

**REPORT DIGEST**

**ILLINOIS DEVELOPMENT FINANCE AUTHORITY  
FINANCIAL AND COMPLIANCE AUDIT  
(In accordance with the Single Audit Act of  
1984 and OMB Circular A-128)  
For The Year Ended June 30, 1993**

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

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **FAILURE TO OBTAIN NECESSARY REPORTS**

The Authority had not obtained the required progress reports, project completion notices, and project audit reports to allow proper review of all grant expenditures. The review of grant fund expenditures is necessary to ensure funds are being spent as intended. (Finding 1, page 7)

Authority officials agreed with our recommendation that all necessary reports be obtained. They said repeated requests had been made to the grantee involved. They also said the grantee was in the process of closing out the project.

### **UNTIMELY RECONCILIATIONS AND RECORDING OF TRANSACTIONS**

The Authority did not record or reconcile financial information in its general ledger account balances on a timely basis.

As of June 30, 1993, Authority personnel could not reconcile certain general ledger account balances until over two months after the fiscal year ended.

We noted the following conditions:

- As of September 30, 1993, transactions totalling \$168,545 went unrecorded for the general cash account because the reconciliation was not completed.
- Checks issued by the Authority to create an audit trail for wire transfers were not voided once transfer transactions were completed. The unadjusted cash balance at June 30, 1993 was understated by \$75,000 until the checks were voided on August 11, 1993.
- Approximately \$59,000 of interest income was not recorded at June 30, 1993 because the venture investment account was not reconciled.
- Investments sold during the fiscal year totalling \$1,070,000 remained on the schedule of investments until reconciliations of general ledger, bank statements, and the accrued interest schedules were completed on November 12, 1993.
- Liabilities and related expenses totalling \$15,604 went unrecorded until the reconciliation of the general fund accounts payable balance was completed on October 18, 1993.

Untimely reconciliation of general ledger account balances could result in inaccurate financial reports and reduces the effectiveness of budgets or projections. (Finding 3, page 11)

Authority officials accepted our finding and recommendation to implement procedures to ensure timely monthly reconciliations.

## **UNTIMELY SERVICE FEE BILLINGS**

The Authority did not bill its clients in a timely manner.

Our testing of billing procedures disclosed 28 of 37 billings totalling \$47,652 for annual service fees were billed between 51 to 90 days after the due date. In one instance, a partnership assumed the debt of a bankrupt company and was not billed service fees for the following two years after the assumption. (Finding 5, page 15)

Authority officials accepted our finding and recommendation to implement a system to ensure timely billings.

## **IMPROPER RECORDING OF ACCOUNTING TRANSACTIONS**

The Authority did not comply with accounting controls necessary to ensure transactions were properly recorded in its general ledger.

Our test of accounting transactions disclosed the following deficiencies:

- A journal entry which was previously posted twice to the general ledger was incorrectly reversed resulting in a \$50,796 misstatement of expenses and retained earnings.
- In two instances, journal entries for \$63,745 and \$77,178 were made without backup documentation or supervisory approval.
- The Authority was making incomplete entries for inter-fund transactions and not adjusting the due to/from accounts accordingly. These erroneous entries totalled \$3,110,437.

These exceptions resulted in erroneous account balances and an incorrect balance of general ledger funds at year end. (Finding 6, page 16)

Authority officials agreed to make the necessary changes to ensure journal entries are properly made.

## **OTHER FINDINGS**

The remaining findings are less significant and have been given appropriate attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next compliance audit.

Authority responses were provided by Mr. Edward Czadowski, Chairman of the Authority and Chairman of the Authority's Audit Committee.

## **AUDITOR'S OPINION**

Our auditors stated that the June 30, 1993 financial statements of the Illinois Development Finance Authority are fairly presented.

\_\_\_\_\_ WILLIAM G. HOLLAND, Auditor General

WGH:WLB:ak

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>Current Audit</u>	<u>Prior Audit</u>
Audit findings	9	8
Repeated audit findings	6	4
Prior recommendations implemented	2	14
or not repeated		

**SPECIAL ASSISTANT AUDITORS**

Wolf & Co. were our special assistant auditors on this engagement.

**ILLINOIS DEVELOPMENT FINANCE AUTHORITY**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Year Ended June 30, 1993**

<b>REVENUE AND EXPENDITURE STATISTICS</b>	<b>FY 1993</b>	<b>FY 1992</b>	<b>FY 1991</b>
● <b>Total Operating Fund Revenue</b>	<b>\$2,428,546</b>	<b>\$4,778,437</b>	<b>\$7,078,923</b>
<u>OPERATIONS TOTAL</u> % of <b>Total</b> Revenues	\$2,428,546 100%	\$4,778,437 100%	\$7,078,923 100%
Application Fee % of Total Revenues	\$63,658 2.6%	\$98,600 2.1%	\$69,100 1.0%
Annual Fees % of Total Revenues	\$1,114,831 46.0%	\$1,528,627 32.0%	\$1,311,986 18.5%
Interest and Other Income % of Total Revenues	\$1,250,057 51.4%	\$3,151,210 65.9%	\$5,697,837 80.5%
● <b>Total Expenses (All Funds)</b>	<b>\$4,245,162</b>	<b>\$3,954,720</b>	<b>\$5,529,811</b>
<u>OPERATIONS TOTAL</u> % of <b>Total</b> Operations	\$4,245,162 100%	\$3,954,720 100%	\$5,529,811 100%
Salaries and Benefits % of Operations Expenditures Average No. of Employees	\$1,807,902 42.6% 32	\$1,567,133 39.6% 30	\$1,477,326 26.7% 30
Contractual Services % of Operations Expenditures	\$1,504,524 35.4%	\$1,378,878 34.9%	\$1,157,038 20.9%
All Other Operations Items % of Operations Expenditures	\$932,736 22.0%	\$1,008,709 25.5%	\$2,895,447 52.4%
<u>GRANTS TOTAL</u> % of <b>Total</b> Expenditures	\$0 0.0%	\$0 0.0%	\$0 0.0%
● <b>Cost of Property and Equipment</b>	<b>\$624,219</b>	<b>\$490,195</b>	<b>\$424,336</b>

<b>SELECTED ACTIVITY MEASURES</b>	<b>FY 1993</b>	<b>FY 1992</b>	<b>FY 1991</b>
● <b>Total Direct Loan Amounts</b>	\$587,000	\$1,196,673	\$954,053
● <b>Jobs Created or Retained by Direct Loans</b>	61	95	68
● <b>Industrial Revenue Bonds (IRB)</b>	\$444,930,000	\$368,293,750	\$233,633,000
● <b>Jobs Created or Retained by IRB</b>	594	1,015	1,100
● <b>Federal Program Amounts</b>	\$648,000	\$990,000	\$314,400
● <b>Jobs Created or Retained by Federal Programs</b>	51	78	43

<b>AGENCY DIRECTOR(S)</b>
During Audit Period: Mr. Ronald Bean Currently: Mr. Philip Howe, Acting Executive Director