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The Business Management Study Committee for Illinois

by Irwin T. David

The Business Management Study Committee for Illinois was appointed in May of 1966 by Governor Kerner to review the general business practices of various agencies of the executive branch. State law and governmental policy were not within the scope of the Committee, nor were the legislature and judicial branches of government.

Studies similar to that performed in Illinois had previously been performed in Ohio and in Wisconsin, and were very well received. The ground work for the Illinois study was performed by the MS Committee of the Illinois Society of CPAs. Then, in February, 1966, a Chicago newspaper ran a series of editorials highlighting the work done in Ohio and Wisconsin. The last editorial concluded with the challenge for Governor Kerner to create such a committee within the State of Illinois. On the basis of the editorials and the work done by the Illinois Society and a meeting held early in March, 1966, between Governor Kerner, Mayor Daley, and representatives of the newspaper and the Illinois business community, the committee was created.

Committee Structure

The Business Management Study Committee itself was composed of eleven leaders in the business community of the State of Illinois. They were men at the presidential and chairman-of-the-board level of their respective companies. The chairman was a partner in a national public accounting firm who is a recognized expert in state and local accounting.

The Committee work was performed by a task force of 51 volunteers from various businesses in Illinois. The executive director of the task force was a recently retired partner of a national public accounting firm. Many of the men who volunteered for the task force were very prestigious individuals. Included among them were the chairman of board of a medium-sized company; partners, managers, and supervisors of public accounting firms; vice presidents and department heads of large companies; and individuals at the controllership or assistant controllership level. Task force members served for varying periods ranging from two weeks to four months. Their salaries and all expenses were paid by their employers. (Five task force men were hired from small CPA firms in Illinois at 70% per diem rates.)

Companies within the State of Illinois also contributed money for the operation of the committee so that, with the exception of office space, the study did not represent any cost to the State. The salary of the executive director, secretarial fees, rental of office equipment, and printing expenses of the final report were paid for by contributions of over \$100,000 from Illinois businesses. Over \$400,000 in total time and expenses was contributed to the study committee by private industry.

Committee Operation

Most operations of the State are performed within the Governor's Code Departments. These are departments authorized by the legislature — which reports directly to the Governor — to perform administrative, public health, public aid, public safety, agriculture, etc., functions of the State. The director of each department is appointed by the Governor for a two to six year term; most other department employees are under the Illinois Personnel Code (Civil Service). There are numerous boards and commissions, including the Board of Higher Education, which also report to the Governor. In addition, there are five other elected executives in Illinois — the Secretary of State, Auditor of Public Accounts, Superintendent of Public Instruction, Treasurer, and the Lieutenant Governor. These State officers are equal to the Governor in stature; however, most of the employees of these offices are patronage and are not under the Personnel Code.

Of the approximately fifty departments and commissions which report to the Governor, the committee selected the thirteen largest for review, and also reviewed four other elected offices. In addition, eight functional areas such as data processing, purchasing, accounting, work measurement, communications, etc., which overlap departments and agencies, were selected for review. To study these departments and functions the task force was divided into groups of one to five men, each group assigned to a department or function. Those task force groups which studied the individual departments studied all aspects of them. The groups which studied the functions cut across departmental lines and studied functions as related to the entire State government.

At the time that the Committee was in operation, there were several other committees or commissions studying comparable State problems. We were most directly concerned with the Committee of State Government — Illinois and the Computer and Data Processing Equipment Study Commission. During the course of the Committee review we worked closely with these other commissions, and in the end we found our recommendations were closely paralleled.

Touche, Ross, Bailey & Smart Involvement

My assignments on the Committee were:

1. Task force leader for the group reviewing data processing functions throughout the State.

2. Task force leader for the group reviewing the Department of Revenue for the State of Illinois.

In these assignments six other task force members were assigned to work with me.

The reviews were performed by interview and observation. We attempted to talk with each departmental or data processing supervisor in the area with which we were concerned. Where possible we interviewed clerical personnel, but due to time restraints most of our effort was on the supervisory level.

Data Processing in Illinois

The task force group reviewed the data processing facilities of ten code departments and agencies, four elected offices, and the State University System. These facilities represented the bulk of the computer installations within the state.

The data processing group concentrated its effort on the following areas:

1. The efficient use of existing computer equipment.
2. The planning process for new equipment and new applications.
3. The extent to which management science techniques are used.
4. Identification for potential applications for mechanization.

The following chart indicates the extent of data processing in the State of Illinois at the time of the study:

*Contributions:
Over \$100,000*

	<u>State Code Department</u>	<u>Elected Officials</u>	<u>Universities*</u>	<u>Total</u>
Number of computers installed	19	5	12	36
Annual rental or equivalent of computers and related equipment	\$2,910,000	\$ 860,000	\$1,370,000	\$5,140,000
Number of nonclerical personnel directly involved in data processing activities	685	230	265	1,180
Annual salaries of personnel in Data Processing . .	\$3,400,000	\$1,140,000	\$1,570,000	\$6,110,000

* Excluding equipment used for research and instructional purposes.

Until early 1966, each agency of the State Government made its own decisions concerning its data processing equipment and its use. In 1965, the Legislature authorized the formation of the Management Information Division of the Department of Finance. This division was organized in early 1966 and is charged with the responsibility to coordinate all data processing activities within the Governor's Code Department. This agency will probably play a dominant role in the State's future use of data processing. Based on the committee work, it appears that the creation of this division was a well conceived move by the legislature.

The data processing review resulted in these comments and recommendations:

1. The lack of qualified data processing personnel represents the state's biggest problem in efficient use of computers. Therefore, the state should:

(a) Centralize systems analysts and programmers under

the Management Information Division.

(b) Perform more training functions.

(c) Do a more extensive and better job of recruiting.

2. The Management Information Division:

(a) Should be organizationally moved to a proposed Department of General Services.

(b) Should have its activities expanded to include other elected offices.

(c) Should be reviewed by an outside group of legislators and private citizens.

3. The data center being set up by the Management Information Division should perform data processing activities for all small agencies and centralized functions (such as accounting and payroll).

4. Planning for new equipment and applications is generally poor in the state. Therefore:

✓ *Include Data Processing Chart*



The author, Irwin T. David, consults with Theodore A. Jones, Director of the Department of Revenue of the State of Illinois. Mr. David is manager in the Chicago office.

(a) The agencies' management must be thoroughly involved in data processing decisions.

(b) A thorough feasibility study should be made to justify all new equipment purchases. Standards for these feasibility studies, and compliance with these standards, should be the responsibility of the Management Information Division.

(c) Equipment should be selected on the basis of competitive bids. (Presently, all new equipment for the State is rented from one manufacturer.)

(d) Planning should be controlled by State personnel although vendor personnel and consultants should be used where necessary.

5. The Management Information Division should set standards of documentation and operations and insure compliance with the standards.

6. In addition to the general comments, there were a number of specific comments relating to some departments or agencies which dealt with:

(a) Organization of the data processing function within that department.

(b) Applications which could be profitably mechanized.

The Department of Revenue:

The review of the Department of Revenue included interviews with section heads and reviews of procedures. The Revenue Department is charged with the responsibility of collecting all taxes in the State of Illinois. Total taxes are approximately \$1 billion per year and of this the Retailers' Occupation Tax (sales tax) makes up approximately 75%. In addition to collecting taxes, the department is charged with the responsibility of determining that all taxpayers are properly registered, audit-

Planning Control ?

ing returns, determining that taxes are paid as due, and performing property tax functions. The Department also has a research, a hearing, and a data processing function.

Many of the Committee recommendations were concerned with procedural changes. If implemented, the recommendations for the Department of Revenue would result in identified savings of some \$2,300,000 a year. Some of the recommendations were:

1. Change procedures so that tax receipts are deposited in banks earlier and therefore earn additional interest for the state.
2. Automate all taxpayers' returns. Presently taxpayer records are maintained on bookkeeping machines and certain summary data is entered into the computer system. Some information which would be valuable is, however, neither automated nor on the bookkeeping machine system.
3. Reorganize the department on a functional basis.
4. Automate a number of manual processing functions and eliminate duplicate files. The department maintains offices in both Springfield and Chicago and several files are duplicated between these two offices.
5. Use computers to aid in audit and compliance functions.
6. Use a simplified tax return.
7. Close a "loophole" in the cigarette tax law.

Other Committee Recommendations

In all, the Business Management Study Committee made over 300 different recommendations. Of these recommendations, dollar savings of about \$30,000,000 were identified. Many other recommendations could provide dollar savings which were not identified. It was estimated that if all the recommendations were implemented, the savings to the state would be in excess of \$100,000,000 a year. Some of the more significant recommendations were:

1. All administrative services should be centralized in two departments (Finance and General Services), each directly responsible to the Governor. There is presently a Department

of Finance which incorporates some of the activities recommended. The Department of General Service does not presently exist within the State.

The Department of Finance, as proposed, would be responsible for the centralization of fiscal planning and budgeting, accounting and management reporting, and auditing and fiscal performance appraisal.

The Department of General Services would centralize the building operations and services, automobile and truck fleet maintenance, communications, purchasing and management services, and data processing.

2. Centralize payroll processing and change the now cumbersome payroll procedures.
3. Institute Planning Programming Budgeting systems within the state.
4. Put all State employees, other than those at a policy-making level, under the State Personnel Code. This would effectively eliminate all patronage within the state.
5. Issue passenger car license plates for a five-year period rather than a one-year period, and produce license plates in State prison industries.
6. Create a centralized auto pool and garage facilities with the auto fleet to be purchased, operated, and managed under uniform rules and practices.
7. Design, construct, purchase, and operate all State building properties under a centralized agency with uniform standards, practices, and financing methods.
8. Conduct a personnel effectiveness and cost control study to reduce the cost of clerical work on a statewide basis and make personnel available to fill present vacancies. If a real work measurement program were applied to the state, savings of approximately \$20,000,000 per year could be effected.
9. Expand the centralized function of purchasing and printing to include all State agencies and the universities.
10. Increase fees for specific services in various departments or offices to recover the estimated cost of special services.
11. Eliminate, to the extent possible by more effective use of data processing equipment, duplicated records and functions.

*Number of Recommendations
(include)*

12. Establish a mandatory retirement policy to become effective over a period of time long enough to permit employment and training of replacement personnel. Presently the State has no retirement policy and there are a number of people who are beyond their most effective age.

13. Develop a program to effectively utilize for other purposes the partially vacant facilities now designated for tuberculosis treatment.

14. Modernize records of vital statistics and eliminate duplication between State and local Governments.

State Review of Report

The drafts prepared by the task force were reviewed, edited, and refined by the Committee and the executive director of the task force. Each of the drafts was then reviewed with appropriate state personnel. I reviewed the drafts of the Department of Revenue and of Data Processing with the responsible individuals, and in both cases found general agreement with our recommendations. I understand that this was the general feeling throughout the State.

Impressions of State Government

While in Springfield, I was quite favorably impressed by the personnel employed by the state. In practically all cases they were hardworking individuals trying to get a job done. Our Committee received excellent cooperation, partially because the Governor had authorized and approved the Committee, and partially because State employees are interested in improvement. All high-level State employees are doing their best to make the state better for the citizens. There are many improvements which can be made as indicated in our study and by general observation. However, I found the level of State employees and State capability to be quite rewarding. In general, my observations of the employees were borne out by the other members of the Committee.

Implementation

The success of the work done by the Committee and of the recommendations will depend upon the manner in

which the recommendations are implemented. The Committee did not recommend a follow-up committee to see that all of the recommendations are implemented. In some specific areas, however, such as data processing, a committee was recommended. (Some states have taken a different approach and have recommended either a citizens group for follow-up or recommended a department within the state charged with the responsibility of this follow-up.)

The recommendations by the Committee can be implemented in several ways. Some recommendations would require legislative action. The Governor of Illinois has asked for and received some of these actions. In the last session of the legislative, a General Services Department was established. Governor Kerner also requested that the Youth Commission be raised to departmental status, and that another department be removed. He has indicated that he will make other legislative requests necessary to implement the various recommendations. In addition, a bill was before the General Assembly to put all State personnel under the Personnel Code; however, it was not passed.

Other recommendations can be implemented merely by an executive order. The Governor has indicated, in private conversation with Committee members, that he will issue such orders periodically and will see to their implementation.

Most of the recommendations can be implemented by individual department directors. In the Department of Revenue, for instance, most of our recommendations are being closely studied and many have been, or are in the process of being, implemented with some modifications. For example, the Department has effected many of the organizational recommendations, studied computerized audit selection, and revised some of the procedures involved in Retailers' Occupation Tax processing.

It is yet too early to predict the success of the Committee. However, I can look upon the four months spent on the Committee as being a wonderful experience and an opportunity to learn a great deal about State government. The real benefit of this report will only come with time as various recommendations are implemented and the State gains the benefits of the work done by the Businessman's Committee.