

ExecutiveMemo

www.ima-net.org



A newsletter of the Illinois Manufacturers' Association

August 6, 2009

BRIEFLY

Illinois Recovery Website a tool for taxpayers, businesses and government officials

The Illinois Recovery website (www.recovery.illinois.gov) was created to help government share information about the American Recovery and Reinvestment Act of 2009, (ARRA) so that every deserving project in Illinois can capture and use its fair share of federal stimulus funds. The Illinois Stimulus Team will work with every community in the state to coordinate projects that will create long-term investment in Illinois; help potential stimulus projects meet implementation and reporting requirements; and keep everyone informed about progress toward the shared goals of job creation, 21st century infrastructure improvement and economic growth.

Governor Quinn is committed to working with elected officials at every level to ensure no deserving project goes unnoticed, and every potential public-private partnership is built. With this Website, every stimulus opportunity will be pursued and those interested will be directed to the best available information. Illinois citizens are invited to suggest a project. Suggest a Project — www.recovery.illinois.gov.

New Website for and about manufacturers . . .

Pat Cleary (former NAM Senior VP and now with Fleishman-Hillard) is the creator and technical wizard behind the site. Pat's plan is to create a global network of organizations and individuals who have a passion for manufacturing where information and ideas can be exchanged and discussed. Check it out at www.MfgCrunch.com. For those who have joined the twitter world, you can follow MfgCrunch tweets at www.twitter.com/mfgcrunch. Pat sends tweets throughout the day linking to manufacturing news items ranging from Washington politics to corporate news to industry trends. You can find useful and relevant information every day.

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Governor Quinn signs Manufacturing Tax Incentive bill

On July 31, Governor Patrick Quinn signed legislation initiated by the Illinois Manufacturers' Association that will extend three key tax incentives for an additional five years. Under the new law (PA 96-0116), the Manufacturers Purchase Credit, Graphic Arts Machinery & Equipment exemption, and Investment Tax Credit will be available through 2014. These tax incentives were scheduled to sunset on July 31 of this year.

The Illinois Manufacturers' Association led the effort to enact this critical legislation (SB 1691). We provided expert testimony in committee hearings, personally lobbied legislative leaders and rank-and-file lawmakers, coordinated letters of sup-

port to the Governor (individual legislators, Illinois Legislative Manufacturing Caucus, and IMA member companies), and met with the Governor's administration to help gain final approval of this legislation. SB 1691 was the ONLY tax incentive measure to pass the General Assembly and be signed into law this year.

House Speaker Michael Madigan recognized the key role of the IMA when he said, "The Illinois Manufacturers' Association is responsible for the successful extension of these tax incentives. Their strong arguments on behalf of the manufacturing sector along with their influence and respect persuaded lawmakers to help the industry in this tough economic time."

Downsizing staff, upsizing fraud

When businesses embark upon staff reductions, internal controls often suffer, resulting in financial losses. Here are a few actions management can take to assist in detecting fraudulent activity.

Many organizations have been affected by layoffs and workforce reductions in recent months. As responsibilities are distributed amongst fewer personnel, internal controls often suffer, as the segregation of duties that once was no longer exists.

In its 2008 Report to the Nation, the Association of Certified Fraud Examiners revealed that inadequate internal controls are the number-one enabler of fraud. Further, the study noted that most of the frauds reported were committed by accounting personnel in schemes involving cash theft, payroll fraud, and billing schemes. That's why it's so important for management to evaluate internal controls to make sure that the benefit of reducing staff won't be outweighed by the costs associated with fraudulent activity.

The typical procedure of processing invoices may involve three employees before a personnel decrease.

After a workforce reduction, this process may now be controlled by one person — one person who may now have the opportunity to create a shell or fictitious vendor and invoice the company for nonexistent services or make purchases for personal use on the company's dime.

So how do you make sure you still have a level of control in your organization to help thwart fraudulent activity, despite smaller numbers of staff? There are analytical procedures that can and should be performed by management and/or internal auditors to help detect problematic activity. Reports can be run to:

- 1) List new vendors entered into the system. Reviewing this list may identify vendors that appear suspicious, such as new vendors with no address information or payees that would likely not

See **Downsizing**, page 2

IMA'S EXECUTIVE MEMO IS UNDERWRITTEN BY:



EXPERIENCE RESPONSIVENESS.

Of 838 clients surveyed, 98% say Plante & Moran is responsive to their needs.

- transact business with the company.
- 2) Identify changes made to existing vendors. Were these changes appropriate and authorized?
 - 3) Extract duplicate invoices and/or payments made to vendors. Duplicate payments may be an indication of refunds being diverted to an account controlled by the employee.
 - 4) Determine vendors that may be receiving higher than average payments. For example, is the utility bill for the employee now being paid by the company?
 - 5) Compare budget to actual expenses on a regular basis to identify anomalies.

The results of these and other tests can be indicators that problematic activity may be occurring, resulting in financial losses that outweigh the purpose of the workforce reductions.

Following a staffing reduction, the entire payroll function may be controlled by one or two people, creating opportunities for fraudulent activity to occur. Such schemes may include the addition of ghost employees to the payroll, unauthorized increases in wages or salary, and a claim of overtime hours not worked.

Management can run reports to identify:

- 1) Employees with matching information, such as duplicate social security numbers or direct deposit account numbers.
- 2) Employees with missing information. Are there employees that have no residential address listed?
- 3) Changes in wages/salary made to employee records. Were these changes authorized?
- 4) Anomalies regarding total overtime, by hours, paid to employees. Are the overtime wages inflated?
- 5) The number of payroll distributions for each employee. This ensures all employees are receiving the same number of checks.

It's worth noting that the perception of detection can be one of the best deterrents of occupational fraud and abuse. Asking questions regarding specific transactions sets the tone that management is closely watching employee activities. For example, requesting supporting documentation and asking about the specifics of certain purchases lets employees know that management is taking an interest in what's being disbursed from the company's bank accounts. These inquiries should be performed randomly.

An internal control structure can never be completely effective, regardless of the care followed in its design and implementation. However, the system can be signifi-

IMA's Energy Program is just what you need . . .



Learn more at a Webinar, August 11 at 10:00 a.m.

It comes as no surprise that **Illinois manufacturers are paying close attention to the relationship between volatile energy prices and their bottom line.** In order to survive, today's most successful manufacturers are rethinking and employing smart new energy strategies.

Together, the **Illinois Manufacturers Association (IMA) and Constellation NewEnergy (CNE) have collaborated to design an Energy Program** that provides benefits to both to the association and its members. As part of this program we are working together to organize educational seminars and briefings on current energy issues impacting your businesses.

One such **event will be occurring on August 11th at 10:00am (CST).** This webinar has been put together for those of you that are **new to the IMA Energy Program** and will help **explain how your business can benefit** from it. We plan to discuss the numerous products and pricing choices IMA members have available to them, along with energy strategies that could be considered.

By providing this information, our hope is that every IMA member will **understand that a solid energy strategy can provide the edge they need to beat their competition,** and have a long-lasting impact on the future success of your company.

Sign up today for this complimentary event at www.newenergy.com/imainvite

cantly hindered when the ability to segregate duties has been reduced. By applying some analytical procedures, management can help detect if problematic activity is being performed before the losses to the company outweigh the savings attempted through workforce reductions.

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Rocky Mountain Express update

The Rocky Mountain region of the United States accounts for approximately 23 percent of total natural gas production in the lower 48 states, with Colorado alone contributing more than six percent of annual domestic production. While Colorado uses only about two-fifths of the natural gas produced in the state, transporting excess gas to other markets has been limited in the past by the small amount of pipeline capacity out of the Rockies. Of the new pipeline investments being made to bring Rocky Mountain natural gas production to markets in the eastern United States, the most significant is the Rockies Express (REX) project.

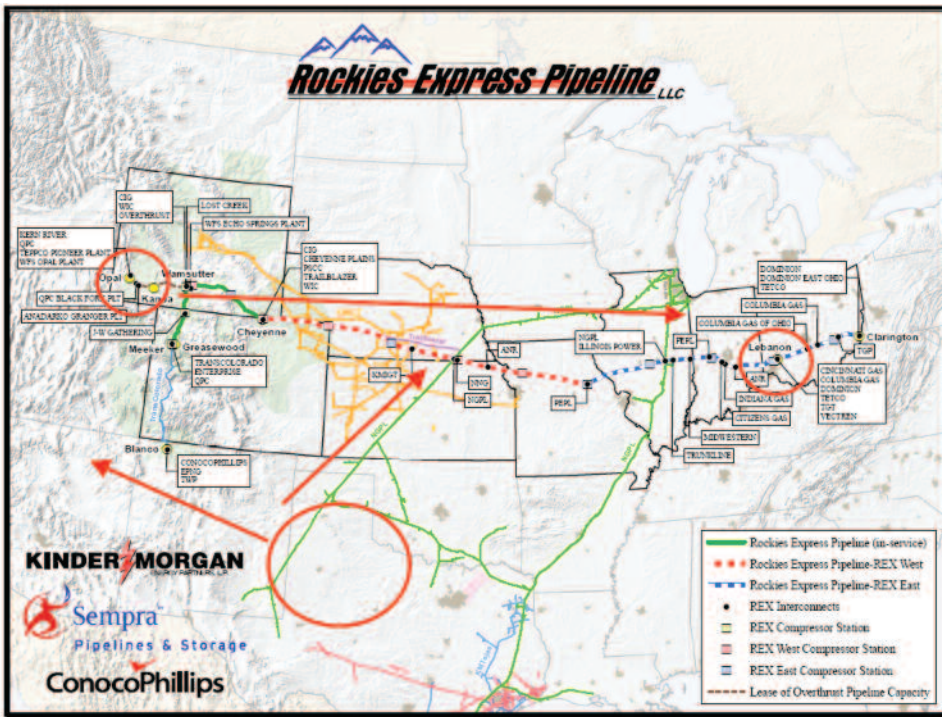
REX is a 1,679-mile pipeline running from the western Rockies to eastern Ohio. The project has been constructed in three phases and the final phase is now com-

plete. The three phases are 1) REX-Entrega, REX-West, and REX-East. 2) REX-Entrega is a 328-mile pipeline from northwestern Colorado to north-central Colorado, REX-West runs 713 miles from north-central Colorado to central Missouri, and 3) REX-East is a 638 mile section from central Missouri to eastern Ohio.

In April 2007, the Rocky Mountain Express (REX) Project filed an application to construct the East section of the pipeline system designed to bring previously-stranded natural gas from the Rockies region to population centers in the eastern U.S. Construction began shortly after federal approval for REX East was received in May 2008, with a targeted in-service date scheduled for the spring of 2009. The much anticipated service authorization from FERC was obtained and service to the Lebanon, Ohio market has begun. Rockies Express Pipeline's service to Lebanon may vary between 1,300 MDth/d to 1,600 MDth/d depending on performance of compressors upon start up.

The following delivery points and capacity became available on the REX East system:

- Natural Gas Pipeline Co. of America, Moultrie at 615,000 Dth/d
 - Ameren, Moultrie at 140,000 at Dth/d
 - Trunkline Douglas at 175,000 Dth/d
 - Midwestern, Edgar at 652,000 Dth/d
 - Panhandle Eastern Pipe Line, Putnam at 175,000 Dth/d
 - Dominion at 585,000 Dth/d
- Next summer, the expansion of REX



West is expected to be in service. This expansion makes way to OPAL receipt point in Wyoming allowing western gas to move eastward. The Colorado drilling activity with this new supply coming from the west may constrain gas along the Colorado portion of the project. More effects of the new gas source will be known as gas starts to flow east to west. It is possible that western gas basis may become more expensive as gas makes its way to more expensive eastern markets.

Completion of Rocky Mountain Express project represents the potential for a major shift in basis-market dynamics across the mid-continent. These new market dynamics will likely affect customers across Missouri, Illinois, Indiana, and Ohio, as well as customers in Kentucky, Tennessee, West Virginia, and Pennsylvania because of their proximity to REX East. REX should allow markets in the mid-continent to offset potentially shrinking natural gas supplies from Canada and the Gulf of Mexico. This new supply source may also result in a waning disparity between western and eastern United

States gas market prices.

Since the opening in July of the expansion east to Lebanon, Ohio, receipt points at Moultrie, Douglas and Edgar, Illinois, and Putnam Indiana, have seen their deliveries plummet. September NICOR City-gate Physical Basis for September 2009 has shrunk from about (0.25) on June 1st to around (.09) on July 30th. The available receipt capacity at these points totals 1757/mmcfd, yet only 64/mmcfd is under contract. Physical basis prices have increased at the mid-continent gates due to better markets to the east such as Texas Eastern. Economics dictate that mid-continent prices will need to be parallel up to the point of maximum capacity, or simply the natural gas will move elsewhere.

To learn more about Rocky Mountain Express, please contact Constellation NewEnergy Gas Energy Sales Consultant Jeff Abeln at 312-704-8527, or via email at jeff.abeln@constellation.com.

Source: Sempra, Kinder Morgan and CNEG. Map Source: Kinder Morgan. Directional Flows: CNEG

DATES OF NOTE

More information/events may be found at <http://www.ima-net.org/calendar.cfm> and <http://www.ima-net.org/MIT/open.cfm>
Email: jstanley@ima-net.org

August 7, 2009

IMA's Small Manufacturers Council — Oak Brook

The Small Manufacturers Council provides a forum for key representatives of small manufacturers to discuss industry trends from a governmental standpoint as well as innovations that can effect day to day efforts. Join us in Oak Brook. Contact: Kimberly McNamara, 800-482-0462, Ext. 2109, email: kmcnamara@ima-net.org.

August 11, 2009

IMA-MIT Event: Essential Internal Training Skills and Techniques, DePaul University O'Hare Campus, 3166 S. River Rd, Des Plaines

This program introduces the new internal trainer or subject matter expert to the skills necessary for them to be successful. Essential Internal Training Skills and Techniques covers core skills such as how to create rapport with your learner, how to communicate learning objectives, how to introduce a learning activity, how to ask the right question, and how to engage and re-engage the adult learner.

August 20, 2009

IMA-MIT Event: Customer Service Skills and Excellence, DePaul University O'Hare Campus, 3166 River Rd, Des Plaines

It's not just you. It's a fact. Customers are more demanding today than ever before! Complaints to Better Business Bureaus and state regulatory agencies are at an all time high, and growing! The words "may I speak to your supervisor?" are heard with increased regularity, urgency and intensity. Rather than just responding to the customer's request or demand, the most effective customer service professionals strategically gain control of the inquiry. Remember, it is not just telephone calls anymore, accurately predicting the customer's position and proactively providing the desired results in advance is the goal.

August 25, 2009

IMA-MIT Event: Effective Presentation Skills, DePaul University O'Hare Campus, 3166 River Rd, Des Plaines

Today's business presenter must know how to create and articulate a clear and concise message, respond to questions in an effective and logical manner, and create and use compelling visual aids. This interactive, energetic workshop will provide the business presenter with all of the necessary skills required to deliver a winning presentation. The workshop will introduce and reinforce these skills by having the participant deliver three videotaped presentations.

September 11, 2009

**MPAC Golf Outing
Willow Crest Golf Course, Oak Brook**

Join your peers and support MPAC at the annual golf outing. Spend the day networking with IMA members on Willow Crest's 18-hole championship golf course. Located in Oak Brook at the Oak Brook Hills Marriott Resort. Noon — Lunch; 1:00 PM — Shotgun start; 5:30 PM — Networking reception. Sponsorship opportunities are available. Visit <https://www.ima-net.org/mpacgolf09.cfm> to register. For more information, contact: Kimberly McNamara, 800-482-0462, Ext. 2109, email: kmcnamara@ima-net.org.



IMA's Young Leaders Council

Fall Conference

October 2-4, 2009

Eagle Ridge Resort • Galena

Sign up today at:

<https://www.ima-net.org/ylc09.cfm>

Report reveals Chicago's sector-based Workforce Centers are models for nation

Chicago Workforce Investment Board report determines sector approach effectively engages more employers

Chicago's sector-based workforce centers are engaging new area employers, addressing issues of equity and accessibility and achieving a more integrated, demand-driven workforce development system, according to a report released recently by the Chicago Workforce Investment Board (CWIB). The "Re-working Workforce Development" report looked at Chicago's Sector Center Initiative and two sector-based workforce centers — ManufacturingWorks and ServiceWorks — and included interviews with more than 100 program staff, employers and WorkNet Chicago providers.

The City of Chicago developed ManufacturingWorks and ServiceWorks in 2005 by redirecting a portion of funding received from the federal Workforce Investment Act (WIA). Chicago was the first city in the nation to undertake such an initiative with its WIA funds. Thanks to a generous grant from The Joyce Foundation, CWIB commissioned a study on the effectiveness of Chicago's sector-based workforce centers.

"We're pleased to be able to share information about the innovative approach Chicago is taking toward workforce development," said Joanna Greene, acting executive director for CWIB. "The findings of this report support sector-based workforce centers and offer other cities a new model that is achievable within the funding constraints of WIA."

Key findings from the report show:

- Both Sector Centers have been successful at engaging employers that weren't previously involved in the Chicago system by paying more attention to the needs of employers beyond recruitment and job matching.
- The Sector Centers create a platform for addressing issues of equity and accessibility by leveraging the trust and credibility of the companies they serve to promote progressive human resource practices and improved job quality.
- The Sector Centers have helped Chicago achieve a more integrated, demand-driven workforce development system by fostering relationships with other workforce centers and community affiliates, expanding the network and strengthening the system.

Other cities can learn from Chicago's Sector Experience Initiative. For example, sectors are an ideal way to integrate resources to achieve strategic development goals. It's also important to build equity and job quality measures into workforce development approaches from the beginning or they'll never be included. A business-focused approach, such as sector-based workforce centers, should focus on investing in skills, longer-term industry competitiveness and individual career advancement. Moving forward, Sector Centers will require a mixed-funding model that draws upon public and private funding sources.

"We are confident that Chicago's Sector-centered model will help other cities to better serve employers so that they in turn may better serve job-seekers," said Greene.

To download a copy of the "Re-Working Workforce Development" report visit <http://www.chicagoworkforceboard.com/About%20Us/Publications.aspx>.

The mission of the Chicago Workforce Investment Board (CWIB) is to support the vision of Chicago as a world-class city by ensuring the creation of a workforce development system that sustains economic growth and competitiveness by meeting the needs of employers for qualified workers and expanding employment opportunities for Chicagoland residents. CWIB provides a forum where business, labor, education, government, community-based organizations and other stakeholders work together to develop strategies that can address the supply and demand challenges confronting the local workforce.

Industrial Price Index advances in positive territory for second straight week

Index signals concerns on double-dip downturn, 'L-shaped' recovery, growing dimmer

The *Journal of Commerce* (Economic Cycle Research Institute) index of global industrial prices moved deeper into positive territory for the week ending July 31, the second straight weekly advance and a new sign of growing demand in the industry sector, *The Journal of Commerce* reported.

The Industrial Price Index ended the week of July 31 more than 2.1 percentage points higher than the previous week, reaching 88.2532, the highest point for the IPI since October 17, 2008.

The gain marked an 11.9 percent improvement over the index's average over the previous 52 weeks, the strongest growth the IPI has shown since the week ending August 1, 2008, shortly before the onset of a steep decline in world financial markets.

"The continued advance in both the level and the growth rate of the index tells us that the risk of a double-dip recession or an L-shaped recession is much less than feared," said Lakshman Achuthan, managing director of the Economic Cycle Research Institute.

The IPI has fluctuated in the low 80s since early June and moved into positive territory the week ending July 24 by growing 3.3 percentage points to 86.1637.

RSM McGladrey presents . . . Recession Strategies Executive Webinar Series: "What the financial crisis means to your technology plan"

This is the fifth session in RSM McGladrey's series of complimentary webinars developed to address high-impact functional areas to help manufacturers succeed during the economic downturn.

This session, "What the financial crisis means to your technology plan," will focus on how to assess your technology needs objectively so that the real costs of investment are considered and benefits achieved.

Ninety percent of companies participating in RSM McGladrey's Manufacturing and Wholesale Distribution (MWD) National Survey consider information technology a critical component of business operations — yet 50 percent of companies are deferring costs to upgrade or enhance systems due to business conditions. This type of short term action may prevent companies from realizing the benefits IT systems can offer.

RSM McGladrey's experienced presenters will discuss key areas that must be considered to help ensure your IT investments are strategic and support your organization's business plan.

We hope you will be able to join RSM McGladrey for this educational program. To register, visit <https://www.rsmmcgladrey.com/Events/What-the-financial-crisis-means-to-your-technology-plan?itemid=205&mid=205>

WEBINAR DETAILS:

Thursday, August 27, 2009

10:00 to 11:00 a.m. (CT)

You will receive log-in information in a confirmation e-mail after you sign up.

COST: FREE