2011. The records reveal that Mr. Pruitt was logging in excess of 8 hours per day, although with varying start and end times.

The OEIG gathered swipe logs dating back to January 20, 2010, denoting when Mr. Pruitt's access card was used to access the building in which the IPA has its office. Those swipe logs reveal inconsistent and sporadic appearances at the IPA's office by Mr. Pruitt. Several days would occur without any swipe entries, and on the days when there were swipe entries logged, many of the swipes occurred after 7:00 p.m.

6. *IPA Employee Ethics Training Records*

According to the Ethics Act, ethics training must be completed at least annually by State employees, and within 30 days of commencement of a person's State employment or office. 5 ILCS 430/5-10. The IPA's ethics training records indicate that two employees completed the required ethics training course in 2011, but, as discussed below, Ms. Callanta stated that she did not complete the training within 30 days of the start of her employment.

7. *IPA Internal Agency Policies*

In September 2011, the OEIG issued Mr. Pruitt a written request for documents seeking, among other things, any internal Agency policies. Mr. Pruitt responded in writing that the IPA did not have any policies due to the lack of a general counsel. Mr. Pruitt did, however, produce to the OEIG drafts of administrative code provisions which had never been implemented.

B. Interviews

The OEIG conducted a number of interviews during the course of this investigation, below is a summary.

1. *Former IPA Director Mark Pruitt*

i. April 15, 2011 Computer Seizure and Related Interview

On April 15, 2011, OEIG investigators proceeded to the offices of the IPA where they met Mr. Pruitt. On that day, after administering Mr. Pruitt's administrative rights, OEIG investigators conducted a preliminary interview of him at his office. During the OEIG's initial interview of Mr. Pruitt, he informed investigators that he had been the Agency's sole employee until January 2011, when he hired Ms. Callanta as the Agency's CFO. Mr. Pruitt then explained to investigators which computers he used for IPA business and did not object to the OEIG's seizure of computer data contained in computers Mr. Pruitt used for IPA business.

In light of the fact that Mr. Pruitt was a State employee who would have otherwise been required to cooperate with investigators, and because the OEIG investigation was in its

preliminary stages in April 2011, and investigators were still gathering documents and other material for the purpose of analyzing same, investigators did not fully interview Mr. Pruitt regarding the Auditor General reports or other issues. As the investigation progressed, and while Mr. Pruitt was still a State employee, he did comply with OEIG requests for documentation.

ii. Mr. Pruitt is Replaced and Subsequently Declines to be Interviewed Regarding Substantive Issues in This Investigation

Beginning in November 2011, the OEIG began attempting to schedule a follow-up interview with Mr. Pruitt for the purpose of asking him questions about a variety of subject areas including, among others: the Auditor General findings, Mr. Pruitt's hiring of Ms. Callanta and documents drafted by the Law Firm.

OEIG investigators, despite their best efforts, were unable to schedule a follow-up interview of Mr. Pruitt, who resides in Indiana, for the reasons set forth below.

- First, prior to successfully scheduling Mr. Pruitt's interview, Governor Quinn appointed a new IPA Acting Director on October 5, 2011. As such, Mr. Pruitt was no longer a State employee, and thus he was not obligated or required to cooperate with the OEIG pursuant to the Ethics Act. *Cf.* 5 ILCS 430/20-70 ("it is the duty of every officer and employee under the jurisdiction of an Executive Inspector General" to "cooperate with the Executive Inspector General and the Attorney General in any investigation undertaken pursuant to this Act.").
- Second, on December 6, 2011, Mr. Pruitt's retained Illinois counsel informed the OEIG that Mr. Pruitt was respectfully declining the OEIG's request to interview him.
- Third, also on December 6, 2011, Mr. Pruitt's counsel informed the OEIG that Mr. Pruitt had not authorized his counsel to accept service of process of any forthcoming subpoena on Mr. Pruitt's behalf.

In sum, because by November 2011, Mr. Pruitt was no longer a State employee and was not required to cooperate; he declined to be interviewed after leaving State service; he was unwilling to allow his Illinois counsel to accept service of subpoena; and he resided in the State of Indiana, the OEIG exercised its discretion to issue this report without re-interviewing Mr. Pruitt regarding the above mentioned matters.

2. *Interview of IPA Chief Financial Officer Kristene Callanta*

On July 6, 2011, OEIG investigators interviewed IPA's CFO Kristene Callanta. During the course of her interview, Ms. Callanta informed investigators that she was not familiar with accounting laws and regulations applied by a chief financial officer, and she thought she was unfit to hold the IPA CFO position. Ms. Callanta also provided the following information.

i. The CFO Hiring Process

Ms. Callanta stated that although she attended Northern Illinois University (1992-1993) and North Park College (1991-1992), she never achieved any degrees or certificates. Her college course load, however, included introductory accounting classes. Prior to joining the IPA, her professional experience included working as an assistant controller at Planet Fitness d/b/a World Gym for approximately five years, and serving as an accounting assistant at Financial Controllers Inc. for approximately ten years. Ms. Callanta said she was laid off from Financial Controllers in 2009. It was through this work experience and her schooling that Ms. Callanta became familiar with generally accepted accounting principles (“GAAP”).

Ms. Callanta said she became aware of the IPA CFO position from Malcolm Weems,¹⁰ with whom she worked at Planet Fitness. Ms. Callanta said she had lost touch with Mr. Weems for approximately ten years until they saw each other during a chance encounter in 2009. According to Ms. Callanta, she learned in 2009 that Mr. Weems was attempting to gather voter signatures to run for elective office in Cook County. Because she was unemployed at the time, Ms. Callanta agreed to help him gather signatures. Mr. Weems’ campaign was not successful, but in her interactions with him, he indicated that he would see what he could do to help her. Ms. Callanta said she helped Mr. Weems as a friend and was not looking for any favors.

In 2010, Ms. Callanta said that Mr. Weems informed her of an IPA accounting position, so she submitted her resume. Mr. Weems later informed her that she was selected for an interview. Ms. Callanta first interviewed with [employee 1] and “[employee 2],”¹¹ both of whom were staff from the Governor’s Office of Management and Budget (“GOMB”). One month later, on January 11, 2011, Ms. Callanta interviewed with Mr. Pruitt, and five months later she began as CFO at an annual salary of \$87,500. Ms. Callanta’s \$87,500 salary was nearly twice as much as her prior salary.

ii. Ms. Callanta’s Responsibilities

Ms. Callanta stated that before her first day at the IPA, she had expected to begin in an accounting position in which she would handle financial statements and accounting packages. It was on her first day, however, that she learned that her title would be CFO. Ms. Callanta said that in applying for the job, she was not provided a job description or given details regarding the position, and does not recall seeing any job posting.

When asked what documents she received during the initial stages of employment, Ms. Callanta stated that Mr. Pruitt provided her with the IPA Act, contracts, financial records, invoices/vouchers, and the audit findings. Ms. Callanta said she was not given all IPA contracts and had to track down copies of some of them. In regards to the Auditor General audit reports, Mr. Pruitt informed her that she needed to become familiar with the findings and would need to help out in that area. Ms. Callanta said she never requested any IPA bank records, tax records, or

¹⁰ During this time period, Mr. Weems served as the Associate Director at the State of Illinois Governor’s Office of Management and Budget, a position he held until June 2011, when he was appointed Acting Director of the Illinois Department of Central Management Services.

¹¹ At the date of her interview, Ms. Callanta could not recall [employee 2’s] last name, but the investigation has confirmed that Ms. Callanta was referring to [employee 2].

any other financial documents other than what was initially given to her by Mr. Pruitt. Ms. Callanta also stated that the IPA did not have a general ledger when she started.

iii. Ms. Callanta's Qualifications and Familiarity with Governing Statutes

Ms. Callanta stated that when she started in her position, she read the entirety of the IPA Act, but she did not understand all of the language and focused on the accounting sections.

During the course of interview, Ms. Callanta acknowledged that she is not familiar with accounting laws and regulations which would be applied by a chief financial officer working for the State of Illinois. As noted above, Ms. Callanta said that she did not know she was going to serve as CFO before her first day at the IPA. Ms. Callanta stated that she did not believe she was qualified to hold the title of CFO, but would be more comfortable holding an accountant title. Ms. Callanta did say, however, that she was familiar with the Statewide Accounting Management System Manual. Although she had not read or received any training on it, she has utilized the bookmark index to guide her use of it.

iv. Addressing Late Invoices & Recreating Financial Statements

Ms. Callanta said that when she started in her position, all the invoices she received to review were paid past due, which coincided with the Auditor General's findings. Since serving as CFO, Ms. Callanta said she has tasked herself with reviewing all former and current invoices for accuracy, although (at the time of the interview) she had not made much progress in this task. Ms. Callanta stated that she and Mr. Pruitt reviewed all invoices for substance to ensure the IPA's mission was being followed. Callanta stated that through her position she had authority to sign off on IPA invoices. Ms. Callanta also said she has tasked herself with recreating financial statements for IPA since its inception.

v. Procurement Activities and Creation of Bureaus

Ms. Callanta acknowledged that neither the Planning and Procurement Bureau nor the Resource Development Bureau have been created as required by the IPA Act. Other than hearing Mr. Pruitt state that bureau chiefs should be hired, Ms. Callanta was unaware of any steps taken to establish these bureaus.

In late March 2011, Mr. Pruitt asked Ms. Callanta to score procurement administrator applications that they had received and return the scores to him the next day. In response, Ms. Callanta refused because she was unfamiliar with the procurement process and Mr. Pruitt wanted the scores returned to him the next day. Ms. Callanta believes that two of the Law Firm's attorneys eventually assisted Mr. Pruitt in the scoring of procurement administrators.

vi. Fulfilling the IPA's General Counsel Needs

Ms. Callanta stated that the IPA had been looking for a general counsel candidate since January 2011 when she began working with the Agency. Ms. Callanta said she had heard from

Mr. Pruitt that the general counsel would receive a salary of up to \$125,000 per year. According to Ms. Callanta, the IPA has a five-year contract valued at \$400,000 per year with the Law Firm who performs general counsel services. However, Ms. Callanta stated she often does not understand the terms used in the description of the Law Firm's invoices, and therefore, she gives the invoices to Mr. Pruitt to review.

When queried by the OEIG about several billing entries in the Law Firm invoices, Ms. Callanta responded that she was not familiar with the work performed by the Law Firm attorneys, why it was necessary, or what it entailed.

vii. The IPA's Office Hours & Equipment

Ms. Callanta stated that she usually arrives at the IPA's office around 9:00-9:30 a.m. and leaves around 5:00-5:30 p.m. Ms. Callanta informed the OEIG investigators that Mr. Pruitt was rarely in the office because of meetings, but when he did come in, he typically arrived after 10:00 a.m. and left prior to 5:00 p.m. because of the meetings. Ms. Callanta stated that Mr. Pruitt kept a roughly accurate calendar electronically to which she had access, but he did not inform her of his meetings or whereabouts beyond maintaining the electronic calendar.

Ms. Callanta stated that she received a computer in the first week of her employment, but did not have an email account until approximately two months into her employment. Therefore, she shared Mr. Pruitt's account until her email account was set up. She was told by Mr. Pruitt that it was normal for State employees not to get email accounts quickly. Ms. Callanta also stated that after she started, vendors began contacting her with complaints that Mr. Pruitt was not responding to their requests for payment.

Ms. Callanta stated that Mr. Pruitt commonly used a personal laptop computer while in the office, and she assumed he was conducting State business on it.¹²

viii. Addressing the Auditor General's Negative Finding Regarding Check Deposits

Ms. Callanta stated that she has established a process for the collection and deposit of checks aimed at resolving issues identified by the Auditor General. Ms. Callanta stated that the IPA's current budget is approximately \$4 million, the majority of which is allocated to contractual services.

ix. Lack of Ethics Training

Ms. Callanta said that she did not complete the State of Illinois ethics training within 30 days of the commencement of her employment because she was told by Mr. Pruitt that she had until December 2011 to complete the training.

3. Interview of [employee 3]

¹² However, Ms. Callanta did state that she would notice Mr. Pruitt watching movies on his personal laptop during business hours.

On June 13, 2011, investigators interviewed [employee 3].

i. Oversight of the IPA and Mr. Pruitt

[Employee 3] said he was initially hired as [employee 3]. As of July or August 2009, his job responsibilities in both positions involved, in part, oversight of various State agencies, including the IPA. [Employee 3] said he had spoken with Director Pruitt regarding the IPA and that he and Director Pruitt also met regularly with an associate general counsel in the Office of the Illinois Governor.

ii. [Employee 3's] Knowledge of the Auditor General's IPA Related Findings

Until July 29, 2010, [employee 3] stated that his conversations with Director Pruitt related primarily to substantive energy and procurement issues and did not include any IPA administrative issues. According to [redacted], it was on July 29, 2010, that he first learned that the IPA had been audited, had audit compliance issues, and that Director Pruitt was testifying before the Legislative Audit Commission. According to [employee 3], Director Pruitt never informed him of the audit, its findings, or that IPA needed administrative assistance.¹³

According to [employee 3], after Mr. Pruitt's July 29, 2010 Legislative Audit Commission testimony, he set up meetings with Mr. Pruitt and representatives from the Illinois Department of Central Management Services and GOMB. [Employee 3] indicated that the Office of the Governor also contracted legal counsel for IPA so that IPA could address the Auditor General's findings. In addition, [employee 3] indicated that he and others associated with the Office of the Governor began assisting the IPA in addressing the identified Auditor General's FYs 2008 & 2009 report deficiencies.

After the Auditor General's FYs 2008 & 2009 report, [employee 3] knew that the IPA would undergo a follow-up audit, but said he only learned after-the-fact that Mr. Pruitt did not personally attend the exit conference for that second audit.

4. Interview of [employee 2]

On July 26, 2011, investigators interviewed [employee 2].

i. The Role of GOMB in Hiring Chief Financial Officers at Other Agencies of the Governor

According to [employee 2], because GOMB is "an arm" of the Office of the Governor, GOMB staff are often given resumes and asked to interview persons on behalf of others. One of the functions that GOMB staff performs relates to filling chief financial officer and budgetary

¹³ [Employee 3] indicated that despite the public nature of the information, he does not monitor audits of the agencies that he is overseeing; indeed, he only learns that an audit is occurring when a director or other agency contact informs him of the audit.

staff positions at State agencies. [Employee 2] stated that while agency employees do the actual hiring, the GOMB Director prefers to meet and approve of CFO candidates, and these hires are seldom made without his approval.

[Employee 2] stated that in conducting these interviews, she is not required to evaluate a candidate's financial or budgetary qualifications for any position. Accordingly, [employee 2] only seeks to determine whether the candidate is good to work with, answers questions well, and presents well.

ii. General Chief Financial Officer Qualifications

[Employee 2] estimated that there are approximately 40 agencies under the jurisdiction of the Illinois Governor, and the role of an agency chief financial officer is to provide guidance and direction on fiscal matters. According to [employee 2], the larger the agency, the more the chief financial officer will have an oversight role; conversely, the smaller the agency, the more the chief financial officer will need to take a "hands on" approach. [Employee 2] agreed that because of the lack of support staff, in a smaller agency, a chief financial officer may need a broader skill set than in a larger agency.

[Employee 2] said that a State agency chief financial officer would likely need, at minimum, the educational training gained from acquiring a bachelor's degree, unless the person otherwise had a significant level of professional experience to compensate for the lack of a degree. [Employee 2] did not believe that someone with only a high school diploma would be qualified to serve as a State agency chief financial officer.

iii. Experience with Kristene Callanta

[Employee 2] said she met Ms. Callanta after Mr. Weems provided her a copy of Ms. Callanta's resume and indicated that Ms. Callanta might be good in a budgetary role based on their previous experience working together. [Employee 2] said she called Ms. Callanta in for an interview and noted that it was not unusual for Mr. Weems to present her with a resume. [Employee 2] stated that Mr. Weems is a person who "takes great pride in himself, and if he vouches for a person, it's a strong recommendation."

It was [employee 2's] understanding that she was not interviewing Ms. Callanta for a position with GOMB, rather for some budgetary role elsewhere, so the interview was informal. [Employee 2] said she reported back to Mr. Weems that she liked Ms. Callanta. [Employee 2] said she did not ask Ms. Callanta specific questions relating to the duties of any particular position and was unable to recall Ms. Callanta's educational background. [Employee 2] also said that she did not feel pressure to find Ms. Callanta a State position.

When asked for an assessment of Ms. Callanta as IPA CFO, [employee 2] stated that she did not think the title CFO was "a good fit" for Ms. Callanta, because Ms. Callanta did not have the background commensurate with that title.

5. Interview of Malcolm Weems

On August 24 and October 28, 2011, the OEIG interviewed Illinois Department of Central Management Services Acting Director Malcolm Weems. Mr. Weems stated that when he was Associate Director at GOMB, he knew that an agency receiving State funding was typically responsible for doing its own day-to-day accounting, and GOMB merely performed a high-level oversight function. Therefore, because IPA was a self-funded agency, GOMB staff did not initially have responsibility over ensuring that the IPA was meeting its financial objectives. In fact, GOMB staff stepped in only after it became clear that the IPA had negative Auditor General findings and had accounting irregularities.

i. GOMB's Role in the Hiring of Ms. Callanta

Mr. Weems said he did recall the IPA's hiring of Ms. Callanta and his recommendation of her to the IPA. He stated that it was not unusual for GOMB staff to make recommendations of candidates for *Rutan*-exempt positions,¹⁴ especially fiscal positions, because GOMB staff must often have a working relationship with these persons. Mr. Weems estimated that in his four years with GOMB, he recommended six candidates for interviews, one of which was Ms. Callanta.

Mr. Weems acknowledged that when GOMB presents a candidate to an agency for consideration, GOMB is implicitly recommending the candidate for the job. However, Mr. Weems stated that it was the responsibility of an agency director – in the IPA's case, Mr. Pruitt – to determine if a candidate is qualified for a particular position. Mr. Weems said he has never required an agency to hire a particular person, including Ms. Callanta, and with regard to the IPA, only Mr. Pruitt had the authority to make IPA hiring decisions.

Mr. Weems said he did not personally interview Ms. Callanta; rather, [employee 1] and [employee 2] did. According to Mr. Weems, both [employee 1] and [employee 2] concluded that Ms. Callanta was qualified for fiscal-related work at a small agency, and that is why he presented her to Mr. Pruitt for an interview.

In addition to interviewing candidates, GOMB staff also approves all budget expenditures related to agency staff hiring and someone at GOMB must also sign off on every staff hire in an agency. Mr. Weems stated that GOMB approval is indicated on an electronic form called the State of Illinois electronic personnel action request ("e-PAR"). Mr. Weems confirmed that he approved Ms. Callanta's e-PAR on September 30, 2010.

ii. Mr. Weems's Previous Working Relationship with Ms. Callanta

Mr. Weems said he knew Ms. Callanta from having worked with her at a gym franchise where he had served as Controller until 2000. Although he did not supervise her, he knew that she began as a receptionist, but later assumed contract collections/accounts receivable responsibilities. Mr. Weems lost contact with Ms. Callanta after he left that employment.

¹⁴ See *Rutan v. Ill. Republican Party*, 497 U.S. 62 (1990) (prohibiting the "conditioning [of government] hiring decisions on [a candidate's] political belief and association" absent the showing that there is "a vital interest in doing so").

In 2009, Mr. Weems said he ran into Ms. Callanta and recalled that she had been doing accounting work for a financial group in Chicago, but was looking for advancement. In July or August 2010, Mr. Weems said he was approached by [employee 3] and Mr. Pruitt about the need to fill an accounting position at the IPA. After being approached about the IPA position, Mr. Weems said he thought of Ms. Callanta and subsequently arranged for her to be interviewed by GOMB staff in August or September 2010.¹⁵

iii. Mr. Weems's Knowledge of Ms. Callanta's Qualifications

Mr. Weems stated that he believed Ms. Callanta could be an effective IPA CFO because she could perform all the functions listed on the "Short Description" of the CFO position in the e-PAR. Mr. Weems also said he did not believe a college degree was necessary for the IPA CFO position nor did he think familiarity with GAAP was necessary because GAAP could be learned "fairly easily" by anyone, including Ms. Callanta.

Mr. Weems stated that as a result of a July 29, 2010 legislative hearing and the Auditor General's reports, he knew IPA was having problems completing fiscal documentation, managing finances, and hiring personnel. Thus, according to Mr. Weems, the IPA needed someone who could respond to requests for financial information, and he recommended Ms. Callanta because he felt she could do the job.

6. Interview of GOMB Associate Director [employee 1]

On July 22, 2011, investigators interviewed [employee 1].

i. Experience with Kristene Callanta

[Employee 1] recalled that in the summer of 2010 she was looking to fill an accountant position at GOMB. Mr. Weems had asked that she speak with Ms. Callanta. [Employee 1] was unaware that Ms. Callanta was being considered for a chief financial officer position when she interviewed her.

[Employee 1] stated that she knew from looking at Ms. Callanta's resume that she would not be a good fit at GOMB because Ms. Callanta did not have an understanding of GAAP, did not have an undergraduate degree, and could not function in the accounting capacity needed at GOMB. [Employee 1] stated that after the interview, she informed Mr. Weems that Ms. Callanta would not be a good fit for GOMB.

In response to questions about Ms. Callanta's skills, [employee 1] stated that Ms. Callanta was "a good organizer and can put records together." [Employee 1] added that she

¹⁵ Mr. Weems acknowledged that after he ran into her in 2009, Ms. Callanta began helping him on his now abandoned campaign for the Cook County Board. She attended a campaign-launch party and volunteered for field work. Mr. Weems denied that he rewarded Ms. Callanta's assistance with his political campaign with State employment, but he admitted that Ms. Callanta may have believed that her assistance would ultimately help her get a job when she volunteered.

believed Ms. Callanta could do general accounting work based on the work history listed on her resume. [Employee 1] also stated that she was familiar with the Auditor General's report related to the IPA and stated that as the IPA needed someone to put records in order, Ms. Callanta was a good fit for the Agency.

ii. Role in the Auditor General's Audit of the IPA

After the Auditor General's first FYs 2008 & 2009 report was released, [employee 1] and a group of GOMB employees were tasked with locating financial data for submission to the Auditor General's office. [Employee 1] stated that there was no formal action plan for correcting the Auditor General's findings regarding the IPA, but discussions did take place where strategies were conceived to assist the IPA. [Employee 1] recalled recommending that the IPA contract with a private auditing firm to help get the Agency's financials in order.

Finally, [employee 1] added the observation that she thought while Mr. Pruitt does a good job at getting good prices for energy, he is not good at administration.

IV. ANALYSIS

This investigation revealed that Mr. Pruitt:

- (1) failed to follow up on Auditor General issues;
- (2) wasted State resources by:
 - (a) outsourcing procurement activities, and
 - (b) hiring unqualified staff;
- (3) violated portions of the IPA Act;
- (4) failed to ensure the IPA's sole employee fully complied with required ethics training;
and
- (5) lacked the ability to serve as IPA administrator.

In addition, although he was no longer required to cooperate with the OEIG once he left State employment, Mr. Pruitt's refusal to meet with investigators after November 2011 leaves a substantial number of questions unanswered. Finally, the OEIG found that Ms. Callanta violated the Ethics Act, as set forth below.

A. Mr. Pruitt Failed to Follow Up on Auditor General Findings and Recommendations

The Illinois Fiscal Control and Internal Auditing Act states: "It is the policy of this State that the chief executive officer of every State agency is responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control." 30 ILCS 10/1002. It further states, in pertinent part:

All State agencies shall establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that:

- (1) resources are utilized efficiently, effectively, and in compliance with applicable law;
- * * *
- (3) funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation.

30 ILCS 10/3001.

In the FYs 2008 & 2009 and the FY 2010 audit reports, the Auditor General identified several failings (findings) by the IPA. In fact, many of the findings identified in the FY 2010 audit report were repeat findings; in other words, many major issues, including violations of State law, had not been resolved a year after they were first identified. Staff from the Office of the Governor acknowledged being aware of and assisting Mr. Pruitt with trying to resolve these issues during FY 2010, but even with that additional support, serious issues at the IPA remained.

Mr. Pruitt served as the Agency's Director during the majority of the time the OEIG was conducting its investigation. The OEIG had every intention of exploring the failures described

above with Mr. Pruitt, in an effort to learn what if any action he took to resolve them. However, because the OEIG was unable to question Mr. Pruitt after November 2011, it remains unclear what action, if any, he took to address the findings identified in the Auditor General's reports.

Therefore, based on the information available, the OEIG concludes that the allegation that Mr. Pruitt violated the Illinois Fiscal Control and Internal Auditing Act by failing to follow up on the issues identified in the Auditor General reports is **FOUNDED**.

B. Mr. Pruitt Wasted State Resources

1. Mr. Pruitt Wasted State Resources by Outsourcing Procurement Activities to Companies that Billed at Premium Rates

Again, the Illinois Fiscal Control and Internal Auditing Act obligates an agency director to utilize State resources efficiently, effectively, and in a manner that ensures those resources are not wasted, lost, used improperly, or misappropriated. Despite being instructed over the course of years both publicly (in legislative hearings and public Auditor General reports) and privately (by Office of the Governor staff) that he needed to hire staff to assist the IPA, and despite the statutory requirements that he establish bureaus, Mr. Pruitt neglected to do so. In fact, it was not until January 11, 2011, several years into the Agency's creation, that Mr. Pruitt even hired the Agency's second employee.

The investigation revealed that rather than "establish a Planning and Procurement Bureau and a Resource Development Bureau" to undertake procurement functions for the IPA, 20 ILCS 3855/1-70(b), Mr. Pruitt contracted with outside vendors to provide procurement services – the very functions that the IPA was created to perform. Even though the IPA designated that bureau chiefs would receive about \$85,000 per year, a bureau chief was never hired. Rather, Mr. Pruitt contracted with two vendors to manage the IPA's procurement activities at an estimated *monthly* cost of between \$82,128 and \$212,556. Moreover, the work performed by these vendors at times was comprised of only a few days of work per month. In any event, the OEIG could not determine whether the amounts charged were excessive for the time worked because of its inability to interview Mr. Pruitt after November 2011 regarding this topic.

Accordingly, the OEIG concludes that the allegation is **FOUNDED** that, in violation of the Illinois Fiscal Control and Internal Auditing Act, by overspending on procurement activities, Mr. Pruitt wasted State resources in an inefficient and ineffective manner, and failed to ensure that State "funds, property, and other assets and resources [were] safeguarded against waste, loss, unauthorized use, and misappropriation."

2. Mr. Pruitt Wasted State Resources by Hiring Unqualified Staff

Mr. Pruitt also wasted State resources by hiring unqualified staff. Mr. Pruitt's decision to hire a chief financial officer whose resume notes a history in work related to bookkeeping and accounting, rather than work more appropriately associated with that of an agency chief financial officer, is very perplexing.

Specifically, Mr. Pruitt's decision to hire a chief financial officer who lacked any degree of higher education, possessed only limited secondary education, and only an introductory accounting background, was not a good use of State resources. More importantly, Ms. Callanta herself admitted that she was unfamiliar with accounting laws and regulations which would be applied by a chief financial officer, and did not believe she was qualified to hold the title of CFO.

In addition to the above information, Ms. Callanta acknowledged that she:

- was not completely familiar with the laws and policies that govern the IPA;
- never requested IPA bank records, tax records, or any other financial documents other than what was given to her by Mr. Pruitt at the start of her employment; and
- was not provided access to all of the contracts and financial documents required to ensure the IPA's compliance with its reporting obligations.

[Employee 2], who interviewed Ms. Callanta, stated that she did not believe that someone with only a high school diploma would be qualified to serve as a State agency chief financial officer. Moreover, [employee 1], who was asked by Mr. Weems to interview Ms. Callanta, indicated that after she interviewed Ms. Callanta, she did not think she was qualified for a GOMB position. According to [employee 1], because Ms. Callanta did not have an understanding of GAAP, and did not have an undergraduate degree, she did not think Ms. Callanta could function in the accounting capacity GOMB needed.

Mr. Pruitt was responsible as Director to protect State resources by hiring individuals who were qualified for their positions. Despite the fact that Mr. Weems believed Ms. Callanta could perform the functions listed on the CFO e-PAR, the OEIG concludes that Ms. Callanta was not qualified to serve as IPA CFO. Accordingly, the OEIG concludes that the allegation is **FOUNDED** that in violation of the Illinois Fiscal Control and Internal Auditing Act, Mr. Pruitt wasted State resources by hiring unqualified personnel.

C. Mr. Pruitt Violated Portions of the IPA Act

The IPA Act mandates that the Agency accomplish a number of objectives, including keeping the government oversight bodies apprised of its activities, 20 ILCS 3855/1-125(10), implementing necessary rules and policies, *id.* at 3855/1-35, establishing bureaus, *id.* at 3855/1-70(b), and conducting minority outreach, *id.* at 3855/127. These activities were not done under Mr. Pruitt's leadership at the IPA, and consequently, for over four years and presumably to this day, the IPA operated in violation of its own Act.

Specifically, as to the annual reporting requirement, while the IPA's records reveal that annual reports were internally created at the Agency, the OEIG could not find evidence to support that "[b]asic financial and operating information specifically detailed for the reporting year" was ever provided to the Governor and the General Assembly as required by the Act. Nor were "necessary and appropriate" administrative rules "relevant to the operation of the Agency" ever enacted, including internal policies related to the Agency's operations and employee timekeeping. When asked to produce documentation of internal agency policies, Mr. Pruitt stated that no internal agency policies or formal procedures had ever been implemented due to

the Agency's lack of a general counsel. Again, since November 2011, investigators have been unable to ask Mr. Pruitt about why these rules and policies were not implemented, especially in light of the facts that the Law Firm served as the IPA's general counsel, the Law Firm invoiced the IPA for work related to the creation of administrative rules, and Mr. Pruitt produced to the OEIG draft administrative rules.

Further, the primary purpose of the IPA is to secure adequate, reliable, affordable, efficient, and environmentally sustainable electric service for the people of Illinois at the lowest total cost over time. The Agency was created to undertake that purpose through procurement activities, and for that purpose, the IPA Act obligates the IPA to "establish a Planning and Procurement Bureau and a Resource Development Bureau," each with a bureau chief reporting to the Director. Since the IPA's inception in 2007, neither of these bureaus has been implemented, nor any bureau chiefs hired.

The IPA Act mandates that the Director or designee conduct outreach to businesses owned by minority, female, and disabled persons, including "advertisements in periodicals and newspapers, mailings, and other appropriate media." The OEIG was unable to uncover any evidence that this mandatory outreach was ever conducted. Absent any evidence to the contrary, the OEIG renders these findings based on the written documentation and records gathered from the Agency, which do not indicate that outreach was ever undertaken.

Based on the information gathered by the OEIG, the allegation that Mr. Pruitt failed to comply with the IPA Act by failing to keep the government oversight bodies apprised of the IPA's activities, failing to implement necessary rules and policies, failing to establish procurement bureaus, and failing to conduct minority outreach is **FOUNDED**.

D. Ms. Callanta Did Not Fully Comply with the Ethics Act's Training Requirements

While the IPA training records indicated that two IPA employees completed ethics training in 2011, Ms. Callanta stated that she did not complete training within 30 days of the commencement of her employment. State law, however, required her to do so. *See* 5 ILCS 430/5-10. According to Ms. Callanta, Mr. Pruitt told her that she did not have to complete the training until the end of 2011. Mr. Pruitt's direction to Ms. Callanta was improper, and Ms. Callanta's failure to comply with the Ethics Act's training requirement was also improper. Therefore, the OEIG concludes that the allegation that Ms. Callanta did not fully comply with the Ethics Act's training requirements is **FOUNDED**.

E. Mr. Pruitt Lacked the Ability to Serve as IPA Administrator

Again, "[i]t is the policy of this State that the chief executive officer of every State agency is responsible for effectively and efficiently managing the agency and establishing and maintaining an effective system of internal control." 30 ILCS 10/1002.

During the course of this investigation, it became readily apparent that regardless of any specialized knowledge of energy procurement or particular understanding of the operation of the

energy industry that Mr. Pruitt may possess, he failed in several respects to exhibit qualities of a good administrator, including:

- (1) failing to follow up with issues identified in Auditor General reports;
- (2) wasting State resources by not hiring necessary staff and hiring unqualified staff;
- (3) failing to comply with the IPA's own governing statute; and
- (4) failing to ensure the IPA's staff complied with the ethics training requirements of the Ethics Act.

By his actions and inactions, Mr. Pruitt also demonstrated that he was not in compliance with two of the statutorily mandated requirements to fulfill the IPA Director position – he failed to exhibit “general knowledge of the responsibilities of being a director” and exercise “managerial experience.” 20 ILCS 5/5-222.¹⁶

Regardless of Mr. Pruitt's industry knowledge, more is required of a State agency chief administrator. The allegation that Mr. Pruitt lacked the ability to serve as the IPA's administrator is **FOUNDED**.

V. CONCLUSIONS

Based on the evidence in this report and its statutory authority to investigate fraud, waste, abuse, mismanagement, misconduct, nonfeasance, misfeasance, malfeasance, or violations of the Ethics Act or other related laws and rules, the OEIG issues the following findings:

- **FOUNDED** – Mr. Pruitt violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001, when he failed to follow up on the issues identified in the Auditor General reports.
- **FOUNDED** – Mr. Pruitt violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001, when he wasted State resources by outsourcing procurement activities.
- **FOUNDED** – Mr. Pruitt violated the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001, when he hired unqualified personnel.
- **FOUNDED** – Mr. Pruitt failed to comply with the IPA Act, 20 ILCS 3855/1-35, when he failed to keep the government oversight bodies apprised of the IPA's activities, failed to implement necessary rules and policies, failed to establish procurement bureaus, and failed to conduct minority outreach.
- **FOUNDED** – Ms. Callanta violated the State Officials and Employees Ethics Act, 5 ILCS 430/5-10, when she did not fully comply with ethics training requirements.

¹⁶ Mr. Pruitt meets two of the requirements to hold the Director position. He possesses a specialized advanced degree and has 15 years of experience in the electric industry, electricity policy or electricity markets. See 20 ILCS 5/5-222.

- **FOUNDED** – Mr. Pruitt lacked the ability to serve as the IPA’s administrator in violation of the public policy set forth in the Illinois Fiscal Control and Internal Auditing Act, 30 ILCS 10/1002.

Because Mr. Pruitt is no longer a State employee, the OEIG recommends that a copy of this Final Report be placed in Mr. Pruitt’s centralized State personnel file and that he not be rehired by the State in a position with comparable responsibilities to that of the IPA Director.

The OEIG also recommends that the Office of the Governor, the EEC, and the Illinois Power Agency ensure that issues identified in this Report are promptly and adequately resolved.

The OEIG will not refer Ms. Callanta’s failure to fully comply with the Ethics Act ethics training requirement to the Illinois Attorney General for a reasonable cause determination.

No further investigative action is needed and this case is considered closed.

Statement of Mark Pruitt

I wholeheartedly reject the characterization of my tenure as Director of the Illinois Power Agency ("IPA") as found in the IOEIG Final Report 11-00517 ("Report") because it grossly misleads the public by equating administrative imperfection with wrongdoing while ignoring the agency's record of successfully implementing its core mandate.

Under 20 ILCS 3855, the IPA's mission is to secure "adequate, reliable, affordable, efficient, and environmentally sustainable electric service for the people at the lowest total cost over time." During my first three years as agency director, the IPA procured reliable electric service for approximately 5 million Illinois electric consumers while saving ratepayers roughly 30%, or \$1.64 billion, as detailed in the FY 2011 IPA Annual Report.

When I arrived in April 2008, the agency had a critical mission and a mandate to develop its first billion dollar energy procurement plan within 120 days. There were no staff, no manuals, no organizational chart, no records, no accounts, no plans, no legal counsel and no institutional memory upon which to rely.

Despite these impediments, the agency successfully managed seventeen fair and transparent wholesale power procurement events that reduced costs and secured more than \$5.5 billion of power across 176 contracts with 59 providers without a single challenge from bidders, regulators, utilities or consumer advocates.

This Report castigates the IPA for following the law and instead advocates a course of action that would have been contrary to the agency's mission and State law. The Illinois Power Agency Act, 20 ILCS 3855/1-75(a)(2), instructs the IPA to engage specifically qualified procurement administrators to assist the IPA in managing electricity procurement events, directly contradicting the Report's finding that a State Purchasing Officer should have been used for this purpose. The procurement administrators were engaged through a public and competitive bidding process supervised by the Executive Ethics Commission^① and continue their work for the IPA to this day.

It is hard to understand how obeying the law could be deemed a 'waste of resources' and a finding of personal wrongdoing. Following the OEIG's directive to use State Purchasing Officers, who are accustomed to buying physical assets and not electricity for millions of Illinois residents, would have been reckless, contrary to the IPA's mission to serve Illinois ratepayers and contrary to current law.

In an unprecedented action, this Report deems findings of the Auditor General, and the alleged failure to pursue them, to be findings of wrongdoing against an individual. These findings are entirely inappropriate because Auditor General findings occur regularly within state government for reasons often unrelated to the efforts, intentions and conduct of agency directors. It is of note that Auditor General findings have even been made against the agencies that conducted and issued this report.

① The EEC notes that it does not supervise the competitive bidding process.

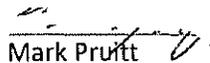
Equating agency administrative imperfections with individual impropriety sets a dangerous precedent, suggesting that all agency Auditor General findings warrant OEIG findings against individuals and that hiring decisions, even absent fraud or malfeasance, are now subject to OEIG approval. In effect, this Report sets the standard that all past, current and future Auditor General findings require investigation by the OEIG and issuance of a public report.

In another curious finding, the OEIG characterized the hiring of the only other IPA employee as a 'waste of resources' while failing to recommend termination of this individual. She continues to be employed by the IPA to this day.

Finally, despite no finding or even suggestion by the Auditor General and OEIG that the IPA failed to achieve its primary goals and mandates during my tenure, the OEIG somehow found, based solely on an alleged failure to satisfy bureaucratic mandates, that I lacked the ability to serve as IPA Director. Given the successful procurements of electricity for five million Illinois residents and \$1.64 billion the agency saved ratepayers during my tenure, this finding is particularly absurd.

Despite this misleading report, it was a tremendous honor to be appointed and to serve as Illinois' first Director of the Illinois Power Agency and I am enormously proud of what the agency accomplished for Illinois ratepayers.

Submitted August 1, 2012 by:


Mark Pruitt



**Office of Executive Inspector General
for the Agencies of the Illinois Governor**
www.inspectorgeneral.illinois.gov

OEIG RESPONSE FORM

Case Number: 11-00517

**Due Within 20 Days of Receipt of
Report**

Please check the box that applies.

- We have implemented all of the OEIG recommendations.
(Provide details regarding action taken.)

- We will implement all of the OEIG recommendations but will require additional time.
We will report to OEIG within 30 days from the original return date.
(Provide details regarding action planned / taken.)

*Please see attached "Supplement to IPA Response Regarding Case Number
11-00517"*

(over)

We are implementing one or more of the OEIG recommendations, however, we plan to depart from other OEIG recommendations.

(Provide details regarding action planned / taken and any alternate plan(s).)

We do not wish to implement any of the OEIG recommendations.

(Explain in detail why and provide details of any alternate plan(s).)

Signature

ARLENE A. JURACEK

Print Name

ACTING
DIRECTOR, ILLINOIS POWER AGENCY

Print Agency and Job Title

04/07/12

Date

SUPPLEMENT TO IPA RESPONSE REGARDING CASE NUMBER 11-00517

The Illinois Power Agency ("IPA") thanks the Office of Executive Inspector General ("OEIG") for its Final Report and its findings and recommendations. Compliance is a priority for the IPA and the IPA is taking concrete steps to address the recommendations presented by OEIG that are within the IPA's purview. However, because some of the recommendations require structural and longer-term changes, the IPA respectfully notes that it requires additional time to fully implement all recommendations. The IPA will report back to OEIG no later than 30 days after the post date of this response (April 4, 2012) in a form acceptable to OEIG.

In its review of the Final Report of Case No. 11-00517, IPA has identified the following recommendations and is taking the steps detailed below to implement the recommendations, as applicable.

- **RECOMMENDATION 1: Placement of Final Report in Mark Pruitt's centralized State personnel file and that Mr. Pruitt not be rehired in a position with comparable responsibilities.** The IPA takes no position on this recommendation, because it does not involve actions within the jurisdiction of the IPA.
- **RECOMMENDATION 2: Office of the Governor, the Executive Ethics Commission, and IPA ensure that issues identified in the Report are promptly and adequately resolved.** The IPA first notes that effective October 26, 2011, the IPA is no longer an Agency within the Office of the Governor (*see* Public Act 97-0618). The IPA agrees to continue to work with the Executive Ethics Commission, the Auditor General, and other governmental agencies and outside consultants as appropriate. The IPA is continuing to make progress on issues identified in the Final Report and by the Auditor General.

The IPA further states that it is committed to resolving audit findings from past Auditor General reports, which overlap with significant portion of the findings in Case No. 11-00517.

Please do not hesitate to contact the IPA about this or any other matter.



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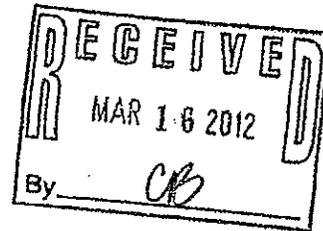
PAT QUINN
GOVERNOR

CONFIDENTIAL

VIA U.S. MAIL AND E-MAIL

March 13, 2012

Mr. Ricardo Meza
Executive Assistant to the Executive Inspector General
Office of the Executive Inspector General
32 W. Randolph Street, Suite 1900
Chicago, IL 60601



Re: Response to Final Report in OEIG Case No. 11-00517

Dear Mr. Meza:

Enclosed is the response of the Office of the Governor ("OOG") to the Office of the Executive Inspector General's ("OEIG") Final Report in Case No. 11-00517.

Please let us know if you have any questions or if we can provide any additional information.

Sincerely,

John F. Schoenberg
General Counsel

Enclosures

cc: Jack Lavin, Chief of Staff, OOG (via email, w/encl.)
Erin Bonales, Deputy Inspector General, OEIG (via email, w/encl.)
MaryNic Foster, Chair, EEC (via email, w/encl.)
Chad Fornoff, Executive Director, EEC (via email, w/encl.)



OFFICE OF EXECUTIVE INSPECTOR GENERAL
for the Agency of the Illinois Government
Re: as to which Executive Inspector General's www.inspectorgeneral.illinois.gov

OEIG RESPONSE FORM

Case Number: 11-00517

Due 20 Days after Receipt of Report

Please check the box that applies.

- We have implemented all of the OEIG recommendations:
(Provide details regarding action taken.)
See attached.

- We are implementing the OEIG recommendations however, we seek to deviate as follows:

(Provide details regarding action planned / taken and proposed alternate(s).)

Not applicable. See attached.

- We do not wish to implement any of the OEIG recommendations and seek to deviate as follows:

(Explain why and provide details of alternate plan.)

Signature

John Schomberg

Print Name

Office of the Governor, General Counsel

Print Agency and Job Title

3/13/12

Date

Return to Sherry Bult, Office of Executive Inspector General, 32 W. Randolph St.
Chicago, Illinois 60601

ADDENDUM TO OEIG RESPONSE FORM IN CASE NO. 11-00517

The Office of the Governor (OOG) has the following response, implementing, as applicable, the OEIG's recommendations to address the issues identified in the OEIG's Final Report in Case No. 11-00517:

1. OEIG Recommendation: For the State of Illinois to place Final OEIG Report 11-00517 in Mr. Mark Pruitt's centralized State personnel file.

OOG Response: The Office of the Governor agrees to place Final OEIG Report 11-00517 in Mr. Pruitt's State personnel file, subject to any redactions made in the published report by the EEC.

2. OEIG Recommendation: For Mr. Pruitt to not be rehired by the State in a position with comparable responsibilities to that of the IPA Director.

OOG Response: The Office of the Governor agrees to implement recommendation #2, to the extent such hiring is within the control of the Office of the Governor.

3. OEIG Recommendation: That the Office of the Governor, the EEC, and the Illinois Power Agency ensure that issues identified in this report are promptly and adequately resolved.

OOG Response: Pursuant to Public Act 97-0618, effective October 26, 2011, the Illinois Power Agency is now under the authority and oversight of the Executive Ethics Commission (EEC). As it no longer has oversight over the IPA, the Office of the Governor defers to the EEC and the IPA regarding resolution of any issues relating to the IPA, going forward.

If you have any questions, please feel free to call Office of the Governor General Counsel John Schomberg, at (



EXECUTIVE ETHICS COMMISSION

401 S. Spring Street
513 Wm. Stratton Bldg.
Springfield, IL 62706

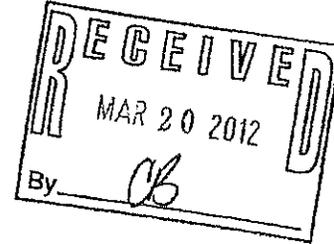
STATE OF ILLINOIS

Area Code: 217
Phone: 558-1393
Fax: 558-1399

March 15, 2012

Mr. Ricardo Meza
Executive Inspector General—Agencies of the Governor
32 W. Randolph, Suite 1900
Chicago, Illinois 60601

Re: 11-IG-517



Dear Ric,

The Commission received your letter of February 27, 2012 concerning the above-mentioned investigation.

The Commission directed me to consult representatives of the Office of the Attorney General concerning your suggestion that the Commission might have the appearance of a conflict of interest and that the Attorney General should select an alternative tribunal to determine whether the report should be published.

That consultation has resulted in the following conclusions concerning your suggestions:

1. There is no real or apparent conflict for the EEC to make the release decision.
2. There is no provision for an alternative body to resolve this.
3. The EEC is neither the ultimate jurisdictional authority nor agency head, so any response to your investigative report should come from the Office of the Governor.

We appreciate your interest in the Pruitt matter, and look forward to giving your report (and ultimate agency response) the careful consideration they deserve.

Very truly yours,

Chad D. Fornoff
Executive Director

cc: Brent Stratton
John Schomberg



FOLLOW-UP TO IPA RESPONSE REGARDING CASE NUMBER 11-00517

May 1, 2012

The Illinois Power Agency ("IPA") once again thanks the Office of Executive Inspector General ("OEIG") for its Final Report and its findings and recommendations. On April 4, 2012, the IPA provided OEIG with a Response Regarding Case Number 11-00517, which requested 30 days of time for additional responses. The IPA notes that significant progress has been made since the time period covered by the OEIG report, but recognizes the significant areas of improvement that are still needed.

In light of the issues identified by the OEIG report and – as noted in the IPA's Response – the significant overlap with the findings in the IPA's 2010 audit, the IPA has attached its response to the 2010 audit findings. This response has been provided to the Auditor General as part of the recently-opened FY11 audit of the IPA. The IPA would be happy to discuss or further explain the basis for any of the responses to the audit findings.

The IPA reiterates that it is committed to resolving audit findings from Auditor General reports, which overlap with significant portion of the findings in Case No. 11-00517. The IPA further commits to continuing to work with the Auditor General, the Executive Ethics Commission, and (as necessary and appropriate) outside consultants to continuously improve toward full compliance.

Please do not hesitate to contact the IPA about this or any other matter.

Sincerely,

Arlene A. Juracek
Acting Director, Illinois Power Agency

Attachment: IPA Response to Audit Findings

FY2010 Audit Finding Status

Finding Number	Finding Name	Status as of 6/30/11	Status as of 4/23/12	Expected Status as of 6/30/12
10-1	Lack of Financial Information	Partially Resolved	Resolved	Resolved
10-2	Failure to Follow the Requirements of the Statewide Accounting Management System and Financial Reporting Process	Partially Resolved	Partially Resolved	Resolved
10-3	Failure to Provide Requested Engagement Documentation to the Auditors	Resolved	Resolved	Resolved
10-4	Lack of Appropriate Internal Controls	Partially Resolved	Partially Resolved	Resolved
10-5	Lack of Formal Budgeting Process	Resolved	Resolved	Resolved
10-6	State Funds Improperly Held Outside the State Treasury	Resolved	Resolved	Resolved
10-7	Failure to Maintain an Aged Listing of Accounts Receivable	Resolved	Resolved	Resolved
10-8	Consulting Procurement Plan Contract Term in Violation of State Statute	Resolved	Resolved	Resolved
10-9	Approval of Payment for Services Performed Outside the Contract Terms	Resolved	Resolved	Resolved
10-10	Inadequate Fees Assessment	Not Resolved	Partially Resolved	Partially Resolved
10-11	Formal Agency Rules Not Adopted	Not Resolved	Partially Resolved	Partially Resolved
10-12	Establishment of Required Bureaus and Lack of Adequate Staffing	Resolved	Resolved	Resolved
10-13	Untimely Submission of Vouchers	Partially Resolved	Partially Resolved	Partially Resolved
10-14	Failure to Develop Procedures Related to Uncollectible Receivables	Resolved	Resolved	Resolved
10-15	Lack of Procedures to Perform Monthly Reconciliations between Agency Records and the Comptroller's Records	Partially Resolved	Resolved	Resolved
10-16	Failure to Adopt Rules Related to Fees and Charges and Agency is Authorized to Collect and Deposit	Resolved	Resolved	Resolved
10-17	Late Filing of Contract Documents	Not Resolved	Not Resolved	Not Resolved
10-18	Rules for Development of Prequalified Supplier Lists	Partially Resolved	Resolved	Resolved
		Not Resolved	Not Resolved	Not Resolved
		Resolved	Resolved	Resolved

FY2010 Audit Finding Status

Finding Number	Finding Name	Status as of 6/30/11	Status as of 4/23/12	Expected Status as of 6/30/12
10-19	Plan for Post-Performance Review	Not Resolved	Not Resolved	Not Resolved
10-20	Failure to Post Requests for Proposal and Notice of Awarded Contracts	Resolved	Resolved	Resolved
10-21	Contract Terms were Inconsistent with the Terms of the Contract Obligation Document	Resolved	Resolved	Resolved
10-22	Failure to Conduct Outreach to Minority Owned Businesses, Female Owned Businesses and Businesses Owned By Persons with Disabilities	Partially Resolved	Partially Resolved	Resolved
10-23	Inadequate Controls Over Solicitations	Resolved	Resolved	Resolved
10-24	Inadequate Controls over Vendor Evaluations	Resolved	Resolved	Resolved
10-25	Lack of Third Party Agreements	Partially Resolved	Partially Resolved	Partially Resolved
10-26	Failure to Submit Reports	Partially Resolved	Partially Resolved	Partially Resolved
10-27	Failure to Make Procurement Plan Public	Resolved	Resolved	Resolved
10-28	Agency Did Not Have Basic Office Equipment	Resolved	Resolved	Resolved
10-29	Excessive Phone Charges	Resolved	Resolved	Resolved
10-30	Improper Timekeeping Practices	Resolved	Resolved	Resolved
10-31	The Illinois Power Agency Failed to Use the Correct Mileage Reimbursement Rate	Resolved	Resolved	Resolved
10-32	Failure to Develop Procedures for Employee Vehicle Usage	Partially Resolved	Partially Resolved	Resolved
10-33	Failure to Adopt a Formal Policy for Telephone Usage	Partially Resolved	Partially Resolved	Resolved
10-34	Failure to Provide a Telecommunication Device for the Hearing or Speech Impaired	Resolved	Resolved	Resolved
10-35	Failure to Adopt a Record Retention Policy	Not Resolved	Not Resolved	Not Resolved
		Resolved	Resolved	Resolved

FY2010 Audit Finding Status

10-1 Lack of Financial Information

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Beginning in July 2010, Central Management Services (CMS) assisted the Agency by preparing and submitting the FY2009 and FY2010 GAAP packages and financial statements. In December 2010, the Agency entered into an interagency agreement with the Administrative and Regulatory Shared Services Center, which assisted the Agency with various accounting functions, including transactional processing, reconciliation procedures, and GAAP package and financial statement preparation. In September 2011, the Agency procured a consulting firm to create an auditable set of complete financial records for IPA for fiscal years 2008 through 2011. This work was completed in March 2012. In addition to compiling the Agency's accounting records, the firm assisted the agency in compiling financial statements for fiscal years 2008 through 2011, and in reconciling the financial statements to Agency accounting records and the GAAP Packages submitted to the Illinois Office of the Comptroller. The Agency implemented QuickBooks Pro 2011 accounting software in January 2012 to serve as the Agency's general ledger and assist with year-end financial reporting. The Agency is currently developing a GAAP Reporting Manual to assist in the year-end financial reporting process. Furthermore, the Agency filed its Annual Report prior to the December 1 due date.

10-2 Failure to Follow the Requirements of the SAMS and Financial Reporting Process

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Beginning in July 2010, Central Management Services (CMS) assisted the Agency by preparing and submitting the FY2009 and FY2010 GAAP packages and financial statements. In December 2010, the Agency entered into an interagency agreement with the Administrative and Regulatory Shared Services Center, which assisted the Agency with various accounting functions, including transactional processing, reconciliation procedures, quarterly reporting, and GAAP package and financial statement preparation. The Agency and Shared Services filed C-97 quarterly reports on a timely basis during FY2011. The Agency is also developing a GAAP Reporting Manual.

10-3 Failure to Provide Requested Engagement Documentation to the Auditors

The Agency procured a consulting firm in September 2011 to create an auditable set of financial records for IPA for fiscal years 2008 through 2011. This was completed in March 2012. In addition to compiling the Agency's accounting records, the firm assisted the agency in compiling financial statements for fiscal years 2008 through 2011, and in reconciling the financial statements to Agency accounting records and the GAAP Packages submitted to the Illinois Office of the Comptroller. In addition, the Agency hired a Chief Fiscal Officer in January 2011 who will serve as the audit liaison for future audits to ensure accurate information is timely submitted to the auditors. Lastly, a new Director was appointed in October 2011 who will be fully engaged in the audit process.

FY2010 Audit Finding Status

10-4 Lack of Appropriate Internal Controls

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Once the CFO was hired, she developed informal procedures to ensure the proper and timely processing of transactions to the IOC and State Treasurer. These procedures are currently being formalized with the development and implementation of the IPA Fiscal Operations Manual (FOM) that documents procedures over cash receipts, cash disbursements, accounts payable and accounts receivable, in addition to other financial areas. The Agency is also developing a GAAP Reporting Manual (GRM). While IPA has implemented the procedures currently documented in the FOM and GRM, the manuals will not be finalized until a draft of both documents has been completed, as the two documents are inter-related, and additions/revisions are being incorporated while this process is in progress. In addition, the Agency implemented QuickBooks Pro 2011 accounting software in January 2012 to serve as the Agency's general ledger and to assist with year-end financial reporting.

10-5 Lack of Formal Budgeting Process

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Once the CFO was hired, she developed informal procedures to monitor the budgeting process through an Excel spreadsheet by tracking vendors, contracts, obligations and billings. The FY2012 budget was input into QuickBooks in March 2012 and the Agency is now able to efficiently monitor the use of resources. In addition, the IPA Fiscal Operations Manual was developed during FY2012 and documents formal procedures over the obligation process.

The FOM Section, Accounting and Financial Reporting Policies and Procedures, subsection Revenue and Related Asset (Receivable) Accounting (IPA 03.40.10) documents the specific procedures related to the receipt and deposit of State revenues to ensure all funds collected on behalf of the Agency are deposited in State Treasury.

10-6 State Funds Improperly Held Outside the State Treasury

During FY2011, the Agency implemented procedures that are being formally documented in the IPA Fiscal Operations Manual (FOM). The FOM Section, Accounting and Financial Reporting Policies and Procedures, subsection Revenue and Related Asset (Receivable) Accounting (IPA 03.40.10) documents the specific procedures related to the receipt and deposit of State revenues. Prior to the implementation of the FOM, the Agency ensured the procedures, later documented in the FOM, were followed once the CFO was hired in January 2011. As of June 30, 2011 the only amounts held by the Procurement Administrators were held by Levitan which owed IPA \$496,988 for amounts not submitted to IPA for contract award fee and bidder participation fee revenue. Related to this receivable, IPA owed Levitan \$490,715 and \$8,220 in prompt pay interest for a total of 498,935. Levitan's invoice is being processed through the Court of Claims and will be submitted to the Comptroller for offset in FY2012.

FY2010 Audit Finding Status

10-7 Failure to Maintain an Aged Listing of Accounts Receivable

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Once the CFO was hired, she developed informal procedures to maintain an aged listing of Accounts Receivable in an Excel spreadsheet. The information maintained in this spreadsheet was used by IPA and Shared Services to file the C-97/98/99s with IOC during FY2011. The Agency implemented QuickBooks Pro 2011 accounting software in January 2012 to serve as the Agency's general ledger and assist with year-end financial reporting. QuickBooks includes a report "AR Aging Detail".

10-8 Consulting Procurement Plan contract Term in Violation of State Statute

The Agency amended the terms of the consulting contract in June 2011 and is no longer in violation of State Statute.

10-9 Approval of Payment for Services Performed Outside the contract Terms

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions including contracting processes. As noted in Section 15 of the IPA Fiscal Operations Manual, the Chief Fiscal Officer is responsible for preparing contracts and ensuring all requirements have been met. The Director has the responsibility of reviewing and approving the contract prior to execution. In addition, a Chief Legal Counsel was hired in March 2012 and is now involved in the review process of all contracts prior to execution.

10-10 Inadequate Fees Assessment

For the FY2012 procurement event, the supplier fees from the procurement administrators were increased to recover the previous cash flow shortfall. In addition, the recently hired Chief Legal Counsel is in the process of completing the draft fees assessment rules for submission to the Illinois Secretary of State to begin the formal rulemaking process.

10-11 Formal Agency Rules Not Adopted

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. Once the CFO was hired, she developed informal procedures over the Agency's financial operations. These procedures are currently being formalized with the development and implementation of the IPA Fiscal Operations Manual (FOM) that documents procedures over cash receipts, cash disbursements, accounts payable and accounts receivable, in addition to other financial areas. The Agency is also developing a GAAP Reporting Manual (GRM) to document procedures over the year-end financial reporting process. While IPA has implemented the procedures currently documented in the FOM and GRM, the manuals will not be finalized until a draft of both documents has been completed, as the two documents are inter-related, and additions/revisions are being incorporated while this process is in progress. In March 2012, the Agency hired a Chief Legal Counsel who is in the process of formalizing all Agency rules.

FY2010 Audit Finding Status

10-12 Establishment of Required Bureaus and Lack of Adequate Staffing

The Agency is making progress in its staffing efforts. A Chief Fiscal Officer was hired in January 2011, a new Director was appointed in October 2011, and a Chief Legal Counsel was hired in March 2012. The CFO is responsible for carrying out the Agency's administrative tasks. The Agency plans to hire additional staff during the last quarter of FY2012 and the first quarter of FY2013. There is currently a job posting for a Bureau Chief of Planning and Procurement.

10-13 Untimely Submission of Vouchers

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. In December 2010, the Agency entered into an interagency agreement with the Administrative and Regulatory Shared Services Center, which assisted the Agency with various accounting functions, including transactional processing of invoice vouchers. While vouchers submitted prior to the hiring of the CFO were not always timely, vouchers processed subsequent to January 2011 were reviewed, approved and submitted timely. To ensure duplicate vouchers are not processed, vouchers are tracked in an Excel spreadsheet by the CFO, using invoice and warrant detail. The spreadsheet was developed to identify any duplicate invoice numbers.

10-14 Failure to Develop Procedures Related to Uncollectible Receivables

Prior to June 30, 2011 the Agency implemented informal procedures related to uncollectible receivables. Formal procedures are documented in the Fiscal Operations Manual (Section 26). The FOM provides guidance related to the collection of receivables, implementation of the Agency's internal offset system, and eventual referral to the Comptroller's Offset System.

10-15 Lack of Procedures to Perform Monthly Reconciliations between Agency Records and the Comptroller's Records

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions. In December 2010, the Agency entered into an interagency agreement with the Administrative and Regulatory Shared Services Center, which assisted the Agency with various accounting functions, including transactional processing and reconciliation procedures. The SB01, SB04 and SB05 Reports were reconciled to Agency records by CMS personnel through December 2010, Shared Services personnel from January 2011 until September 2011, and were reconciled by IPA personnel after that time. The Agency formalized the reconciliation procedures in the FOM in sections 7, 9, 11 and 25.

10-16 Failure to Adopt Rules Related to Fees and Charges the Agency is Authorized to Collect and Deposit

The Agency thoroughly researched and determined the rules to be adopted in relation to the fees it is authorized to collect. The newly hired Chief Legal Counsel is in the process of formalizing these rules through the rulemaking process.

FY2010 Audit Finding Status

10-17 Late Filing of Contract Documents

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions including contracting processes. As noted in Section 15 of the IPA FOM, the Chief Fiscal Officer is responsible for preparing contracts and ensuring all requirements have been met, including the timely filing of contract documents. . In addition, the Director and Chief Legal Counsel now review all contracts prior to execution and the Director is responsible for formally approving contracts. The agency strives to ensure the timely filing of contracts.

10-18 Rules for Development of Prequalified Supplier Lists

Due to the magnitude of the issues noted from the prior audit, the Agency prioritized the findings and focused its time on reconstructing the accounting records, compiling accurate financial statements, developing formal procedures and hiring qualified staff to implement the recommendations noted in the prior audit. The Agency will work to establish rules for the development of prequalified supplier lists during the remainder of FY2012 and FY2013.

10-19 Plan for Post-Performance Review

Due to the magnitude of the issues noted from the prior audit, the Agency prioritized the findings and focused its time on reconstructing the accounting records, compiling accurate financial statements, developing formal procedures and hiring qualified staff to implement the recommendations noted in the prior audit. The Agency will work to implement a plan for post-performance review in future solicitation documents during the remainder of FY2012 and FY2013.

10-20 Failure to Post Requests for Proposal and Notice of Awarded Contracts

The Agency posted timely and accurate RFPs and Notices of Awarded Contracts to the Procurement Bulletin during FY2011.

10-21 Contract Terms were Inconsistent with the Terms of the Contract Obligation Document

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions including contracting processes. As noted in Section 15 of the IPA FOM, the Chief Fiscal Officer is responsible for preparing contracts and ensuring all requirements have been met, including carefully reviewing documents to ensure the terms of contracts are consistent with the terms of contract obligation documents. In addition, the Director and Chief Legal Counsel now review all contracts prior to execution.

10-22 Failure to Conduct Outreach to Minority Owned Businesses, Female Owned Businesses and Businesses Owned By Persons with Disabilities

The Agency expanded its utilization of minority owned businesses (MBE), female owned businesses (FBE) and businesses owned by persons with disabilities (PBE) by referring to the BEP Vendor List. During FY2011, the Agency wrote an RFP which was released in July 2011. This award included a BEP

FY2010 Audit Finding Status

requirement. Since FY2011, the Agency has continued to increase its use of BEP vendors. In addition, the Agency has identified minority outreach as a focus area. During FY2012, IPA's procurement administrator conducted minority outreach and hired a minority contractor to provide marketing services. The procurement planning consultant is currently conducting outreach with minority subcontractors and ongoing engagements for the 2013 procurement plan. Going forward, IPA will continue to expand its methods of outreach to MBE, FBE & PBE vendors.

10-23 Inadequate Controls over Solicitations

The Agency hired a Chief Fiscal Officer in January 2011 who is responsible for the Agency's financial accounting and reporting functions including solicitation and contracting processes. As noted in Section 15 of the IPA FOM, the Chief Fiscal Officer is responsible for preparing contracts and ensuring all requirements have been met, including the accuracy of all information in all Requests For Qualifications. The Agency also implemented the use of a scoring sheet during FY2011 for the evaluation of solicitation documents.

10-24 Inadequate Controls over Vendor Evaluations

During FY2011, the Agency implemented the use of scoring sheets for vendor evaluations, which include the evaluation criteria noted in the solicitation document. In addition, all evaluations are conducted by an Evaluation Committee.

10-25 Lack of Third Party Agreements

State statute mandates the utilities to make payments under the Illinois Power Agency Act. A Chief Legal Counsel was hired in March 2012 and is in the process of formalizing fee assessment rules to add an additional level of authority to collect payments from the utilities. In addition, the Agency is working to collect all amounts owed from the utilities.

10-26 Failure to Submit Reports

The Agency strives to ensure the timely filing of all required reports. During FY2011, the Agency continued to identify its reporting requirements and began timely filing of the C-97, TA-2, and Agency Workforce as well as other reports. Subsequent to fiscal year end, the Agency noted it failed to file the Minority Outreach Report, Fee Imposition Report and the Public Accountability Report. A reporting requirements checklist, with reporting deadlines, is being developed and will be used to ensure timely reporting in the future.

10-27 Failure to Make Procurement Plan Public

During FY2011, the Agency developed a website and made procurement plans available to the public.

10-28 Agency Did Not Have Basic Office Equipment

The Agency acquired basic office equipment during FY2011.

FY2010 Audit Finding Status

10-29 Excessive Phone Charges

Since the CFO was hired in January 2011, the Agency reviews its phone charges on a monthly basis. In addition, an analysis will be performed periodically to ensure the most economical plan is in usage.

10-30 Improper Timekeeping Practices

The Agency documented timekeeping procedures related to the timely preparation and submission of timesheets in the Fiscal Operations Manual (section 23). Timesheets document the amount of time spent each day on official State business to the nearest quarter hour.

10-31 The Illinois Power Agency Failed to Use the Correct Mileage Reimbursement Rate

The Agency's Travel Coordinator is reviewing all travel vouchers to ensure compliance with the State Finance Act and other travel regulations, including verification of the rate used for mileage reimbursement.

10-32 Failure to Develop Procedures for Employee Vehicle Usage

The Agency developed informal procedures for Employee Vehicle Usage. Employees driving personal vehicles for State business are required to sign certification forms stating employees are licensed and insured. A Chief Legal Counsel was hired in March 2012 and is in the process of formalizing these rules in an Employee Handbook.

10-33 Failure to Adopt a Formal Policy for Telephone Usage

During FY2011, the Agency established procedures requiring employees to sign forms for each telephone bill stating all phone calls were for state business purposes. In addition, the Agency established procedures to review telephone expenditures for reasonableness. The Chief Legal Counsel is in the process of drafting formal Agency policies and will incorporate a policy for telephone usage in those policies that will be documented in the Employee Handbook.

10-34 Failure to Provide a Telecommunication Device for the Hearing or Speech Impaired

The Agency acquired software for use as a Telecommunication Device for the Hearing or Speech Impaired.

10-35 Failure to Adopt a Record Retention Policy

Due to the magnitude of the issues noted from the prior audit, the Agency prioritized the findings and focused its time on reconstructing the accounting records, compiling accurate financial statements, developing formal procedures and hiring qualified staff to implement the recommendations noted in the prior audit. A Chief Legal Counsel was hired in March 2012 and plans to develop and adopt a Record Retention Policy during the remainder of FY2012 and FY2013 that will be incorporated into the Fiscal Operations Manual.