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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

5-94-54000-10

**REPORT DIGEST**

**MEDICAL CENTER COMMISSION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1994**

**SYNOPSIS**

- The Commission did not transfer excess cash on hand of \$158,271 to the State Treasurer as required by statute.
- The Commission did not implement adequate internal procedures to control the processing of financial reports and maintenance of accounting records. This condition has existed since 1990.
- Complete and accurate cost records for real property were not maintained by the Commission.
- The Commission did not maintain adequate internal controls over receipts and expenditures of its locally held funds. This condition has existed since 1992.

{Expenditures and Activity Measures are summarized on the reverse page.}

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RECYCLED PAPER · SOYBEAN INKS

**MEDICAL CENTER COMMISSION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1994**

| EXPENDITURE STATISTICS  | FY 1994     | FY 1993     | FY 1992     |
|---|-------------|-------------|-------------|
| • <b>Total Expenditures</b> . . . . .                         | \$ 468,860  | \$ 649,313  | \$1,150,411 |
| <u>Operations Total</u> . . . . .                             | \$ 468,860  | \$ 649,313  | \$1,150,411 |
| % of Total Expenditures . . . . .                             | 100%        | 100%        | 100%        |
| Personal Services . . . . .                                   | \$ 133,918  | \$ 142,630  | \$ 292,396  |
| % of Total Expenditures . . . . .                             | 29%         | 22%         | 25%         |
| Average No. of Employees . . . . .                            | 3           | 3           | 7           |
| Other Payroll Costs (FICA,<br>Retirement) . . . . .           | \$ 25,510   | \$ 23,658   | \$ 33,574   |
| % of Total Expenditures . . . . .                             | 5%          | 4%          | 3%          |
| Contractual Services . . . . .                                | \$ 66,595   | \$ 79,176   | \$ 112,543  |
| % of Total Expenditures . . . . .                             | 14%         | 12%         | 10%         |
| Operation/Development of Chicago<br>Technology Park . . . . . | \$ 147,359  | \$ 142,375  | \$ 291,107  |
| % of Total Expenditures . . . . .                             | 31%         | 22%         | 25%         |
| Property Acquisition/Demolition . . . . .                     | \$ 91,868   | \$ 257,942  | \$ 415,222  |
| % of Total Expenditures . . . . .                             | 20%         | 40%         | 36%         |
| All Other Operations Items . . . . .                          | \$ 3,610    | \$ 3,532    | \$ 5,569    |
| % of Total Expenditures . . . . .                             | 1%          | 0%          | 0%          |
| • <b>Cost of Property and Equipment</b> . . . . .             | \$4,660,564 | \$3,457,731 | \$3,328,455 |

| SELECTED ACTIVITY MEASURES                  | FY 1994     | FY 1993     | FY 1992    |
|---|-------------|-------------|------------|
| • Locally Held Fund Receipts . . . . .      | \$2,596,790 | \$1,044,600 | \$ 848,586 |
| • Aging of Accounts Receivable . . . . .    | \$ 148,989  | \$ 126,170  | \$ 157,512 |
| • Number of Rental Units . . . . .          | 42          | 39          | 39         |
| • Number of Units Rented/Occupancy Rate . . | 36 - 86%    | 35 - 90%    | 31 - 79%   |

| AGENCY DIRECTOR(S)   |
|--|
| During Audit Period: David O. Livingston<br>Currently: David O. Livingston |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### NONCOMPLIANCE WITH STATUTE FOR DISPOSITION OF MONEY RECEIVED FROM THE SALE OR LEASE OF PROPERTY

Commission personnel did not transfer excess cash on hand of \$158,271 in the Medical Center Property Management Fund to the State Treasurer as required by statute.

The Medical Center District Act (70 ILCS 915/10) requires the Commission to transmit to the State Treasurer no later than July 10 of each fiscal year all monies on hand in excess of \$100,000 without deduction or offset of any kind, except for outstanding contractual obligations at June 30.

We recommended that Commission management comply with the statute and establish procedures to ensure excess funds are remitted to the State Treasurer on a timely basis. (Finding 4, page 16)

The Commission accepted our recommendation to transfer the funds as required and stated that it will work with the Comptroller's Office to resolve the outstanding transfer issue.

### LACK OF DOCUMENTED POLICIES AND PROCEDURES FOR ACCOUNTING, SUPERVISORY AND ADMINISTRATIVE FUNCTIONS

Commission management did not implement and consistently apply adequate procedures to control the processing of financial reports and maintenance of accounting records. We noted deficiencies including: (1) monthly general ledger reports and year-end detail reports that were not transferred to hard copy, (2) combined postings of cash receipts and disbursements which created difficulty in reviewing transactions, (3) lack of written explanation of, and supporting documentation for, journal entries, and (4) missing hard copies of purchase order summaries, a missing sales journal summary, and account codes missing on vendor invoices.

These weaknesses were a result of inexperienced or untrained personnel, lack of supervisory or administration review, and lack of awareness of certain requirements. **This finding has been repeated since 1990.** We continue to recommend the Commission establish and document operating procedures to ensure production and maintenance of all accounting records and reports. (Finding 5, page 18) For previous agency responses see Digest Footnote 1.

The Commission agrees with the need for proper procedures and documentation but feels that its system as currently established will provide adequate control.

### INCOMPLETE AND INACCURATE RECORDKEEPING FOR REAL PROPERTY

The Commission did not maintain complete and accurate detail records of real property as required by statute. Per the Commission's June 30, 1994 fixed asset report, \$4,108,707 was the total cost of land, buildings and improvements. Acquisition of real property by the Commission dates back to 1948.

We recommended that Commission management assign the responsibility of maintaining complete and accurate real property records to specific accounting personnel and establish procedures to ensure periodic review of this process. (Finding 1, page 9)

The Commission accepted our recommendation and stated that they have assigned the responsibility for this task to the Administrative Manager and Fiscal Officer, and they are now complete and accurate real property records.

**INADEQUATE INTERNAL CONTROLS OVER RECEIPT AND EXPENDITURE PROCESSING**

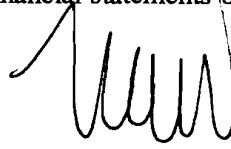
Commission management did not maintain adequate internal controls over receipt and expenditure processing of their locally held funds to ensure timeliness of deposits and compliance with statutes. We noted the following: (1) 114 of 131 (87%) receipts totalling \$531,390 were not date stamped nor was a log maintained, (2) vendor invoices totalling \$17,892 did not have authorization or approval for payment, and (3) vendor invoices totalling \$16,684 did not have supporting documentation. **This finding has been repeated since 1992.**

We continue to recommend that Commission management strengthen internal controls over receipt and expenditure processing which should include date stamping, logging of receipts, and documented authorization and approval of payment. (Finding 7, page 24) For previous agency responses see Digest Footnote 2.

The Commission accepted our recommendation and stated that it is implementing the recommended procedures.

**AUDITORS' OPINION**

Our auditors state that the June 30, 1994 and 1993 financial statements of the Commission are fairly presented.



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WILLIAM G. HOLLAND, Auditor General

WGH:ROQ  
April 5, 1995

**SUMMARY OF AUDIT FINDINGS**

| <u>Number of</u>                                     | <u>This Audit</u> | <u>Prior Audit</u> |
|--|-------------------|--------------------|
| Audit Findings                                       | 10                | 10                 |
| Repeated Findings                                    | 5                 | 2                  |
| Prior Recommendations<br>Implemented or Not Repeated | 5                 | 2                  |

**SPECIAL ASSISTANT AUDITORS**

Hoffman, Dykes & Fitzgerald, P.C. were our special assistant auditors.

## DIGEST FOOTNOTES

### #1: LACK OF DOCUMENTED POLICIES AND PROCEDURES FOR ACCOUNTING, SUPERVISORY AND ADMINISTRATIVE FUNCTIONS

1992: "Although documentation of the policies and procedures was incomplete during the audit period, the Commission management and accounting personnel have created an initial draft of the daily accounting policies and procedures which will be completed by June 1, 1993. When the Chicago Technology Park management was added to the responsibilities of the Medical Center Commission, the operational and financial functions of the Commission became much more complex. Since the final integration of CTP into the Commission was uncertain during the audit period, only limited, partial procedures were documented. A complete Administrative Procedures manual is outlined. To ensure the completeness of this manual, the procedures manual from the Auditor General's administrative office has been obtained."

1990: "This entire finding appears to be minor and should have been reported as non-material. After you strike those paragraphs where there was compliance or those non-material, there is little remaining. Further, there are no "aggregate....errors" that could contribute to inaccurate financial information and controls. There is no practical consequence to the findings inasmuch as there is no instance of fraud, misuse of funds or non-compliance with laws and regulations.

The Commission will continue to maintain adequate supporting documentation and record financial data in a timely manner. The Commission will continue to monitor and review their records through supervision and internal auditors. By specific assignment of responsibility, we will implement review. There seems to be quite a discrepancy, amongst competent auditors, as to what is adequate to fulfill the human equation of error. Now that the Commission offices are computerized, comprehensive financial information, accuracy and routine will be memorialized."

### #2: INADEQUATE INTERNAL CONTROLS OVER RECEIPT AND EXPENDITURE PROCESSING

1992: "Improved internal controls are now in place. We require date stamps, completed approval sign off for payment and have initiated a receipt journal to comply with the need to prove timeliness of deposits. We continue to work our additional processes and reviews to insure compliance with the State Prompt Payment Act.

During the audit period, internal control procedures were being added as our management of the Chicago Technology Park revealed new areas where controls were needed. These included a stamp process for date of receipt of invoices, approvals for payment, and fund and account coding. This was not fully in place until nearly the end of the audit period."