

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF
MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2011

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**



CliftonLarsonAllen

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2011**

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**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
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AGENCY OFFICIALS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

Director (4/12 to Present)	Jerome Stermer
Director (10/09 to 3/12)	David Vaught
Director (01/07 to 09/09)	Ginger Ostro
Deputy Director (06/11 to Present)	Vacant
Deputy Director (02/10 to 06/11)	Malcolm Weems
Deputy Director (05/08 to 01/10)	Gladyse Taylor
Assistant Director (02/11 to Present)	Kelly Kraft
Assistant Director (07/09 to 02/11)	Vacant
Policy Director (10/09 to Present)	Emily Monk
Policy Director (07/09 to 10/09)	Vacant
Associate Director of Operations (11/09 to Present)	Vacant
Associate Director of Operations (12/07 to 11/09)	Michael Wortham
Assistant IT Manager/Operations Manager	Jennifer Cavanaugh
IT Manager	Aaron Doty
Communications Director (10/09 to Present)	Kelly Kraft
Communications Director (06/09 to 09/09)	Elizabeth Austin
General Counsel (10/10 to Present)	Sheila Henretta
General Counsel (03/08 to 10/10)	Kevin Hovis
Fiscal Director/Deputy Director (02/10 to Present)	Vacant
Fiscal Director/Deputy Director (6/08 to 02/10)	Gladyse Taylor
OMB Analyst (01/10 to Present)	Layla Ellenberg
OMB Analyst (07/09 to 01/10)	Vacant

Agency Offices are located at the following locations:

108 State House
Springfield, IL 62706
(displaced from this location in 07/11)

601, 603, and 605 Stratton Office Building
Springfield, IL 62706

James R. Thompson Center
Suite 15-100
100 W. Randolph
Chicago, IL 60601



STATE OF ILLINOIS
 EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
 SPRINGFIELD 62706

PAT QUINN
 GOVERNOR

CliftonLarsonAllen LLP
 301 SW Adams, Suite 900
 Peoria, IL 61615-1835

November 5, 2012

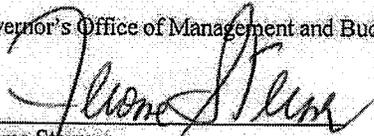
Ladies and Gentlemen:

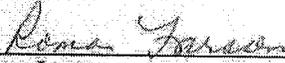
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Governor's Office of Management and Budget (the "Agency"). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two years ended June 30, 2011. Based on this evaluation, we assert that during the two years ended June 30, 2011, the Agency has materially complied with the assertions below.

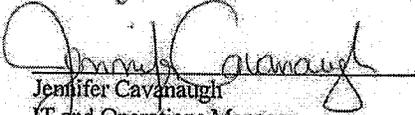
- A. The Agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Agency on behalf of the State or held in trust by the Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Governor's Office of Management and Budget


 Jerome Stermer
 Director


 Roma Larson
 Deputy General Counsel


 Jennifer Cavanaugh
 IT and Operations Manager

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE REPORT
For the Two Years Ended June 30, 2011**

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	8	10
Repeated findings	5	7
Prior recommendations implemented or not repeated	5	5

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE REPORT
For the Two Years Ended June 30, 2011**

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
11-1	9	Inadequate control over cash receipts	Significant Deficiency and Noncompliance
11-2	10	Inaccurate locally held fund reports	Significant Deficiency and Noncompliance
11-3	11	Inadequate control over travel functions	Significant Deficiency and Noncompliance
11-4	12	Inadequate control over interagency agreements	Significant Deficiency and Noncompliance
11-5	13	Notice of Bond Interest and/or Principal forms not filed timely	Significant Deficiency and Noncompliance
11-6	14	Inadequate control over employee attendance reporting	Significant Deficiency and Noncompliance
11-7	15	Inadequate control over voucher processing	Significant Deficiency and Noncompliance
11-8	18	Noncompliance with General Obligation Bond Act and Build Illinois Bond Act	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE REPORT
For the Two Years Ended June 30, 2011**

PRIOR FINDINGS NOT REPEATED

A	21	Inadequate control over contractual agreements
B	21	Inaccurate accounting records
C	21	Required reports not timely filed
D	21	Incomplete personnel files
E	22	Inadequate control over recording and reporting of State property

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on October 19, 2012. Attending were:

Governor's Office of Management and Budget

Ms. Jennifer Cavanaugh, Technology and
Operations Manager

Ms. Roma Larson, Deputy General Counsel

Mr. Marc Staley, Associate Director

Office of the Auditor General

Ms. Courtney Dzierwa, Audit Manager

CliftonLarsonAllen LLP

Mr. Michael Hillary, Partner

Responses to the recommendations were provided by Ms. Jennifer Cavanaugh in an email dated October 24, 2012.



**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY
INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Governor's Office of Management and Budget's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2011. The management of the State of Illinois, Governor's Office of Management and Budget is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Governor's Office of Management and Budget's compliance based on our examination.

- A. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Governor's Office of Management and Budget has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Governor's Office of Management and Budget are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Governor's Office of Management and Budget on behalf of the State or held in trust by the State of Illinois, Governor's Office of Management and Budget have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Governor's Office of Management and Budget's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Governor's Office of Management and Budget's compliance with specified requirements.

In our opinion, the State of Illinois, Governor's Office of Management and Budget complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, and 11-8.

Internal Control

Management of the State of Illinois, Governor's Office of Management and Budget is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Governor's Office of Management and Budget's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Governor's Office of Management and Budget's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-1, 11-2, 11-3, 11-4, 11-5, 11-6, 11-7, and 11-8. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The State of Illinois, Governor's Office of Management and Budget's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine State of Illinois, Governor's Office of Management and Budget's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2011 and 2010 Supplementary Information for State Compliance Purposes, except for the Service Effort and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2009 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP
Peoria, Illinois
November 5, 2012

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-1. **FINDING** (Inadequate control over cash receipts)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over cash receipts.

We noted the Office did not deposit cash receipts timely. Sixteen of the 16 (100%) receipts tested, totaling \$1,106,023, were deposited between 2 and 111 days late.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2 (a)) generally requires each State agency to deposit into the State Treasury individual receipts exceeding \$10,000 in the same day received, an accumulation of receipts of \$10,000 or more within 24 hours, receipts valued between \$500 and \$10,000 within 48 hours, and cumulative receipts valued up to \$500 on the next first or fifteenth day of the month after receipt.

Office personnel stated the checks they received during the period under audit were typically for very small amounts with the exception of a few reimbursements which related to a defaulted moral obligation bond issuance and required special treatment. The Office did not receive the checks all at the same time and for convenience waits until they have several before making a deposit as an Office employee has to drive to the bank to make the deposits. This saves the Office from having to process paperwork; otherwise the Office would be filling out a C-64 for every check regardless of monetary value.

The Office also stated there were two instances in which the checks were not actually turned into them when the check was dated. Both were phone bills with checks attached that employees had located among stacks of other papers. In the future, the Office will require a new check in those situations.

Failure to deposit cash receipts timely reduces the amount of funds available for expenditures and increases the risk that funds will be lost or stolen. (Finding Code. 11-1)

RECOMMENDATION

We recommend the Office deposit cash receipts timely according to the State Officers and Employees Money Disposition Act.

OFFICE RESPONSE

We concur with the auditor's recommendation. The Office has trained staff on proper timelines for depositing checks. Staff has been notified that any checks written for reimbursement or checks for deposit should be turned in to appropriate staff members immediately in order to make deposit deadlines. Some checks deposited after the required time were not timely turned in by the payor. The moral obligation bond reimbursement checks were held internally pending approval before they could be submitted for deposit.

- Of the 16 receipts tested, 8 were for less than \$10 each. The oldest receipt deposited, at 111 days late, was for \$0.86.
- 4 of the 16 were for between \$11 and \$50.
- The remaining 4 checks were the Moral Obligation Bond reimbursements that were held for policy review.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-2. **FINDING** (Inaccurate locally held fund reports)

The Governor's Office of Management and Budget (Office) did not submit accurate "Report of Receipts and Disbursements for Locally Held Funds" (C-17) reports to the Office of the Comptroller.

The Office operated eight locally held funds for the purpose of paying debt service certificates of participation outstanding. We noted discrepancies between the C-17's and related bank statements for 19 of 58 (33%) C-17's filed during the examination period.

Statewide Accounting Management System (SAMS) (Procedure 33.13.10) requires each Agency to submit accurate C-17 reports reflecting the receipts and disbursements occurring in each locally held fund each quarter. Good internal controls require agencies to review reports for accuracy prior to submission to the Office of the Comptroller.

Office personnel stated the errors were due to oversight and turnover amongst the employees responsible for preparing the C-17 reports.

Failure to provide accurate C-17 reports to the Office of the Comptroller could result in inaccurate statewide financial reporting. (Finding Code. 11-2)

RECOMMENDATION

We recommend the Office implement procedures to review all C-17 reports prepared for accuracy prior to submission to the Office of the Comptroller.

OFFICE RESPONSE

We concur with the auditor's recommendation. In the past, responsibility for C-17 reports was shared among multiple staff members. Responsibility has now been formally charged to one individual. A C-17 Procedural Guide has been developed. The Office has hired an outside CPA firm to audit our C-17s at the end of each fiscal year to verify accuracy.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-3. **FINDING** (Inadequate control over travel functions)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over its travel functions. Our testing of the Office's travel expenditures included a sample of 40 vouchers and all of the travel vouchers for the top ten traveling employees for each year in the examination period. We noted the following:

Eighteen of 40 (45%) travel vouchers tested, totaling \$8,947, were submitted between 7 and 162 days late.

Office policies state employee travel vouchers should be completed on a monthly basis and submitted for reimbursement no later than the 15th of the following month. Further, according to IRS Publication 535, employee travel expense reimbursements should be considered taxable wages if the travel expenses are not submitted within a reasonable period of time, usually within 60 days of the expenses being incurred.

Office personnel stated that travel vouchers were submitted late due to employees not filling out their vouchers and submitting them timely to payroll.

Failure to submit travel vouchers in a timely manner could distort travel expenditures from month to month. Additionally, according to IRS Publication 535, employee travel expenses reimbursements will be considered taxable wages if the travel expenses are not submitted within a reasonable period of time. Unnecessary expenditures of State funds reduces the amount of funds available for purposes that further the goals and mission of the Office. (Finding Code. 11-3, 09-3, 07-5, 05-6)

RECOMMENDATION

We recommend the Office exercise adequate control over travel expenditures and require employees to submit travel vouchers in accordance with Office policies. We recommend the Office ensure all expenditures from Office funds are necessary for the Office's operations.

OFFICE RESPONSE

We concur with the auditor's recommendation.

The Office has reiterated to staff the importance of timely submission of travel vouchers. Additionally, since late FY11, the manager in charge of processing travel vouchers sends out a monthly reminder to all staff to submit timely travel vouchers for that month.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-4. **FINDING** (Inadequate control over interagency agreements)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over its interagency agreements.

We noted nine of 19 (47%) interagency agreements tested were not signed, were not dated, or were not signed timely. We noted six of the nine interagency agreement exceptions were signed after the effective date of the agreements. The signatures ranged from 1 to 15 days late. We also noted one of the nine interagency agreement exceptions was not signed by all of the required individuals. Finally, we noted two of the nine interagency agreement exceptions were not dated by the required parties and therefore we cannot determine if the agreements were signed timely.

Good internal controls require the approval of agreements prior to the effective date and services should be performed only after the agreement is approved by all parties. In addition, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires agencies to establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliances with applicable laws, rules and agreements.

Office personnel stated that the Office has limited control over signatures at other agencies, but they try to get the documents to them as early as possible and they do several follow-ups.

In order to assess whether the agreement sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date. (Finding Code. 11-4, 09-4, 07-2)

RECOMMENDATION

We recommend the Office ensure interagency agreements are approved prior to the effective date of the agreement and prior to services being rendered.

OFFICE RESPONSE

We concur with the auditor's recommendation. The Office's policy is to execute interagency agreements prior to their respective dates. The majority of the IGAs that were the subject of this finding were due to other agencies not signing appropriately or timely. The Office continues to maintain its policy to obtain fully executed and dated agreements prior to their effective dates to the greatest extent practicable and within its control. The Office has an internal protocol for executing interagency agreements and has added a step to improve follow-up with other parties.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-5. **FINDING** (“Notice of Bond Interest and/or Principal” forms not filed timely)

The Governor’s Office of Management and Budget (Office) did not file the June 2011 “Notice of Payment of Bond Interest and/or Principal” (C-08) forms with the Office of the Comptroller (Comptroller) timely.

We noted that the June 2011 C-08 forms were not submitted timely for all of the 24 Special Obligation Bond issues. The C-08 forms were submitted 56 days late.

Statewide Accounting Management System (SAMS) (Procedure 31.30.20) requires agencies utilizing trustees as their paying agents to ensure C-08 forms are prepared and submitted within 15 days of the agency’s receipt of the trustee’s monthly statement.

Office personnel stated the bond trustees were assigned the responsibility of filing the C-08 on the Office’s behalf. Office personnel were not aware that C-08 forms were not filed timely by the trustees.

Failure to ensure C-08 forms are submitted timely delays the availability of complete, accurate information to the Comptroller and could result in inaccurate Statewide financial reporting. (Finding Code. 11-5)

RECOMMENDATION

We recommend the Office implement confirmation procedures to ensure the trustee files all required C-08 forms with the Comptroller timely. We also recommend the Office incorporate the requirement to timely file C-08 forms into any future contracts entered into with trustees responsible for making payments to bond holders.

OFFICE RESPONSE

We concur with the auditor’s recommendation. The Office notified the trustee of its failure to timely file C-08 forms, and the trustee acknowledged this failure and acknowledged its understanding of the filing requirement and the timing thereof. In addition, the trustee has been instructed to provide the Office with notice of the filing and a copy thereof at the time of each filing so that the Office has a record of the trustee’s compliance going forward. Importantly, each debt service payment associated with these C-08 filings has been made on time without exception.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-6. **FINDING** (Inadequate control over employee attendance reporting)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over employee attendance and related reporting.

We noted the timesheets submitted by 10 of 10 (100%) employees tested did not contain evidence of supervisor review and approval.

Prudent business practices require that employee timesheets are reviewed by a supervisor and that such review is documented.

Office personnel stated that timesheets are reviewed on a monthly basis, but no documentation of the review is maintained.

Failing to properly approve time sheets increases the risk of the Office paying for services not rendered by its employees. (Finding Code. 11-6, 09-7)

RECOMMENDATION

We recommend the Office review timesheets prepared by employees to ensure compliance with the Office's standard work schedule and leave time policies and document the review process.

OFFICE RESPONSE

We concur with the auditor's recommendation. Employee timesheets are reviewed monthly by the master timekeeper and system administrator for any anomalies in reporting time. The system administrator is also responsible for payroll. Employee timesheet detail and balance reports are downloaded and saved monthly as well. The Office's current timekeeping system, Kronos, does not have the functionality for supervisors to sign off on employee timesheets and Office policy is for employees to approve their own time. The nature of the Office's duties is such that a flexible approach to timekeeping and schedules is essential.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-7. **FINDING** (Inadequate control over voucher processing)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over voucher processing. We noted the following:

- Sixty-five of 215 (30%) vouchers tested, totaling \$76,642, were approved for payment from 1 to 243 days late.

The Illinois Administrative Code (74 Ill. Adm. Code Section 900.70) requires an agency to review a bill and either deny the bill in whole or part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physical receipt of the bill.

- Twenty-three of 215 (11%) vouchers tested, totaling \$18,109, were not signed and/or dated by the receiving officer.

SAMS (Procedure 17.20.20) states each invoice-voucher, upon receipt of goods or services must be signed by the receiving officer verifying goods or services meet the stated specifications.

- Twenty-one of 215 (10%) vouchers tested, totaling \$12,869, did not have required interest paid to the vendor in fiscal year 2010. The interest due totaled approximately \$570.

The State Prompt Payment Act (ACT) (30 ILCS 540/3-2) generally provides for a late payment interest penalty to be paid to a vendor under certain conditions. Any bill, except a bill submitted under Article V of the Illinois Public Aid Code, approved for payment under this Section must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. If payment is not issued to the payee within this 60 day period, an interest penalty of 1.0% of any amount approved and unpaid shall be added for each month or fraction thereof after the end of this 60 day period, until final payment is made.

Through June 30, 2010, P.A. 96-555 required that all interest for all amounts must be paid. Effective July 1, 2010, P.A. 96-959 requires interest less than \$50 not be paid but shall be accrued until all interest due the vendor for all similar warrants exceeds \$50, at which time the accrued interest shall be payable and interest will begin accruing again, except that interest accrued as of the end of the fiscal year that does not exceed \$50 shall be payable at that time. Through Fiscal Year 2011, interest shall begin accruing on the 61st day after receipt of a proper bill and shall continue to accrue until the bill is paid by the Comptroller's Office. Amounts due for interest should be measured and paid in accordance with the law that was in effect on the day the State of Illinois issued payment.

- Four of 215 (2%) vouchers tested, totaling \$1,516, had expenses that were charged to the wrong fiscal year.

Vouchers should be charged against the correct fiscal year so that expenditures do not exceed the appropriated amounts.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-7. **FINDING** (Inadequate control over voucher processing) (Continued)

- Three of 215 (1%) vouchers tested totaling \$1,602, did not include the date of the voucher in the top third of the document.

Statewide Accounting Management Systems (SAMS) (Procedures 17.20.20) requires that each State agency enter specific information on the top-third of the voucher. Good business practices require that this information be accurate and agree to the underlying accounting systems.

- Three of 215 (1%) vouchers tested, totaling \$733, were not properly approved by the agency head or an authorized designee. Signatures appearing on these vouchers were not dated by the Office's Director, and therefore we were unable to determine whether these vouchers were approved timely.

Statewide Accounting Management System (SAMS) (Procedure 17.20.20) states the agency head signature must be dated on vouchers. The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

Office personnel stated the deficiencies were due to another agency processing the vouchers. They further stated that the Office's accounting system did not calculate prompt payment interest penalties owed which is why interest accumulated during FY10 was not paid. Deficiencies were also due to employee oversight, limited fiscal staff and competing priorities for responsible personnel.

Failure to approve vouchers timely could subject the State to unnecessary interest charges. The lack of a receiving officer's signature reduces the overall control over expenditures and may lead to inappropriate expenditures. Failure to pay required interest on vouchers is noncompliance with the State Prompt Payment Act. Charging expenses to the wrong fiscal year could cause inaccurate financial information. Improperly completed vouchers could result in inappropriate approval of expenditures and delay in payment. The failure to approve vouchers properly could result in incorrect accounting information and could cause unnecessary expenditures. (Finding Code No. 11-7, 09-8)

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-7. **FINDING** (Inadequate control over voucher processing) (Continued)

RECOMMENDATION

We recommend the Office implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code and develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid in accordance with the State Prompt Payment Act. We also recommend the Office comply with SAMS procedures and the State Records Act by having a receiving officer sign each voucher to indicate goods were received according to stated specifications and by ensuring the agency head or an authorized designee's signature is dated. Lastly, we recommend the Office review the vouchers to ensure the expenditure is charged to proper fiscal year and the voucher information is complete.

OFFICE RESPONSE

We concur with the auditor's recommendation.

- During FY10 (when all but one of these vouchers were processed), another agency processed our vouchers. Voucher processing is now performed by the Office staff. The Office has trained staff to properly handle voucher processing to ensure timeliness and accuracy in accordance with the Illinois Administrative Code.
- In FY 10, the AIS accounting system did not calculate any prompt payments for our agency. This was a system error over which we had no control because the system is maintained by another State agency. The system error has since been resolved and all prompt payment penalties in FY11 and going forward have been processed in a timely fashion.
- Vouchers that were paid in the wrong fiscal year were due to a training issue and occurred after vouchering was brought in-house. This issue was rectified as soon as it was brought to light.
- The 3 vouchers missing dates were all travel vouchers. The omissions were an oversight because the date has to be manually entered on the vouchers.
- Support staff is trained to ensure vouchers are dated by the agency head.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011

11-8. **FINDING** (Noncompliance with General Obligation Bond Act and Build Illinois Bond Act)

The Governor's Office of Management and Budget (Office) did not maintain or provide documentation to substantiate compliance with provisions of the General Obligation Bond Act (30 ILCS 330 et seq.) and Build Illinois Bond Act (30 ILCS 425 et seq.) as required.

During the examination period, the Office provided for the issuance of fifteen separate bond series. Thirteen series, totaling \$15,119,395,000, were issued according to provisions of the General Obligation Bond Act during Fiscal Years 2010 and 2011. Two series, totaling \$529,920,000 were issued according to provisions of the Build Illinois Bond Act during Fiscal Year 2010. There were no bonds issued pursuant to the Build Illinois Bond Act during Fiscal Year 2011.

We noted the following:

- The Office failed to provide to the auditors evidence of a signed letter received from eight underwriters, attorneys and/or financial advisors paid in connection with the 13 General Obligation Bond issuances certifying that they have not and will not pay a contingent fee directly or indirectly to a third party for having promoted their services to the Office. As a result, the auditors could not determine whether the Office complied with this statutory mandate.

The General Obligation Bond Act (30 ILCS 330/8(b)) requires the Office to obtain a signed letter from any underwriters, financial advisors or attorneys, paid in connection with the issuance, certifying that they have not and will not pay a contingent fee directly or indirectly to a third party for having promoted their services to the Office.

- Two of fourteen (14) costs of issuance summary reports for its respective bond sale were posted late. The costs of issuance summary reports were posted 23 and 33 days as the issuance of the bonds making it 3 and 13 days late.

The General Obligation Bond Act (30 ILCS 330/8(a)) and the Build Illinois Bond Act (30 ILCS 425/5(a)) require the Office to post a summary of all costs of issuance on each bond sale on the Office's website within 20 business days after the issuance of the bonds.

- The Office could not provide any evidence to substantiate that Truth in Borrowing disclosures were delivered to the Leaders of the House and Senate and to the Commission on Government Forecasting and Accountability for three General Obligation Bond issuances and two Build Illinois Bond issuances as required. In addition, the Office could not provide any evidence to substantiate when the summaries of issuance costs were delivered to the Leaders of the House and Senate and to the Commission on Government Forecasting and Accountability. Therefore, the auditors were unable to determine if the summaries of cost were submitted within the 20 day time frame.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

11-8. **FINDING** (Noncompliance with General Obligation Bond Act and Build Illinois Bond Act) (Continued)

The General Obligation Bond Act (30 ILCS 330/8(a)) and the Build Illinois Bond Act (30 ILCS 425/5(a)) require written copies of the Truth in Borrowings disclosure and the summary of costs to be submitted to the Leaders of the House and Senate and to the Commission on Government Forecasting and Accountability within 20 business days after the issuance of the bond.

Office personnel stated that they take very seriously their obligations under the General Obligation Bond Act (30 ILCS 330 et seq.) and the Build Illinois Bond Act (30 ILCS 425 et seq.) and that they believe they have complied with those acts in all respects.

Office personnel stated they do not maintain records of when the Truth in Borrowing and summary of issuance costs are given to the Leaders of the House and Senate and to the Commission on Government Forecasting and Accountability. The summaries are hand delivered to appropriate parties around the same time that they are posted to the Office website. However, due to the lack of evidence, the auditors were unable to determine whether the Truth in Borrowing and summary of issuance costs information were provided timely as required.

Per the Office, copies of the Truth in Borrowing documents which are required to be delivered to specific individuals and committees are printed and hand delivered and there are no "receive receipts" provided to the Office upon delivery.

Failure to provide a copy or evidence of a signed letter from underwriters, attorneys, and/or financial advisors paid in connection with issuances certifying that they have not and will not pay a contingent fee directly or indirectly to a third party for having promoted their services to the Office is in noncompliance with statutory mandates. Failure to timely post costs of issuance information and truth in borrowing disclosures reduces and/or delays the amount of bond related information available to government leaders and the general public and is noncompliance with statutory mandates. (Finding Code. 11-8, 09-10)

RECOMMENDATION

We recommend the Office comply with the General Obligation Bond Act and Build Illinois Bond Act by making all necessary costs of issuance and truth in borrowing disclosures available on their website timely.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

- 11-8. **FINDING** (Noncompliance with General Obligation Bond Act and Build Illinois Bond Act) (Continued)

OFFICE RESPONSE

We concur with the auditor's recommendation.

- Although the Office was unable to provide eight "no contingency fee" forms for the audit period, it should be noted that those related to a single bond issuance out of the fifteen bond issuances during the period, namely, the GO Bonds, Series A and B, of September 2009. The "no contingency fee" forms were provided for all other issuances-over 120 forms. Current staff has been trained in maintaining the records of the regulatory forms required for compliance with the General Obligation Bond Act and Build Illinois Bond Act. It should be noted that, given how the Office procures these professionals, a contingency fee arrangement would be inapplicable. Additionally, the Office's debt team has a checklist for bond issuances that includes collecting these forms.
- The Office exceeds the statutory requirement for posting the summaries of costs of issuance; once posted, these summaries remain on the Office website so that interested parties can review them at any time, whereas the statute only requires that the summaries remain on the website for 30 days.
- In order to document our compliance with the delivery requirements for Truth in Borrowing disclosures and cost of issuance summaries, we will additionally deliver these documents by email and maintain a record of that delivery.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

Prior Findings Not Repeated

A. **FINDING** (Inadequate control over contractual agreements)

During the prior examination, the Governor's Office of Management and Budget (Office) did not exercise adequate controls over contractual agreements.

During the current examination, we noted the Office implemented the auditors' recommendation and strengthened controls to ensure contractual agreements were signed and dated prior to the beginning of services and filed with the State Comptroller's Office in a timely manner. Also, the Office bid out contracts in accordance with the Illinois Procurement Code and published complete and accurate information in the Illinois Procurement Bulletin. Finally, the Office reviewed their procurement documentation policies to ensure proper documentation was retained to support contract award decisions. (Finding Code. 09-1, 07-1, 05-2, 05-3)

B. **FINDING** (Inaccurate accounting records)

During the prior examination, the Governor's Office of Management and Budget (Office) did not correct errors in expenditure records detected during the reconciliation process.

During the current examination, we noted the Office took appropriate measures to investigate and make corrections to any discrepancies noted during the reconciliation process. (Finding Code. 09-2)

C. **FINDING** (Required reports not timely filed)

During the prior examination, the Governor's Office of Management and Budget (Office) did not file their Travel Headquarters, Annual Real Property Utilization, and Fiscal Control and Internal Auditing Act reports on a timely basis.

During the current examination, we noted the Office timely filed these reports. (Finding Code. 09-5, 07-7)

D. **FINDING** (Incomplete personnel files)

In the prior examination, the Office did not document employee performance evaluations, did not ensure employee performance evaluations were signed timely, and did not document authorization for salary adjustments.

During the current examination, we noted the Office made progress in documenting employee evaluations and salary adjustments. However, the Office did not ensure employee performance evaluations were signed timely. As a result of this improvement the Office has made, this finding has been moved to an immaterial finding. (Finding Code 09-6, 07-6, 05-5)

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2011**

Prior Findings Not Repeated

E. **FINDING** (Inadequate control over recording and reporting of State property)

In the prior examination, the Office did not exercise adequate control over the recording and reporting of State property.

During the current examination, we noted the Office made progress in the recording and reporting of State property. However, the Office's property inventory listing still had minor instances of incorrect information. As a result of this improvement the Office has made, this finding has been moved to an immaterial finding. (Finding Code 09-9, 07-8, 05-4)

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Cash Management Improvement Act
- Service Efforts and Accomplishments (Not Examined)
- General Obligation Bond Indebtedness Summary
- Build Illinois Bond Indebtedness Summary

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

P.A. 96-0956 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Approximate Lapse Period Expenditures 7/01 - 8/31/11	Approximate Total Expenditures	Approximate Balances Lapsed
General Revenue Fund - 001					
Operations Expenses	\$ 2,323,100	\$ 1,889,452	\$ 58,693	\$ 1,948,145	\$ 374,955
Illinois Civic Center Bond Retirement and Interest Fund - 105					
Principal and Interest and Premium	\$ 14,000,000	\$ 13,845,688	\$ -	\$ 13,845,688	\$ 154,312
Capital Development Fund -141					
Expenses for the Sale of State Bonds	\$ 1,343,100	\$ 1,274,942	\$ 6,628	\$ 1,281,570	\$ 61,530
School Infrastructure Fund - 568					
Operational Expenses	\$ 113,400	\$ 99,005	\$ 3,007	\$ 102,012	\$ 11,388

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Approximate Lapse Period Expenditures 7/01 - 8/31/11	Approximate Total Expenditures	Approximate Balances Lapsed
APPROPRIATED FUNDS					
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	\$ 320,000,000	\$ 299,287,821	\$ -	\$ 299,287,821	\$ 20,712,179
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	\$ 425,000	\$ 137,116	\$ 112,954	\$ 250,070	\$ 174,930
Total - All Appropriated Funds	\$ 338,204,600	\$ 316,534,024	\$ 181,282	\$ 316,715,306	\$ 21,489,294

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2011

Fourteen Months Ended August 31, 2011

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Approximate Lapse Period Expenditures 7/01 - 8/31/11	Approximate Total Expenditures	Approximate Balances Lapsed
NON-APPROPRIATED FUNDS					
Federal Financing Cost Reimbursement Fund - 212					
Other Interest Penalty		\$ 95,218	\$ -	\$ 95,218	
Total All Non-Appropriated Funds		<u>\$ 95,218</u>	<u>\$ -</u>	<u>\$ 95,218</u>	
GRAND TOTAL ALL FUNDS		<u>\$ 316,629,242</u>	<u>\$ 181,282</u>	<u>\$ 316,810,524</u>	

Note 1: All data contained above is obtained from Agency records which have been reconciled to the records of the State Comptroller.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

Note 3: Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

P.A. 96-0042 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
General Revenue Fund - 001					
Personal Services	\$ 1,890,000	\$ 1,788,210	\$ 3,958	\$ 1,792,168	\$ 97,832
State contributions to Social Security	145,000	132,178	303	132,481	12,519
Operational Expenses	<u>410,400</u>	<u>156,867</u>	<u>40,083</u>	<u>196,950</u>	<u>213,450</u>
Total General Revenue Fund	<u>\$ 2,445,400</u>	<u>\$ 2,077,255</u>	<u>\$ 44,344</u>	<u>\$ 2,121,599</u>	<u>\$ 323,801</u>
Illinois Civic Center Bond Retirement and Interest Fund - 105					
Principal and Interest and Premium	<u>\$ 14,000,000</u>	<u>\$ 13,847,563</u>	<u>\$ -</u>	<u>\$ 13,847,563</u>	<u>\$ 152,437</u>
Capital Development Fund -141					
Expenses for the Sale of State Bonds	<u>\$ 1,343,060</u>	<u>\$ 1,094,936</u>	<u>\$ 9,972</u>	<u>\$ 1,104,908</u>	<u>\$ 238,152</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

P.A. 96-0042 APPROPRIATED FUNDS	Appropriations (Net After Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
School Infrastructure Fund - 568					
Operational Expenses	\$ 113,400	\$ 107,567	\$ -	\$ 107,567	\$ 5,833
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	\$ 304,000,000	\$ 274,931,856	\$ -	\$ 274,931,856	\$ 29,068,144
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	\$ 491,970,899	\$ 491,699,351	\$ 386	\$ 491,699,737	\$ 271,162
Total - All Appropriated Funds	\$ 813,872,759	\$ 783,758,528	\$ 54,702	\$ 783,813,230	\$ 30,059,529

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2010

Fourteen Months Ended August 31, 2010

P.A. 96-0042	Appropriations (Net After Transfers)	Expenditures Through 6/30/10	Lapse Period Expenditures 7/01 - 8/31/10	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
NON-APPROPRIATED FUNDS					
Federal Financing Cost Reimbursement Fund - 212					
Other Interest Penalty		\$ 279,505	\$ -	\$ 279,505	
Total All Non-Appropriated Funds		<u>\$ 279,505</u>	<u>\$ -</u>	<u>\$ 279,505</u>	
GRAND TOTAL ALL FUNDS		<u>\$ 784,038,033</u>	<u>\$ 54,702</u>	<u>\$ 784,092,735</u>	

Note 1: All data contained above is obtained from the Agency records which have been reconciled to the records of the State Comptroller.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2011	2010	2009
	P.A. 96-0956	P.A. 96-0042	P.A. 95-0732
General Revenue Fund - 001			
Appropriations (Net of Transfers)	\$ 2,323,100	\$ 2,445,400	\$ 2,995,700
Personal Services	\$ 1,607,588	\$ 1,792,168	\$ 1,804,399
State contributions to State Retirement	-	-	379,925
State contributions to Social Security	118,074	132,481	138,664
Contractual Services	59,818	61,671	144,870
Travel	72,213	62,868	88,120
Commodities	2,545	2,461	2,926
Printing	3,815	1,915	7,706
Equipment	732	513	-
Electronic Data Processing	29,207	22,792	25,862
Telecommunications	54,153	44,730	55,333
Total Expenditures	<u>\$ 1,948,145</u>	<u>\$ 2,121,599</u>	<u>\$ 2,647,805</u>
Lapsed Balances	<u>\$ 374,955</u>	<u>\$ 323,801</u>	<u>\$ 347,895</u>
Illinois Civic Center Bond Retirement and Interest Fund - 105			
Appropriations (Net of Transfers)	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000
Principal and Interest and Premium on Limited Obligation Revenue Bonds	\$ 13,845,688	\$ 13,847,563	\$ 13,849,853
Lapsed Balances	<u>\$ 154,312</u>	<u>\$ 152,437</u>	<u>\$ 150,147</u>
Capital Development Fund - 141			
Appropriations (Net of Transfers)	\$ 1,343,100	\$ 1,343,060	\$ 1,384,600
Expenses for the Sale of State Bonds	\$ 1,281,570	\$ 1,104,908	\$ 869,757
Lapsed Balances	<u>\$ 61,530</u>	<u>\$ 238,152</u>	<u>\$ 514,843</u>
School Infrastructure Fund - 568			
Appropriations (Net of Transfers)	\$ 113,400	\$ 113,400	\$ 113,400
Operational Expenses	\$ 102,012	\$ 107,567	\$ 112,678
Lapsed Balances	<u>\$ 11,388</u>	<u>\$ 5,833</u>	<u>\$ 722</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2011	2010	2009
	P.A. 96-0956	P.A. 96-0042	P.A. 95-0732
Build Illinois Bond Retirement & Interest Fund - 970			
Appropriations (Net of Transfers)	\$ 320,000,000	\$ 304,000,000	\$ 304,000,000
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	\$ 299,287,821	\$ 274,931,856	\$ 274,176,168
Lapsed Balances	<u>\$ 20,712,179</u>	<u>\$ 29,068,144</u>	<u>\$ 29,823,832</u>
Build Illinois Bond Fund - 971			
Appropriations (Net of Transfers)	\$ 425,000	\$ 491,970,899	\$ 425,000
Expenses for the Sale of State Bonds	\$ 250,070	\$ 491,699,737	\$ 6,552
Lapsed Balances	<u>\$ 174,930</u>	<u>\$ 271,162</u>	<u>\$ 418,448</u>
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	<u>\$ 338,204,600</u>	<u>\$ 813,872,759</u>	<u>\$ 322,918,700</u>
Total Expenditures	<u>\$ 316,715,306</u>	<u>\$ 783,813,230</u>	<u>\$ 291,662,813</u>
Lapsed Balances	<u>\$ 21,489,294</u>	<u>\$ 30,059,529</u>	<u>\$ 31,255,887</u>
NON-APPROPRIATED FUNDS			
Federal Financing Cost Reimbursement Fund - 212			
Other Interest Penalty	<u>\$ 95,218</u>	<u>\$ 279,505</u>	<u>\$ 1,694,635</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2011

	<u>Fiscal Year</u>	
	<u>2011</u>	<u>2010</u>
1995A COP Capital Projects Fund - 1319 *		
Beginning Cash Balance	\$ 10,604	\$ 10,605
Cash Receipts:		
Interest Income	-	-
Transfers from Other Funds	-	-
Cash Disbursements:		
Transfers to Other Funds	1	-
Other	-	1
Ending Cash Balance	<u>\$ 10,603</u>	<u>\$ 10,604</u>
1995A COP Debt Service Fund - 1320 *		
Beginning Cash Balance	\$ 1,421,083	\$ 1,432,110
Cash Receipts:		
Interest Income	1	-
Transfers from Other Funds	1,723,040	1,375,035
Cash Disbursements:		
Debt Service	1,693,840	1,386,058
Transfers to Other Funds	-	-
Other	-	4
Ending Cash Balance	<u>\$ 1,450,284</u>	<u>\$ 1,421,083</u>

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2011

	Fiscal Year	
	2011	2010
1996A COP Capital Projects Fund - 1323 *		
Beginning Cash Balance	\$ 1,137	\$ 1,138
Cash Receipts:		
Interest Income	-	-
Transfers from Other Funds	-	-
Cash Disbursements:		
Debt Service	-	-
Transfers to Other Funds	-	-
Other	-	1
Ending Cash Balance	<u>\$ 1,137</u>	<u>\$ 1,137</u>

	Fiscal Year	
	2011	2010
1996A COP Debt Service Fund - 1324 *		
Beginning Cash Balance	\$ 1,253,789	\$ 1,275,706
Cash Receipts:		
Interest Income	-	-
Transfers from Other Funds	1,548,846	1,204,096
Other	-	1
Cash Disbursements:		
Debt Service	1,523,212	1,226,014
Transfers to Other Funds	-	-
Other	-	-
Ending Cash Balance	<u>\$ 1,279,423</u>	<u>\$ 1,253,789</u>

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2011

	Fiscal Year	
	2011	2010
Build Illinois Fund - 1231 *		
Beginning Cash Balance	\$ 79,125,974	\$ 94,174,121
Cash Receipts:		
Bond Proceeds	-	11,000,000
Interest Income	2,682,240	1,933,473
Transfers from Other Funds	300,445,077	274,931,856
Other	58,573	20,351,471
Cash Disbursements:		
Contractual Services	68,500	62,996
Debt Service	299,162,821	294,231,856
Transfers to Other Funds	7,697,881	28,970,095
Other	1,178,885	-
Ending Cash Balance	<u>\$ 74,203,777</u>	<u>\$ 79,125,974</u>

	Fiscal Year	
	2011	2010
Civic Center 1985 & 2000 Fund - 1230 *		
Beginning Cash Balance	\$ 16,867,972	\$ 16,854,618
Cash Receipts:		
Interest Income	2,703	32,595
Transfers from Other Funds	13,845,688	11,340,753
Cash Disbursements:		
Contractual Services	19,465	19,090
Debt Service	13,845,688	11,340,753
Other	1	151
Ending Cash Balance	<u>\$ 16,851,209</u>	<u>\$ 16,867,972</u>

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2011

	Fiscal Year	
	2011	2010
October 2003 Fund - 1395 *		
Beginning Cash Balance	\$ 6,759,930	\$ 6,559,413
Cash Receipts:		
Interest Income	141	368
Transfers from Other Funds	43,800,000	48,300,000
Other	11,240	98,898
Cash Disbursements:		
Contractual Services	25,397,928	23,149,453
Debt Service	16,455,738	17,020,438
Transfers to Other Funds	-	7,930,612
Other	6,485,206	98,246
Ending Cash Balance	<u>\$ 2,232,439</u>	<u>\$ 6,759,930</u>

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2011**

		Equipment
Balance at July 1, 2009	\$	328,854
Additions		71,170
Deletions		(42,443)
Net Transfers		24,553
Balance at June 30, 2010	\$	382,134
Balance at July 1, 2010	\$	382,134
Additions		5,169
Deletions		(30,255)
Net Transfers		32,519
Balance at June 30, 2011	\$	389,567

Note: The above schedule has been derived from Office records which have been materially reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF CASH RECEIPTS
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2011	2010	Not Examined 2009
<u>GENERAL REVENUE FUND - 001</u>			
Telephone Reimbursements	\$ 146	\$ 80	\$ 229
Other	543,534	562,264	-
Prior Year Refunds	-	-	-
Total Receipts	<u>\$ 543,680</u>	<u>\$ 562,344</u>	<u>\$ 229</u>
<u>GENERAL OBLIGATION BR&I - 101</u>			
Federal Interest Subsidy Build America Bonds	\$ 61,810,016	\$ -	\$ -
Total Receipts	<u>\$ 61,810,016</u>	<u>\$ -</u>	<u>\$ -</u>

**RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO
THE STATE COMPTROLLER**
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2011	2010	Not Examined 2009
<u>GENERAL REVENUE FUND - 001</u>			
Receipts per Comptroller Records	\$ 543,680	\$ 562,344	\$ 229
Add: Deposits in Transit, Beginning of Year	-	-	-
Prior Year Refund	-	-	-
Less: Deposits in Transit, End of Year	-	-	-
Deposits Remitted to the Comptroller	<u>\$ 543,680</u>	<u>\$ 562,344</u>	<u>\$ 229</u>
<u>GENERAL OBLIGATION BR&I - 101</u>			
Receipts per Comptroller Records	\$ 61,810,016	\$ -	\$ -
Add: Deposits in Transit, Beginning of Year	-	-	-
Prior Year Refund	-	-	-
Less: Deposits in Transit, End of Year	-	-	-
Deposits Remitted to the Comptroller	<u>\$ 61,810,016</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Fiscal Years Ended June 30, 2011**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2011 AND 2010**

General Revenue Fund (001)

Personal Services

The decrease in personal services was due to employee turnover in Fiscal Year 2010. The new hires were not paid as much during Fiscal Year 2011 as the experienced employees were paid during Fiscal Year 2010.

Build Illinois Bond Fund (971)

Expenditures for the Sale of State Bonds

The Office purchased US Obligation Bonds in Fiscal Year 2010 to establish an escrow account for the purposes of refunding outstanding Build IL Bonds.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2010 AND 2009**

General Revenue Fund (001)

State Contribution to State Employees' Retirement System

The decrease in State's Contribution to State Employees' Retirement System expenditures was due to the way the Fiscal Year 2010 budget was passed. Central Management Services paid this expenditure for FY10.

Capital Development Fund (141)

Expenditures for the Sale of State Bonds

Due to the distribution of workload, more employees were able to be paid from the bond and debt management related fund. This resulted in the increase in expenditures for the sale of state bonds for Fiscal Year 2010 of \$235,000.

Build Illinois Bond Fund (971)

Expenditures for the Sale of State Bonds

The Office purchased US Obligation Bonds in Fiscal Year 2010 to establish an escrow account for the purposes of refunding outstanding Build IL Bonds.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Fiscal Years Ended June 30, 2011**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2011 AND 2010**

General Obligation Fund (101)

The increase in receipts during Fiscal Year 2011 was due to a \$62 million payment from the federal government to the State. The State sold five series of General Obligation Bonds, characterized as Build America Bonds (BAB Bonds). The advantage of BAB Bonds is that they provide a federal subsidy on the GOMB's interest payments.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2010 AND 2009**

General Revenue Fund (001)

The increase in receipts during Fiscal Year 2010 was primarily due to reimbursements received from a company in default on its moral obligation debt. Spectrulite Consortium, Inc. filed a petition for reorganization under Chapter 11 of the Bankruptcy Code in January 2003. The corporation's moral obligation debt has since been called and paid in full, and the State has been receiving semi-annual reimbursements from the corporation for its previous moral obligation payments.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Fiscal Years Ended June 30, 2011**

FISCAL YEAR 2011

General Revenue Fund (001)

Travel

Travel expenditures during the lapse period were due to an increased need for employee travel towards the end of the fiscal year. Employees traveled frequently during May and June due to budget preparation and the legislative session. In these cases, the related travel vouchers were not submitted and/or processed until the lapse period.

Electronic Data Processing

A new server was ordered late in Fiscal Year 2011 to replace an older model. The server and related invoice were not received and processed until June and July 2011.

Build Illinois Bond Fund (971)

Expenses for the Sale of State Bonds

The Illinois Student Assistant Commission (ISAC) was reimbursed for personnel salary and travel expenses for the January to June of 2011 period who previously served ISAC as Chief Financial Officer and Managing Director of Financial Products and Services.

FISCAL YEAR 2010

General Revenue Fund (001)

Travel

Travel expenditures during the lapse period were due to an increased need for employee travel towards the end of the fiscal year. Employees traveled frequently during May and June due to budget preparation and the legislative session. In these cases, the related travel vouchers were not submitted and/or processed until the lapse period.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF OPERATIONS
For the Two Fiscal Years Ended June 30, 2011**

AGENCY FUNCTIONS AND PLANNING PROGRAM

Functions

Originally created as the Bureau of the Budget in 1969, the agency's name was formally changed to the Governor's Office of Management and Budget (GOMB) in 2003 by Public Act 093-0025 of the General Assembly. The major functions of GOMB, as prescribed by law, include:

- a) To assist the Governor in submitting a recommended annual operating budget, detailed studies of the state agencies to enable the Governor to determine what changes should be made, and evaluate for the Governor programs proposed by State agencies;
- b) To advise and assist the Governor in the development of policies, plans and programs for improving intergovernmental cooperation and coordinating federal, state and local fiscal relationships;
- c) To prepare and submit to the General Assembly long-range capital expenditure plans for all state agencies;
- d) To provide bond indentures to the Commission on Government Forecasting and Accountability; and assist entities in underwriting securities that are payable from State appropriations; and
- e) To coordinate the preparation of annually updated five year capital improvement programs and yearly capital budgets based on those programs. Prepare and submit an assessment of the State's capital needs, which shall be included in the Governor's annual State budget.

To enable GOMB to perform its duties, under such regulations as the Governor may prescribe, every State agency is required to furnish GOMB with any information it might require to perform its duties. In addition, GOMB shall have access to, and the right to examine, all documents or records of any agency.

As the organizational chart indicates, the functions of GOMB are spread over several units. While each unit has a particular area of responsibility, the various groups must work closely together.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF OPERATIONS
For the Two Fiscal Years Ended June 30, 2011**

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

The Office is organized into several units, which are responsible for its various functions, which are:

Debt Management: Issues the debt of the State, including general obligation and Build Illinois. Also oversees Statewide and regional bonding authorities. The unit is responsible for the budgets of the Illinois State Toll Highway Authority, Illinois Finance Authority, Illinois Medical District, Illinois Sports Facilities Authority, Metropolitan Pier and Exposition Authority, Southwestern Illinois Development Authority, and the Upper Illinois River Valley Development Authority.

Revenue: Reviews national and state economic conditions, forecasts and monitors the collection of revenues, tracks the flow of funds through state accounts, and works with the pension systems of the state. This unit is responsible for the budgets of the Departments of Revenue, Corrections, Labor, Employment Security, the Civil Service Commission, the Illinois Labor Relations Board, Property Tax Appeal Board, Prisoner Review Board, Illinois Educational Labor Relations Board, the Office of the Governor and GOMB.

Capital: Reviews, coordinates, and prioritizes capital requests and appropriations of all agencies. Prepares a long-range capital plan and is responsible for the budget of the Capital Development Board.

Environment: Responsible for the budgets of the Departments of Natural Resources, Agriculture, Juvenile Justice, Environmental Protection Agency, Drycleaner Environmental Response Trust Fund, the Historic Preservation Agency, and the Illinois Arts Council.

Education: The unit is responsible for the budgets of the state's education authorities including the State Board of Education and the Board of Higher Education.

Health and Human Services: Responsible for managing the budgets of the Departments of Aging, Healthcare and Family Services, Human Services, Public Health, Veteran's Affairs, the Deaf and Hard of Hearing Commission, Guardianship and Advocacy Commission, Council on Development Disabilities, Teachers' Retirement System and the State Employees' Retirement System.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF OPERATIONS
For the Two Fiscal Years Ended June 30, 2011**

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

Public Safety, Economic Development and Government Services: Responsible for the managing the budgets of the Departments of Central Management Services, Transportation, Commerce and Economic Opportunity, Military Affairs, the Illinois State Police, Illinois Violence Prevention Authority, Illinois Criminal Justice Information Authority, Illinois Emergency Management Agency, Law Enforcement Training Standards Board, Military Affairs, State Police Merit Board, Illinois Power Agency, Executive Ethics Commission, Procurement Policy Board and the Office of the Executive Inspector General.

Legal: Responsible for providing legal representation to GOMB. The legal division manages all litigation involving GOMB, oversees the office's FOIA responses, drafts and/or approves the legal content of all contracts and reviews proposed legislation concerning the office.

Regulatory: Responsible for managing the budgets of the Departments of Financial and Professional Regulation, Human Rights, Human Rights Commission, Illinois Commerce Commission, Illinois Workers Compensation Commission and Comprehensive Health Insurance Plan.

Government Services: Responsible for managing the budget of Court of Claims State Board of Elections, Office of the Lieutenant Governor, Office of the Attorney General, Office of the Secretary of State, Office of the State Comptroller, Office of the State Treasurer, Office of the State Appellate Defender, Office of the Auditor General, Office of the State's Attorneys Appellate Prosecutor, Supreme Court and Illinois Court System, General Assembly and Legislative Agencies, Commission on Government Forecasting and Accountability, Legislative Audit Commission, Legislative Information System, Legislative Ethics Commission, Legislative Printing Unit, Judicial Inquiry Board and the Office of the Architect of the Capital.

Operations Unit: Responsible for providing overall training and employee development, administrative and EDP support for the agency. The unit is also responsible for statewide headcount tracking, eTravel, legislative Affairs, OMB website application development and support, managing the planning and performance management and the coordination of the annual budget book process.

Policy: Responsible for policy research and analysis, as well as providing project and process management for budget-related activities outside the scope of agency budget oversight. Examples of project and process management include coordination of hardship payment requests, introduction of Budgeting for Results in the budget book, establishment of program identification process for Budgeting for Results, liaising with the Budgeting for Results Commission and coordination of the annual Economic & Fiscal Policy Report and three-year budget projection.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF OPERATIONS
For the Two Fiscal Years Ended June 30, 2011**

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

Planning Program

Since the Office is part of the Executive Office of the Governor, many of its short-term goals and objectives are requests and directives issued by the Governor. These requests are generally informal in nature and are subject to change with little notice. Progress towards implementation of short-term goals is not formally documented. As a result, the level of accomplishment pertaining to short-term goals cannot easily be determined.

The Office's long-term goals and objectives are established in general terms by the statutes that define its duties and responsibilities. Management has developed a planning document containing the Office's statement of purpose, its goals and statutory mandates (outlined above), and its strategies and schedules to achieve these goals. The Office reviews its progress toward these goals on an annual basis, at a minimum.

The Division Directors meet with the Director to plan strategies and evaluate progress toward accomplishing the Office's goals and objectives. These meetings provide a planning base for projects to be completed and for integration of divisional goals into the overall Office goals and objectives. Re-evaluation of goals and monitoring of programs take place regularly at every level within the Office.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
AVERAGE NUMBER OF EMPLOYEES
For the Two Fiscal Years Ended June 30, 2011**

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Agency records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Director's Office	15	13	13
Operations	6	6	6
Budget Analyst	15	16	17
Debt & Capital	13	12	8
Total average full-time employees	<u>49</u>	<u>47</u>	<u>44</u>

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
CASH MANAGEMENT IMPROVEMENT ACT**

For Fiscal Years 2009 and 2010

The purpose of the Cash Management Improvement Act (CMIA) and 31 CFR Part 205 is to provide requirements for the timely transfer of funds between a Federal agency and a State, and for the exchange of interest where transfers are not made in a timely manner. It is also designed to encourage the development of efficient cash management systems and to ensure efficiency, effectiveness, and equity in the transfer of funds between the Federal Government and the States.

The first agreement between the U.S. Department of the Treasury and the State of Illinois, called the Treasury-State Agreement (TSA), was in effect for the State's fiscal year 1994 and covered 18 programs in nine different State agencies. The fiscal year 2009 TSA covered 15 programs in six different State agencies, and the fiscal year 2010 TSA covered 17 programs in six different State agencies.

Each year the State must submit an annual report to the U.S. Department of the Treasury by December 31 for its most recently completed fiscal year. This report summarizes by program the interest due to or owed by the State. An authorized State official shall certify the accuracy of the State's annual report. In the State of Illinois, the Director of the Governor's Office of Management and Budget is the State official responsible for making this certification.

The Fiscal Year 2009 net State liability under the Treasury-State Agreement is as follows:

<u>State Agency/Development</u>	<u>Total State Interest Liability</u>	<u>Total Federal Interest Liability</u>	<u>Direct State Costs</u>	<u>Net State Liability</u>
Department of Agriculture	\$ 56,880	\$ 0	\$ 0	\$ 56,880
Department of Labor	60,523	0	0	60,523
Department of Transportation	4,398	0	0	4,398
Department of Education	73,689	0	0	73,689
Department of Human Services	96,462	4,679	0	91,783
Social Security Administration	9,679	0	0	9,679
	<u>\$ 301,631</u>	<u>\$ 4,679</u>	<u>\$ 0</u>	<u>\$ 296,952</u>

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
CASH MANAGEMENT IMPROVEMENT ACT**

For Fiscal Years 2009 and 2010

The Fiscal Year 2010 net State liability under the Treasury-State Agreement is as follows:

<u>State Agency/Development</u>	<u>Total State Interest Liability</u>	<u>Total Federal Interest Liability</u>	<u>Direct State Costs</u>	<u>Net State Liability</u>
Department of Agriculture	\$ 7,718			\$ 7,718
Department of Labor	79,436	3,000		76,436
Department of Education	12,689			12,689
Department of Health and Human Services	12,996	2,740		10,256
Department of Transportation	457			457
Social Security Administration	2,091			2,091
	<u>\$ 115,387</u>	<u>\$ 5,740</u>	<u>\$ 0</u>	<u>\$ 109,647</u>

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2011**

Budget Process

Every year during November and December, the Office conducts a detailed financial and programmatic review of agency budgets and works with other agencies to develop a State budget. Once budget options are developed, they are presented to the Governor for his final decisions. The Governor then presents his recommended budget in the form of an appropriation bill to a joint session of the Illinois General Assembly. The recommended budget is then subject to hearings before the House and Senate appropriation committees and must be adopted by each committee before it moves to the full House or Senate for debate. Both legislative chambers must pass the appropriation bill before it returns to the Governor for his signature. The Office monitors each step of the legislative process and any amendments as well as substantive legislation to identify any potential fiscal impacts.

General Obligation Bonds, Build Illinois Bonds and Other Capital Market Issuances

As provided in the General Obligation Bond Act, the Governor is authorized to issue General Obligation bonds for specific purposes pursuant to the Act. The State issues these bonds from time to time in amounts as directed by the Governor upon recommendation from the Director of the Governor's Office of Management and Budget.

As provided in the Build Illinois Bond Act, the Governor is authorized to issue Build Illinois bonds for specific purposes pursuant to the Act. The State issues these bonds from time to time in amounts as directed by the Governor upon recommendation from the Director of the Governor's Office of Management and Budget

As provided in the Short Term Borrowing Act, the Governor may issue General Obligation Certificates maturing within one year to provide cash flow relief.

As provided in the Emergency Budget Act, the Railsplitter Tobacco Settlement Authority Act was created to securitize tobacco settlement payments received by the State. Pursuant to that Act, the Governor's Office of Management and Budget was responsible for managing that capital markets transaction.

The related bond issuances described above for Fiscal Years 2010 and 2011 are as follows:

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2011**

Fiscal Year 2010 Bond Issues		
	Amount	Closing
General Obligation Certificates, Series of August 2009	\$1,250,000,000	Aug-09
General Obligation Bonds, Series of September 2009	400,000,000	Sep-09
Build Illinois Bonds, Series A of December 2009	154,920,000	Dec-09
Build Illinois Bonds, Series B of December 2009	375,000,000	Dec-09
General Obligation Taxable Bond Series of January 2010	3,466,000,000	Jan-10
General Obligation Bonds, Taxable Build America Bonds, Series 2010-1	1,000,000,000	Jan-10
General Obligation Refunding Bonds Series of February 2010	1,501,300,000	Feb-10
General Obligation Bonds, Taxable Series of March 2010	56,000,000	Apr-10
General Obligation Bonds, Build America Bonds Series 2010-2	300,000,000	Apr-10
General Obligation Bonds, Build America Bonds Series 2010-3	700,000,000	Apr-10
General Obligation Bonds, Series of April 2010	246,095,000	Apr-10
Total Sales Tax Revenue Bonds, Junior Refunding Bonds, Series 2010	455,080,000	Jun-10
Total	\$9,904,395,000	
Fiscal Year 2011 Bond Issues		
	Amount	Closing
General Obligation Bonds, Taxable Build America Bonds, Series 2010-4 of June 2010	\$300,000,000	Jul-10
General Obligation Bonds, Taxable Build America Bonds, Series 2010-5 of June 2010	900,000,000	Jul-10
General Obligation Bonds Certificates of July 2010	1,300,000,000	Jul-10
Tobacco Settlement Revenue Bonds, Series 2010	1,503,460,000	Dec-10
General Obligation Bonds, Taxable Series of February 2011, Pension Bonds	3,700,000,000	Mar-11
Total	\$7,703,460,000	

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2011

Performance Indicators

	<u>2010</u>	<u>2011</u>
General Obligation Bond Rating (as of June 30):		
Moody's Investors Service	A2	A1
Standard & Poor's	A+	A+
Fitch, Inc.	A	A-

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
GENERAL OBLIGATION BOND INDEBTEDNESS SUMMARY

June 30, 2011
(expressed in thousands)

GENERAL OBLIGATION BONDS										
	Capital Development	Transportation Series A	Series B	School Construction	Anti- Pollution	Coal Development	Multi- Purpose	Multi-Purpose Pension	Refunding	Total
Bonds Authorized by Statute	\$1,737,000	\$1,326,000	\$403,000	\$330,000	\$599,000	\$35,000	\$33,133,269	\$17,166,000	\$6,340,325	\$61,069,594
Bonds Issued (by Fiscal Year):										
Prior to 1986	1,737,000	1,326,000	403,000	330,000	599,000	35,000	200,000			4,630,000
1986							440,000		199,915	639,915
1987							240,000		249,990	489,990
1988							340,003			340,003
1989							340,000			340,000
1990							340,000		100,000	440,000
1991							375,000			375,000
1992							312,794		297,000	609,794
1993							428,452		485,944	914,396
1994							519,379		249,525	768,904
1995							649,816			649,816
1996							659,205		315,795	975,000
1997							350,055		84,945	435,000
1998							598,480		119,850	718,330
1999							603,079		169,255	772,334
2000							860,000			860,000
2001							1,165,045		112,810	1,277,855
2002							1,500,000		398,470	1,898,470
2003							1,712,079	10,000,000	564,900	12,276,979
2004							1,175,000		617,175	1,792,175
2005							875,000			875,000
2006							925,000		274,950	1,199,950
2007							258,000		329,000	587,000
2008							125,000			125,000
2009							150,000			150,000
2010							2,702,095	3,466,000	1,501,300	7,669,395
2011							1,200,000	3,700,000		4,900,000
Total Bonds Issued	\$1,737,000	\$1,326,000	\$403,000	\$330,000	\$599,000	\$35,000	\$19,043,482	\$17,166,000	\$6,070,824	\$46,710,306
Bonds Authorized But Not Issued	\$0	\$0	\$0	\$0	\$0	\$0	\$14,089,787	\$0	\$269,501	\$14,359,288

Note: This schedule does not include Public Welfare Bonds or Educational Institutions Bonds, whose sales are administered by other State agencies.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
BUILD ILLINOIS BOND INDEBTEDNESS SUMMARY
June 30, 2011
(expressed in thousands)

BUILD ILLINOIS BONDS

	Sales Tax Based		
	Revenue	Refunding (1)	Total
Bonds Authorized by Statute	\$5,368,945	\$1,575,577	\$6,944,522
Bonds Issued (by Fiscal Year):			
Prior to 1986			
1986	100,000		100,000
1987	89,252 (2)	95,475	184,727
1988	220,000		220,000
1989	197,004		197,004
1990	300,002		300,002
1991	255,000		255,000
1992	215,783	150,057	365,840
1993	100,000	416,890	516,890
1994	174,830	256,815	431,645
1995	135,000		135,000
1996	80,000		80,000
1997	60,000		60,000
1998		145,475	145,475
1999	60,000		60,000
2000	125,000		125,000
2001	125,000	125,165	250,165
2002	150,000	255,575	405,575
2003	182,225	130,125	312,350
2004	350,000		350,000
2005	200,000		200,000
2006	215,000		215,000
2007			0
2008	50,000		50,000
2009			
2010	529,920		529,920
2011			0
Total Bonds Issued	\$3,914,016	\$1,575,577	\$5,489,593
Bonds Authorized But Not Issued	\$1,454,929	\$0	\$1,454,929

(1) For the purposes of this report, the amount authorized is considered to be the same as the amount of the issue. The Office has a continuing appropriation to issue refunding bonds for any outstanding Build Illinois Issues.

(2) Actual amount issued was \$120,000. However, part of the original issuance was defeased. Defeased amounts are not charged against the authorized amount.