



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**CAPITAL DEVELOPMENT BOARD**

Financial Audit for the Year Ended June 30, 2018 and  
 Compliance Examination for the Two Years Ended June 30, 2018

Release Date: February 27, 2019

FINDINGS THIS AUDIT: 6	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2016		18-3	
Category 2:	1	4	5	2010		18-5	
Category 3:	0	0	0	2008		18-2	
TOTAL	2	4	6	2006		18-4	
FINDINGS LAST AUDIT: 6							

**SYNOPSIS**

- (18-1) The Board did not identify or prevent misstatements in the GAAP reporting package submitted to the Office of the State Comptroller and the draft financial statements provided to the auditors.
- (18-2) The Board did not fully comply with the Illinois Procurement Code’s provisions for publishing procurement information in the Illinois Procurement Bulletin.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**CAPITAL DEVELOPMENT BOARD  
FINANCIAL AUDIT  
For the Year Ended June 30, 2018  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2018**

<b>EXPENDITURE STATISTICS</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total Expenditures (All Funds).....</b>	<b>\$ 169,124,850</b>	<b>\$ 224,314,428</b>	<b>\$ 122,027,444</b>
OPERATIONS TOTAL.....	\$ 18,292,111	\$ 18,577,533	\$ 19,657,012
% of Total Expenditures.....	10.8%	8.3%	16.1%
Personal Services.....	9,038,232	9,531,724	9,939,548
% of Operations Expenditures.....	49.5%	51.3%	50.5%
Other Payroll Costs (FICA, Retirement, Group Ins).....	7,140,496	7,573,669	7,976,997
% of Operations Expenditures.....	39.0%	40.8%	40.6%
Contractual Services.....	393,253	440,311	364,305
% of Operations Expenditures.....	2.1%	2.4%	1.9%
All other Operations Items.....	1,720,130	1,031,829	1,376,162
% of Operations Expenditures.....	9.4%	5.5%	7.0%
<b>Construction Total.....</b>	<b>\$ 150,832,739</b>	<b>\$ 205,736,895</b>	<b>\$ 102,370,432</b>
% of Total Expenditures.....	89.2%	91.7%	83.9%
<b>Cost of Property and Equipment.....</b>	<b>\$ 1,004,400</b>	<b>\$ 1,348,295</b>	<b>\$ 1,335,655</b>
<b>Cost of Construction in Progress.....</b>	<b>\$ 66,255,808</b>	<b>\$ 115,362,504</b>	<b>\$ 91,319,166</b>
<b>Total Receipts.....</b>	<b>\$ 17,251,207</b>	<b>\$ 56,122,842</b>	<b>\$ 70,057,526</b>
<b>Average Number of Employees.....</b>	<b>112</b>	<b>117</b>	<b>128</b>

<b>SELECTED ACTIVITY MEASURES (Unaudited)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Number of Projects.....	493	447	1,105
Number of Projects Awarded.....	176	105	66
Average Variation from Planned Schedule:			
Construction Phase.....	35%	21%	79%
Number of Change Orders.....	639	703	386

<b>EXECUTIVE DIRECTOR</b>
During Examination Period: Jodi Golden (through 6/6/17), Gevan Behnke (Acting) (6/7/17 - 12/31/17), Amy Romano (Acting) (1/1/18 - 5/8/18), Jeff Heck (5/8/18 - 12/31/18), Amy Romano (Acting) (effective 1/1/19)
Currently: Amy Romano

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

**OVERSTATEMENT OF REAPPROPRIATED  
PROJECTS' ACCOUNTS PAYABLE AND  
EXPENDITURES**

The Capital Development Board (Board) did not identify or prevent misstatements in the Generally Accepted Accounting Principles (GAAP) reporting package submitted to the Office of the State Comptroller and the draft financial statements provided to the auditors.

The Board records the accounts payable reappropriated projects and related expenditures in its financial statements based on vouchers processed after the fiscal year. The amounts are pro-rated for the period covering the current fiscal year by applying an estimation multiplier derived from methodologies and historical analyses performed by the Board.

**Board did not properly pro-rate base amounts used for estimation of reappropriated projects' accounts payable and expenditures**

During our testing of the accounts payable for reappropriated projects for the Capital Development Fund (Fund 141), we noted the Board did not properly pro-rate the base amounts used for estimation related only to the number of service days in Fiscal Year 2018. Instead, the full amount of vouchers processed after June 30, 2018, which included Fiscal Year 2019 service days, was used as the base amount for the estimation multiplier.

**Resulted in overstatement of \$2,702,241 in accounts payable and related expenditures**

This resulted in an overstatement of accounts payable and related expenditures for Fund 141 of \$2,702,241 for the GAAP reporting package and financial statements originally submitted by the Board to the Office of the Comptroller.

Subsequent to our audit testing, the Board revised the Fund 141 GAAP reporting package, Capital Asset Summary (Form SCO-538) related to capital expenditures, and the financial statements to the Office of the State Comptroller to include the adjustments and information necessary to apply the appropriate Generally Accepted Accounting Principles. (Finding 1, pages 14-15)

We recommended the Board establish procedures to ensure that transactions and reporting are carefully reviewed for proper accounting and disclosure. As necessary, accounting and reporting guidance should be from technical resources to ensure conformity with GAAP.

**Board accepted the recommendation**

Board officials accepted our recommendation and stated it plans to implement changes to address the issues contained within the finding, including a review of GAAP preparation procedures and hiring more staff to allow for additional preparation and review to ensure conformity with GAAP.

## **FAILURE TO PUBLISH REQUIRED PROCUREMENT INFORMATION TIMELY**

The Board did not fully comply with the Illinois Procurement Code's provisions for publishing procurement information in the Illinois Procurement Bulletin (Bulletin).

### **Noncompliance with the Illinois Procurement Code**

### **Annual Business Enterprise Program reports published 44 and 100 days late**

Based on our review of procurement information on the Board's website, we noted the annual Business Enterprise Program reports reflecting Fiscal Year 2017 and 2016 activities were not posted on the Bulletin within 10 business days after submission of the report to the Business Enterprise Council for Minorities, Women, and Persons with Disabilities during Fiscal Years 2018 and 2017, respectively. The reports were posted 44 and 100 days late. (Finding 2, pages 16-17) **This finding has been repeated since 2008.**

We recommended the Board ensure required procurement information is published timely as required by the Illinois Procurement Code.

### **Board agrees with auditors**

Board officials agreed with our recommendation and stated they will ensure future reports are posted in a timely manner. (*For the previous Department response, see Digest Footnote #1.*)

## **OTHER FINDINGS**

The remaining findings pertain to State vehicles not properly maintained, performance evaluations not completed, untimely approval and payment of vouchers, and failure to return unexpended funds for construction projects. We will review the Board's progress towards the implementation of our recommendations in our next compliance examination.

## **AUDITOR'S OPINION**

The auditors stated the financial statements of the Board as of and for the year ended June 30, 2018 are fairly stated in all material respects.

## **ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the Board for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2018-001. Except for the noncompliance described in this finding, the accountants stated the Board complied, in all material respects, with the requirements described in the report.

This financial audit and compliance examination was conducted by Adelfia LLC.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:MEG

**DIGEST FOOTNOTES**

**#1 – FAILURE TO PUBLISH REQUIRED PROCUREMENT INFORMATION TIMELY – Previous Board Response**

2016: The Capital Development Board agrees with the finding and recommendation. CDB will develop a report suitable for posting to CDB's website and post it to the electronic bulletin within 10 calendar days of its submission to the Council.