



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, 2014 and
 Compliance Examination for the Two Years Ended June 30, 2014

Release Date: February 19, 2015

FINDINGS THIS AUDIT: 7				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2012		14-1, 14-7	
Category 2:	2	5	7	2010		14-5	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2008		14-2	
TOTAL	2	5	7	2006		14-4	
FINDINGS LAST AUDIT: 9							

SYNOPSIS

- (14-1) The Board did not have adequate controls over its revenue and receipts.
- (14-2) The Board failed to publish required procurement information.
- (14-3) The Board had inadequate control over property and equipment.
- (14-6) The Board did not process payroll accurately for employees who qualified for specialized skill pay.

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.}

**CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2014
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2014**

EXPENDITURE STATISTICS	2014	2013	2012
Total Expenditures (All Funds).....	\$ 706,055,069	\$ 484,518,677	\$ 587,384,919
OPERATIONS TOTAL.....	\$ 20,344,492	\$ 18,990,624	\$ 16,793,164
% of Total Expenditures.....	2.9%	3.9%	2.9%
Personal Services.....	10,548,310	9,760,662	9,066,869
% of Operations Expenditures.....	51.8%	51.4%	54.0%
Other Payroll Costs (Retirement, Social Security, Group Ins)....	7,612,751	7,187,021	5,780,484
% of Operations Expenditures.....	37.4%	37.9%	34.4%
Contractual Services.....	401,525	386,463	412,626
% of Operations Expenditures.....	2.0%	2.0%	2.5%
All Other Operations Items.....	1,781,906	1,656,478	1,533,185
% of Operations Expenditures.....	8.8%	8.7%	9.1%
Construction Total.....	\$ 685,710,577	\$ 465,528,053	\$ 570,591,755
% of Total Expenditures.....	97.1%	96.1%	97.1%
Cost of Property and Equipment.....	\$ 1,180,299	\$ 1,452,800	\$ 1,794,637
Cost of Construction in Progress.....	\$ 66,534,150	\$ 41,379,069	\$ 24,687,710
Average No. of Employees.....	135	131	120

SELECTED ACTIVITY MEASURES (Unaudited)	2014	2013	2012
Number of Projects.....	1,309	1,192	1,134
Number of Projects Awarded.....	279	313	248
Average Variation from Planned Schedule:			
Construction Phase.....	16.90%	17.44%	19.41%
Number of Change Orders.....	905	786	572

EXECUTIVE DIRECTOR
During Examination Period: James Underwood
Currently: James Underwood

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER REVENUE AND RECEIPTS

The Board did not have adequate controls over its revenue and receipts. During our review of 80 receipts totaling \$32,021,453 we noted the following:

Excess fees of \$296,069 were collected from contractors

- Receipts for 19 contract administration fees (CAF) were more than 3% of the contract amount and the excess totaled \$296,069.
- Five receipts totaling \$293,000 were deposited 1 day late. (Finding 1, pages 11-12)

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.

Board agrees with auditors

Board officials agreed with the finding and recommendation and stated that the Board has changed the method for calculating the CAF to ensure compliance with the statutory limit. Further, the Board continues to make every effort to ensure that deposits are made on a timely basis.

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 (Bulletin).

Annual Business Enterprise Program reports published 227 and 549 days late

We noted annual Business Enterprise Program reports were not posted on the online electronic Bulletin within 10 business days after submission of the report to the Business Enterprise Council for Minorities, Females, and Persons with Disabilities during fiscal years 2013 and 2014. The reports were posted 227 and 549 days late. (Finding 2, pages 13-14). **This finding has been repeated since 2008.**

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 the finding and recommendation and stated that the Business Enterprise Program reports have been posted onto the Board's electronic Bulletin. The Board will continue to work with the Chief Procurement Officer to ensure the reports are posted as required. *(For the previous Board response, see Digest Footnote #1.)*

INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

The Board did not have adequate controls over its property and equipment. We noted the following:

Annual Certification of Inventory did not include all required items

- The FY 2013 Annual Certification of Inventory did not include the supporting details of all equipment items costing over \$500 which are required to be reported to the Department of Central Management Services (DCMS). Additionally, we noted 61 equipment items totaling \$12,347 with acquisition costs under \$500 but are highly subject to theft that were not identified and reported on the FY 2013 and FY 2014 Annual Certifications of Inventory.

Inadequate controls over equipment deletions

- During our review of 25 equipment deletions made during FY 2013 and FY 2014, we noted the following:
 - 12 (48%) equipment items sampled with a total value of \$44,648 were deleted from the Common System Inventory (CDB's property records) 9 to 157 days prior to approval from DCMS.
 - Four (16%) sampled equipment items which were traded in totaling \$506,160 were not reported to and approved by DCMS.
 - One (4%) sampled equipment item amounting to \$1,525 for surplus was not properly reported to DCMS.
 - One (4%) sampled equipment item which was transferred out amounting to \$7,945 did not have the necessary information (historical cost, purchase price and date) reported to the receiving agency.

Rental charges were erroneously included on report sent to the Office of the State Comptroller

- One (4%) of 25 equipment additions reviewed for FY 2014 and FY 2013 erroneously included rental charges amounting to \$1,898 in the value of the property reported on the Common Inventory System and Quarterly Agency Report of State Property (C-15) sent to the Office of the State Comptroller. CDB Management subsequently updated the property records. (Finding 3, pages 15-17).

We recommended Board management ensure submission of a complete inventory of equipment with DCMS. We also recommended Board management adhere to its procedures to ensure that property and equipment records are accurately maintained and updated. Periodic physical inventories should be conducted to ensure existence of equipment, and property records should be updated with results of the inventory. In addition, Board management should ensure proper completion of the quarterly C-15 Reports.

Board agrees with auditors

Board officials agreed with the finding and recommendation and stated that the Board will strengthen controls to ensure the submission of a complete inventory of equipment with DCMS, to ensure that property and equipment records are accurately maintained and updated, and to ensure proper completion of the quarterly C-15 Reports.

INADEQUATE CALCULATION OF SPECIALIZED SKILL PAYROLL

Board did not process specialized skill payroll accurately

The Board did not process payroll accurately for employees who qualified for specialized skill pay.

Certain CDB employees with specialized skills are qualified to receive 5% of their monthly base salary in addition to their current rate of pay as set forth in a Memorandum of Understanding (MOU) with the Union. Commencing with the January 1, 2012 pay period, CDB began calculating the base salary for 5 employees with specialized skills differently than it had in the past. Rather than treating specialized skill pay as an add-on to base pay, CDB increased each employee's base pay amount by the amount of specialized skill pay given in prior periods. This higher base pay amount then became the base used in calculating future specialized skill pay. This resulted in employees receiving an additional \$84,938 during FY13 and FY14. In FY12 the employees received an additional \$14,110. Further, in FY15 the employees received an additional \$11,897. Upon notification by the auditors, Board personnel performed a recalculation of base pay and determined there were overpayments. (Finding 6, pages 21-22).

Five employees received an additional \$84,938 during FY13 and FY14

We recommended the Board process payroll accurately.

Board agrees with auditors

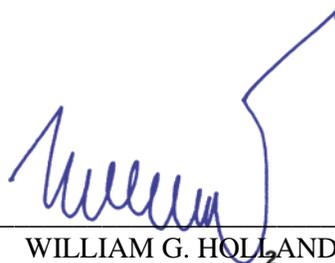
Board officials agreed with the finding and recommendation and stated that a process will be implemented to have the Fiscal Unit review the payroll calculations for all changes in employees' earnings prior to their effective dates. Also, the Board has taken steps to address the overpayments noted.

OTHER FINDINGS

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

AUDITOR'S OPINION

Our special assistant auditors stated the Capital Development Board's financial statements as of and for the year ended June 30, 2014 are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written above a horizontal line.

WILLIAM G. HOLLAND
Auditor General

WGH:MEG

SPECIAL ASSISTANT AUDITORS

Adelfia LLC were our Special Assistant Auditors for this engagement.

DIGEST FOOTNOTES

**#1 – REQUIRED PROCUREMENT INFORMATION
NOT PUBLISHED**

2012 The Board agrees with the finding and recommendation. Procedures have been reviewed and processes implemented to ensure that complete and consistent procurement information is published as required.