



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, 2012 and
Compliance Examination For the Two Years Ended
June 30, 2012**

Release Date: February 14, 2013

Summary of Findings:

Total this report:	9
Total last report:	7
Repeated from last report:	6

INTRODUCTION

The Capital Development Board (Board) serves as the non-road, construction management agency of the State of Illinois. This engagement encompassed a financial audit of the Board for the year ended June 30, 2012 and a compliance examination for the two years ended June 30, 2012.

SYNOPSIS

- The Board did not establish adequate controls over approval of contracts prior to the performance of services and resolution of outstanding procurement issues.
- The Board did not have adequate controls over its revenue and receipts.
- The Board did not fully comply with the Illinois Procurement Code's provisions for publishing procurement information in the Illinois Procurement Bulletin.

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

**CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For The Year Ended June 30, 2012
COMPLIANCE EXAMINATION
For The Two Years Ended June 30, 2012**

EXPENDITURE STATISTICS	2012	2011	2010
Total Expenditures (All Funds)*	\$ 587,384,919	\$ 353,819,357	\$ 205,480,183
OPERATIONS TOTAL.....	\$ 16,793,164	\$ 14,775,365	\$ 14,206,360
% of Total Expenditures.....	2.9%	4.2%	6.9%
Personal Services.....	\$ 9,066,869	\$ 8,312,389	\$ 7,939,101
% of Operations Expenditures.....	54.0%	56.2%	55.9%
Average No. of Employees.....	120	122	122
Other Payroll Costs (Retirement, Social Security, Group Ins).....	\$ 5,780,484	\$ 4,606,912	\$ 4,400,181
% of Operations Expenditures.....	34.4%	31.2%	31.0%
Contractual Services.....	\$ 412,626	\$ 412,428	\$ 525,319
% of Operations Expenditures.....	2.5%	2.8%	3.7%
All Other Operations Items.....	\$ 1,533,185	\$ 1,443,636	\$ 1,341,759
% of Operations Expenditures	9.1%	9.8%	9.4%
Construction Total	\$ 570,591,755	\$ 339,043,992	\$ 191,273,823
% of Total Expenditures.....	97.1%	95.8%	93.1%
Cost of Property and Equipment	\$ 1,794,637	\$ 1,908,615	\$ 1,915,250
Cost of Construction in Progress	\$ 24,687,710	\$ 14,059,539	\$ 16,985,466
*Appropriated and non-appropriated funds			
SELECTED ACTIVITY MEASURES (Unaudited)	2012	2011	2010
Number of Projects.....	1,134	1,260	1,059
Number of projects awarded.....	248	233	199
Average Variation from Planned Schedule:			
Construction Phase.....	19.41%	14.80%	5.63%
Number of Change Orders.....	572	560	1,082
EXECUTIVE DIRECTORS			
During Engagement Period: James Riemer, Executive Director (5/13/08 through 12/31/10)			
Gevan Behnke, Acting Executive Director (1/1/11 through 3/17/11)			
James Underwood, Executive Director (3/18/11 through present)			
Currently: James Underwood, Executive Director			

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NEED TO IMPROVE CONTRACT APPROVAL
PROCESS**

Inadequate controls

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

**Improper payments totaling
\$855,879 were made**

Due to the lack of controls governing the interactions between the Board and the Chief Procurement Officer (CPO), we noted contract vouchers, totaling \$855,879, represented improper payments for services performed prior to a properly executed contract. (Finding 12-1, pages 10-11) **Finding was first reported in 2011.**

We recommended the Board continue working with the CPO to implement procedures to ensure all contracts are executed and approved prior to the start of the services.

Board agrees with auditors

Board officials accepted our recommendation and stated they have developed and implemented procedures to ensure contracts are executed and approved prior to the start of services.

**INADEQUATE CONTROLS OVER REVENUE AND
RECEIPTS**

The Board did not have adequate controls over its revenue and receipts. During our review of 60 receipts we noted the following:

**Excess fees of \$519,849 collected
from contractors**

- Receipts for 12 contract administration fees (CAF) were more than 3% of contract amount and the excess totaled \$519,849.
- Supporting documentation for one CAF for \$1,162,500 was not found.

In addition, the Receipt Deposit Transmittal (RDT) forms were not properly completed and two receipts were deposited late. (Finding 12-2, pages 12-13)

We recommended the Board strengthen its controls over revenue and cash receipts to ensure fees are collected and deposited in accordance with State statute. Deposits should also be made on a timely basis to maximize interest earned. Further, the Board should submit RDTs to the Office of the State Comptroller in accordance with Statewide Accounting Management System procedures.

Board agrees with auditors

Board officials agreed with the finding and recommendation noting a bill has been introduced to reinstate the CAF.

Further, the Board has strengthened controls over revenue and cash receipts.

REQUIRED PROCUREMENT INFORMATION NOT PUBLISHED

Noncompliance with the Illinois Procurement Code

The Board did not fully comply with the Illinois Procurement Code's (Code) provisions for publishing procurement information in the Illinois Procurement Bulletin (the Bulletin). Based on our review of procurement information on the Board's website we noted the following:

Emergency purchase information published 175 to 782 days after award date

- Invitation for bids with revised bid dates and rebids did not include information about the responsible State purchasing officer, the method of source selection, and encouragement to prospective vendors to hire qualified veterans and Illinois residents discharged from any Illinois adult correctional center.
- Contracts let or awarded did not include information about the location where offers were submitted.
- Nineteen of 21 emergency purchases reviewed, totaling \$5,366,780, were published in the Bulletin 175 to 782 days after the award date. Final cost totaling \$4,929,232 for 18 emergency purchases were published 194 to 782 days after the determination of final cost. Further, one emergency purchase amounting to \$59,948 and final cost of one emergency purchase amounting to \$27,457 were not published in the Bulletin.
- Four notices for hearing for emergency contract extension were not published in the Bulletin. (Finding 12-3, pages 14-16) **This finding was first reported in 2008.**

Notices for hearing pertaining to emergency contract extension not published

We recommended the Board work with the Chief Procurement Officer in implementing procedures to ensure complete and consistent procurement information is published as required by the Code.

Board agrees with auditors

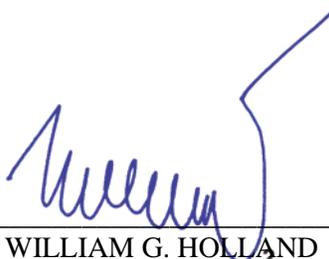
Board officials agreed with our finding and recommendation noting: a) procedures have been reviewed, and b) processes have been implemented to ensure that complete and consistent procurement information is published as required. (*For the previous Board response, see Digest Footnote #1.*)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Board. We will review the Board's progress toward implementation of our recommendations during our next examination.

AUDITORS' OPINION

Our special assistant auditors stated the Capital Development Board's financial statements as of and for the year ended June 30, 2012 are fairly presented in all material respects.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND
Auditor General

WGH:SKM

SPECIAL ASSISTANCE AUDITORS

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

DIGEST FOOTNOTES

**#1 - REQUIRED PROCUREMENT INFORMATION
NOT PUBLISHED - Previous Board Response**

2010: Board agrees with recommendation. Board management will review current procurement information provisions and develop and enforce policies and procedures to ensure publishing of procurement information for all invitations for bids and rebids.