



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**GOVERNOR’S OFFICE OF MANAGEMENT AND BUDGET**

Compliance Examination  
 For the Two Years Ended June 30, 2017

Release Date: March 6, 2018

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2011		17-2	
Category 2:	2	1	3				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>3</b>				
FINDINGS LAST AUDIT: 2							

**SYNOPSIS**

- (17-1) The Governor’s Office of Management and Budget (Office) did not exercise adequate controls over the collection of federal interest subsidy receipts.
- (17-2) The Office did not submit accurate Locally Held Fund reports to the State Comptroller and did not make accurate monthly disclosures on the Office’s website.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017**

<b>EXPENDITURE STATISTICS</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total Expenditures.....</b>	<b>\$ 868,680,363</b>	<b>\$ 476,782,757</b>	<b>\$ 503,340,016</b>
OPERATIONS TOTAL.....	\$ 8,344,286	\$ 3,018,888	\$ 3,500,958
% of Total Expenditures.....	1.0%	0.6%	0.7%
Personal Services.....	1,073,506	1,258,899	1,266,858
Other Payroll Costs (FICA, Retirement).....	78,945	91,998	92,455
All Other Operating Expenditures.....	7,191,835	1,667,991	2,141,645
DEBT SERVICE.....	\$ 860,336,077	\$ 473,763,869	\$ 499,839,058
% of Total Expenditures.....	99.0%	99.4%	99.3%
<b>Total Receipts.....</b>	<b>\$ 58,182,403</b>	<b>\$ 57,009,352</b>	<b>\$ 58,249,558</b>
<b>Average Number of Employees (Not Examined).....</b>	<b>45</b>	<b>42</b>	<b>66</b>
<b>SELECTED ACTIVITY MEASURES (Not Examined)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
General Obligation Bonds Issued.....	\$ 1,783,145,000	\$ 1,030,000,000	\$ -
Build Illinois Bonds Issued.....	548,790,000	-	-
Total Bonds and Certificates Issued.....	<u>\$ 2,331,935,000</u>	<u>\$ 1,030,000,000</u>	<u>\$ -</u>
<b>AGENCY DIRECTOR</b>			
During Examination Period: Hans Zigmund (Effective 1/16/18), Scott Harry (1/1/17 - 1/15/18), Tim Nuding (through 12/31/16)			
Currently: Hans Zigmund			

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE CONTROL OVER COLLECTION OF  
FEDERAL INTEREST SUBSIDY RECEIPTS**

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over the collection of federal interest subsidy receipts.

**Rebate, totaling \$2,426,928, was not received**

- One expected rebate totaling \$2,426,928, due March 1, 2016, was not received from the federal government and there was no documentation to support collection efforts.

**Five of 22 (23%) rebate receipts tested were not received in full**

- Five of 22 (23%) rebate receipts tested were not received in full from the federal government. The expected total of these rebates was \$27,120,870, but the Office only received partial payments totaling \$26,937,818 and failed to pursue the additional \$183,052. (Finding 1, pages 9-10)

We recommended the Office pursue the collection of outstanding interest subsidy receipts on a timely basis.

**Office agrees with auditors**

Office officials agreed with the recommendation and stated they have established a protocol that outlines a timeframe for following up on Build America Bonds rebates and requires written documentation to record the date, time and method of those efforts.

**INACCURATE LOCALLY HELD FUND REPORTS**

The Office did not submit accurate locally held fund reports (C-17s) to the Office of the State Comptroller and did not make accurate monthly disclosures on the Office's website.

**Accrued investment income totaling \$40,344 improperly included on C-17**

- One of 56 (2%) C-17s tested, prepared on the cash basis of accounting, improperly included \$40,344 of accrued investment income.

**Disclosures totaling between \$55 and \$28,943,883 reported incorrectly**

- Eight of 56 (14%) Office monthly website disclosures tested were inaccurate. Four of the disclosures reported incorrect amounts; misstatements totaled between \$55 and \$28,943,883. The Office also failed to post four disclosures for Certificates of Participation, which totaled \$16,644 at December 31, 2015. (Finding 2, pages 11-12)  
**This finding was first reported in 2011.**

We recommended the Office implement procedures to review all C-17s for accuracy prior to submission. We also recommended the Office implement procedures to review all monthly disclosures for accuracy prior to posting to the Office's website and ensure all required disclosures are posted.

**Office agrees with auditors**

Office officials agreed with the recommendation and stated they have implemented corrective action. *(For the previous Office response, see Digest Footnote #1.)*

**OTHER FINDING**

The remaining finding pertains to not obtaining all statutorily required information related to subcontractors. We will review the Office’s progress towards the implementation of our recommendations in the next compliance examination.

**ACCOUNTANT’S OPINION**

The accountants conducted a compliance examination of the Office for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants stated the Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by West and Company, LLC.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:PH

**DIGEST FOOTNOTES**

**#1 – INACCURATE LOCALLY HELD FUND REPORTS**

2015 – We concur with the auditor’s recommendation. The Office has fully implemented corrective action to resolve the finding including: established new procedures for the preparation of the C-17 and monthly disclosure reports; established a supervisory review control to approve both reports before they are filed or released; developed a new monthly disclosure reporting format; trained staff to prepare the reports; and trained staff to review and approve the reports. All mistakes on the C-17 reports during the audit period were corrected in the subsequent quarter or at the end of the fiscal year prior to the office submitting its GAAP package to the State Comptroller.