

**CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2021**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2021	FY 2020
REVENUES		
Federal capital grants.....	\$ 53,733	\$ 7,243
Federal operating grants.....	7,614	10,793
Licenses and fees.....	5,989	3,631
Other charges for services.....	4,072	3,740
Total revenues.....	<u>71,408</u>	<u>25,407</u>
EXPENDITURES		
Education	79,415	43,826
General government.....	27,207	23,317
Capital outlays.....	265,272	191,420
Total expenditures.....	<u>371,894</u>	<u>258,563</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	9,968,084	9,985,593
Reappropriations to future year(s).....	(9,407,685)	(9,648,866)
Lapsed appropriations.....	(205,773)	(100,694)
Proceeds from capital lease financing.....	12	6
Receipts collected and transmitted to State Treasury.....	(831)	(10)
Net change in liabilities for reappropriated accounts.....	2,785	9,454
Transfers-out/transfers-in.....	(18,395)	(45)
Total other sources (uses).....	<u>338,197</u>	<u>245,438</u>
Net change in fund balance.....	37,711	12,282
Fund balance July 1.....	31,000	18,718
Fund balance June 30.....	<u>\$ 68,711</u>	<u>\$ 31,000</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2021	June 30, 2020
ASSETS		
Unexpended appropriations.....	\$ 54,029	\$ 63,904
Cash equity with State Treasurer.....	71,658	26,537
Cash and cash equivalents.....	11,165	8,226
Intergovernmental receivables, net.....	2,559	1,602
Other receivables, net.....	8,294	2,369
Due from Federal funds.....	-	10,793
Due from other State funds.....	2,364	2,480
Total assets.....	<u>\$ 150,069</u>	<u>\$ 115,911</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 70,793	\$ 76,621
Due to other State funds.....	2,420	5,507
Unearned revenue.....	843	610
Unavailable revenue.....	7,302	2,173
Total liabilities and deferred inflows of resources.....	<u>81,358</u>	<u>84,911</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	68,711	31,000
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 150,069</u>	<u>\$ 115,911</u>
AGENCY DIRECTOR		
During Audit Period: Jim Underwood		
Currently: Jim Underwood		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE FIDUCIARY OVERSIGHT

The CDB failed to provide appropriate oversight over certain accounts for which it has fiduciary responsibility.

Retainage erroneously deposited into operating account

During the audit of CDB's June 30, 2021 financial statements, we noted CDB allows contractors for projects that meet certain criteria to establish a trust agreement in which the retainage withheld for that project is deposited into a bank account that can only be accessed by CDB. Through testing, we noted approximately \$326,724 in retainage related to two projects had been erroneously deposited into the contractor's operating account rather than the retention trust account. The retention trust accounts are reported on CDB's financial statements as cash and cash equivalents in the nonmajor governmental funds. CDB determined these errors immaterial and did not revise its financial statements. (Finding 1, pages 54-55)

We recommended the CDB implement procedures to ensure GAAP reporting packages and financial statements are prepared in a complete and accurate manner. These procedures should address all elements of CDB financial reporting process, including its fiduciary responsibilities over the retention trust accounts.

CDB accepted the recommendation

The CDB accepted our recommendation and stated it continues to make every effort to ensure that retention trust account balances are accurate. The CDB also stated the discrepancies have been addressed and CDB is now performing retention trust confirmations on a quarterly basis to ensure accounts reconcile.

**INADEQUATE INTERNAL CONTROLS OVER
CENSUS DATA**

The CDB did not have adequate internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and

transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the CDB's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans.

During testing, we noted the CDB had not performed an initial complete reconciliation of its census data recorded by SERS and CMS to its internal records to establish a base year of complete and accurate census data. We noted the CDB had not performed a Fiscal Year 2019 reconciliation. A partial reconciliation was performed of Fiscal Year 2020, but because CDB utilized the SERS data as of September 15, 2020, not all categories were reconciled. A full reconciliation was performed for Fiscal Year 2021. (Finding 2, pages 56-57)

We recommended the CDB continue to work with SERS on reconciling its census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

Fiscal Year 2019 reconciliation of census data not performed

Fiscal Year 2020 census data partially reconciled

CDB accepted the recommendation

The CDB accepted our recommendation and stated it continues to work with SERS toward reconciliation.

AUDITOR'S OPINION

The auditors stated the financial statements of the CDB, as of and for the year ended June 30, 2021, are fairly stated in all material respects.

This financial audit was conducted by Sikich LLP.

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:MEG