

**REPORT DIGEST**

**DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS  
FINANCIAL AND COMPLIANCE AUDIT  
(In accordance with the Federal Single Audit Act of 1984  
and OMB Circular A-128)  
FOR THE TWO YEARS ENDED JUNE 30, 1994**

{Expenditures and Cash Receipts are summarized on the reverse page.}

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **NONCOMPLIANCE WITH STATE MANDATES**

Various State mandates have not been fully addressed by the Department, causing noncompliance with State laws and reporting requirements. We selected a sample of the State mandated duties and responsibilities applicable to the Department to test for compliance. Although in certain instances the Department has made efforts to implement some of the statutory requirements, the Department has not complied with several of its State mandates.

We noted compliance deficiencies in each of the following mandates:

- The requirement for the Department to study housing needs and conditions throughout the State and distribute information related to housing.
- The Department's mandate to administer an Office of Rural Community Development to assist local governments in their economic development efforts.
- The Department's responsibility to award grants to certain economic regions of the State designated as Corridors of Opportunity and to monitor and report on the status of those grants.
- The requirement for the creation of a Commerce and Community Affairs Advisory Council to advise and consult with the Director on various topics. Instead, these mandated duties are performed by the Illinois Economic Development Board which was also created by statute.
- The duty for the Department to establish a Division of Defense Contract Procurement for lobbying the federal government on behalf of Illinois employers.

We recommended the Department take the necessary steps, such as reallocating resources, to comply with these statutory mandates or request that the mandates be rescinded. (Finding 1, page 8)

Department officials agreed with our finding and stated they will pursue legislation to have these statutes rescinded or amended to more accurately reflect the Department's current approach and resources.

Our 1992 audit also contained two findings on noncompliance with State mandates wherein we described six mandates with which the Department had not complied. In each case the Department responded that it would seek legislation to delete or amend the requirements. During the two-year period ended June 30, 1994, the Department successfully pursued legislation that rescinded four of the six mandates previously presented. The first two of the five mandates listed above (housing needs study and rural community development) are repeated from our 1992 audit.

### **OUTDATED GRANT AGREEMENTS**

Standard grant agreements for certain federally-funded programs were not updated to reflect changes in subgrantee reporting requirements. Grant agreements for the Community Services Block Grant Program contained inconsistencies in the frequency for submitting expenditure reports. In addition, grant agreements for the Small Business Development Center Programs contained inconsistencies as to when subgrantee audit reports were due to the Department.

(Finding 13, page 158)

Department officials agreed with our recommendation and stated they have revised the standard grant agreements for several programs and intend to revise the agreements used for the Small Business Development Center Programs.

### **OTHER FINDINGS**

The remaining findings are less significant and have been given appropriate attention by the Department. We will review progress towards the implementation of our recommendations in our next audit.

Ms. Nancy Hilger, Chief Internal Auditor, provided the Department's responses.

### **AUDITORS' OPINION**

Our auditors state the Department's financial statements as of June 30, 1994 and 1993 are fairly presented.

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WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

### **SUMMARY OF AUDIT FINDINGS**

Number of This Audit 610  
Prior Audit 10  
Audit findings 610  
Repeated audit findings 2 3  
Prior recommendations implemented or not repeated 813

### **SPECIAL ASSISTANT AUDITORS**

KPMG Peat Marwick LLP were our special assistant auditors for this audit.

### **DEPARTMENT OF COMMERCE AND COMMUNITY AFFAIRS** **FINANCIAL AND COMPLIANCE AUDIT** **For The Two Years Ended June 30, 1994**

<b>EXPENDITURE STATISTICS</b>	<b>FY 1994</b>	<b>FY 1993</b>	<b>FY 1992</b>
<b>●Total Expenditures (All Funds)</b>	<b>\$438,688,109</b>	<b>\$378,836,905</b>	<b>\$490,586,255</b>
<u>OPERATIONS TOTAL</u>	\$47,622,020	\$44,696,762	\$53,410,187
% of <b>Total</b> Expenditures	10.9%	11.8%	10.9%
Personal Services	\$15,590,884	\$15,714,018	\$22,078,268
% of Operations Expenditures	32.7%	35.2%	41.3%
Average No. of Employees	424	418	633
Other Payroll Costs (FICA, Retirement, Group Insurance)	\$3,409,965	\$3,700,647	\$4,257,218

% of Operations Expenditures	7.2%	8.3%	8.0%
Contractual Services % of Operations Expenditures	\$6,088,618 12.8%	\$6,149,349 13.7%	\$8,337,319 15.6%
All Other Operations Items % of Operations Expenditures	\$22,532,553 47.3%	\$19,132,748 42.8%	\$18,737,382 35.1%
<b><u>AWARDS AND GRANTS TOTAL</u></b> % of <b>Total</b> Expenditures	\$377,170,948 86.0%	\$319,912,122 84.5%	\$419,304,114 85.5%
<b><u>DEBT SERVICE TOTAL</u></b> % of <b>Total</b> Expenditures	\$13,811,094 3.1%	\$13,772,161 3.6%	\$16,962,703 3.4%
<b><u>REFUNDS TOTAL</u></b> % of <b>Total</b> Expenditures	\$84,047 .02%	\$455,860 .1%	\$909,251 .2%
<b>●Cost of Property and Equipment</b>	<b>\$7,579,552</b>	<b>\$7,312,748</b>	<b>\$7,961,609</b>

<b>CASH RECEIPTS</b>	<b>FY 1994</b>	<b>FY 1993</b>	<b>FY 1992</b>
From Federal Agencies:			
Dept. of Health and Human Services	\$129,979,714	\$ 87,513,646	\$114,779,870
Dept. of Labor	143,952,114	165,619,058	150,895,139
Other	54,469,323	54,430,748	61,003,491
From State Programs	59,362,206	30,154,288	37,823,731
Bond proceeds	-	-	71,218,652
Loan repayments/interest	12,173,786	10,040,494	10,942,486
Other	<u>1,802,848</u>	<u>2,458,509</u>	<u>3,421,622</u>
Total	<u>\$401,739,991</u>	<u>\$350,216,743</u>	<u>\$450,084,991</u>

**AGENCY DIRECTOR(S)**

During Audit Period: Jan M. Grayson  
Currently: Dennis R. Whetstone