



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

CAPITAL DEVELOPMENT BOARD

**Financial Audit
For The Year Ended June 30, 2011**

Release Date: March 6, 2012

Summary of Findings:

Total this audit:	1
Total last audit:	1
Repeated from last audit:	0

INTRODUCTION

The Capital Development Board (Board) serves as the non-road, construction management agency of the State of Illinois. The auditor performed a financial audit of the Board for the year ended June 30, 2011.

SYNOPSIS

The Capital Development Board (Board) did not establish adequate controls over approval of contracts prior to the performance of services and resolution of outstanding procurement issues.

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

CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For The Year Ended June 30, 2011

FINANCIAL INFORMATION:		
Governmental Funds (In Thousands)	2011	2010
REVENUES		
Federal capital grants.....	\$ 26,918	\$ 34,293
Licenses and fees.....	4,582	6,741
Other charges for services.....	15,663	29,572
Total revenues.....	<u>\$ 47,163</u>	<u>\$ 70,606</u>
EXPENDITURES		
Education.....	\$ 248,306	\$ 154,290
General government.....	15,656	16,613
Environment and business regulation.....	-	(9)
Capital outlays.....	56,347	66,398
Total expenditures.....	<u>\$ 320,309</u>	<u>\$ 237,292</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	\$ 4,755,403	\$ 4,900,952
Reappropriations to future year(s).....	(4,145,516)	(4,746,571)
Lapsed appropriations.....	(308,757)	(8,093)
Receipts collected and transmitted to State Treasury.....	-	(16)
Net change in liabilities for reappropriated accounts.....	(23,078)	28,512
Operating transfers out.....	(5,402)	(425)
Total other sources (uses).....	<u>272,650</u>	<u>\$ 174,359</u>
Deficiency of Revenue Over Expenditures and Other		
Sources (Uses).....	\$ (496)	\$ 7,673
Fund balance, July 1.....	8,925	1,252
Fund balance, June 30.....	<u>\$ 8,429</u>	<u>\$ 8,925</u>
SELECTED ACCOUNT BALANCES:		
Statement of Net Assets (In Thousands)		
	2011	2010
Cash equity with State Treasurer.....	\$ 3,009	\$ 7,705
Cash and cash equivalents.....	\$ 4,731	\$ 1,423
Intergovernmental receivables	\$ 1,626	\$ 3,599
Due from other State funds.....	\$ 9,861	\$ 5,856
Capital assets not being depreciated.....	\$ 26,085	\$ 27,712
Accounts payable and accrued expenses.....	\$ 31,175	\$ 24,202
Deferred revenue.....	\$ 399	\$ 164
EXECUTIVE DIRECTORS		
During Audit Period: James Riemer, Executive Director (5/13/08 through 12/31/10)		
During Audit Period: Gevan Behnke, Acting Executive Director (1/1/11 through 3/17/11), James Underwood, Executive Director 3/18/11 through 6/30/11		
Currently: James Underwood, Executive Director		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE CONTROLS OVER APPROVAL OF
CONTRACTS**

The Board had not established adequate controls over approval of contracts prior to the performance of services and resolution of outstanding procurement issues.

Due to the lack of controls governing the interactions between the Board and the Chief Procurement Officer (CPO), we noted the following:

**Improper payments totaling
\$685,992 were made**

- Contract vouchers, totaling \$685,992, represented improper payments for services performed prior to a properly executed contract.
- Approval by the CPO for an emergency purchase tested, totaling \$28,311 was not evident on the payment voucher.
- Request for payments on vouchers, totaling \$163,674, were put on hold by the Board's fiscal department due to contract modifications, change orders, and authority to proceed for the construction work lacked the CPO's approval.

**Departure from the Board's
procurement process**

Additionally, the Board performed an analysis and issued a report entitled "Project Process Assessment" which was dated July 2011. This report identified 135 instances of departure from the Board's procurement practices. Noncompliance represented approximately 6% of the total contract actions processed over the past two years. (Finding 11-1, pages 36-38)

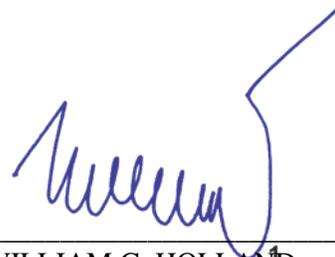
We recommend the Board work with the CPO to develop procedures to ensure all contracts are executed and approved prior to the start of the services. In addition, the Board should implement appropriate procedures to ensure services are not provided after the contracts have expired.

Board agrees with auditors

Board officials agreed with the finding and indicated they are working with the CPO to develop procedures to ensure contracts are executed and approved before work begins.

AUDITORS' OPINION

Our special assistant auditors stated the Capital Development Board financial statements as of and for the year ended June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:MKL

SPECIAL ASSISTANCE AUDITORS

E.C. Ortiz and Co., LLP were our special assistant auditors on this engagement.