

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

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2013

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

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

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**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

AGENCY OFFICIALS

Director (4/12 to Present)	Jerome Stermer
Director (10/09 to 3/12)	David Vaught
General Counsel/Deputy Director (03/12 to Present)	Sheila Henretta
Deputy Director (6/11 – 03/12)	Vacant
Assistant Director (9/12 to Present)	Abdon Pallasch
Assistant Director (2/11 to 8/12)	Kelly Kraft
Policy Director (4/12 to Present)	Ben Winick
Policy Director (10/09 to 3/12)	Emily Monk
IT Manager/Operations Manager (03/12 to Present)	Jennifer Cavanaugh
Assistant IT Manager/Operations Manager (11/09 to 3/12)	Jennifer Cavanaugh
IT Manager (10/03 to 3/13)	Aaron Doty
Chief Information Officer (4/13 to Present)	Aaron Doty
Communications Director (9/12 to Present)	Abdon Pallasch
Communications Director (10/09 to 8/12)	Kelly Kraft
Deputy General Counsel (10/11 to Present)	Roma Larson
Deputy General Counsel (1/11 to 9/11)	David Hall
OMB Senior Fiscal Specialist (4/13 to Present)	Layla Ellenberg
OMB Fiscal Specialist (1/12 to 3/13)	Layla Ellenberg

Agency offices are located at the following locations:

108 State House
Springfield, Illinois 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, Illinois 60601



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

PAT QUINN
GOVERNOR

February 10, 2014

West & Company, LLC
919 E. Harris Avenue
Greenville, IL 62246

Ladies and Gentlemen:

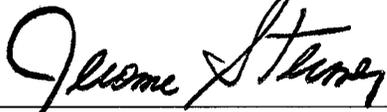
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Governor's Office of Management and Budget of the State of Illinois ("GOMB"). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of GOMB's compliance with the following assertions during the two-year period ended June 30, 2013. Based on this evaluation, we assert that during the years ended June 30, 2012 and June 30, 2013, GOMB has materially complied with the assertions below.

- A. GOMB 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. GOMB 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. GOMB 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 GOMB 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.

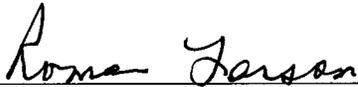
- E. Money or negotiable securities or similar assets handled by GOMB on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and record-keeping relating thereto is proper, accurate and in accordance with law.

Yours truly,

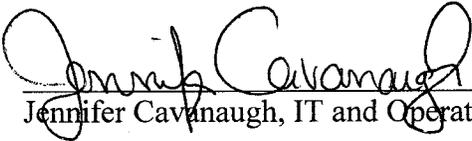
Governor's Office of Management and Budget



Jerome Stermer, Acting Director



Roma Larson, Deputy General Counsel



Jennifer Cavanaugh, IT and Operations Manager

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

COMPLIANCE REPORT

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.

ACCOUNTANT'S REPORT

The Independent Accountant's 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	3	8
Repeated findings	3	5
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, 2013**

SUMMARY (continued)

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
CURRENT FINDINGS (STATE COMPLIANCE)			
2013-001	11	Inaccurate control over locally held fund reports	Significant Deficiency And Noncompliance
2013-002	13	Inadequate control over cash receipts	Significant Deficiency And Noncompliance
2013-003	15	Inadequate control over interagency agreements	Significant Deficiency And Noncompliance

PRIOR FINDINGS NOT REPEATED

A	17	Inadequate control over travel functions	
B	17	Notice of Bond Interest and/or Principal forms not filed timely	
C	17	Inadequate control over employee attendance reporting	
D	17	Inadequate control over voucher processing	
E	18	Noncompliance with General Obligation Bond Act and Build Illinois Bond Act	

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

SUMMARY (continued)

EXIT CONFERENCE

The State of Illinois, Governor's Office of Management and Budget declined an exit conference in correspondence dated January 9, 2014.

Responses to the recommendations were provided by Ms. Jennifer Cavanaugh dated January 13, 2014.

WEST & COMPANY, LLC

MEMBERS

E. LYNN FREESE
RICHARD C. WEST
BRIAN E. DANIELL
JANICE K. ROMACK
DIANA R. SMITH
D. RAIF PERRY
JOHN H. VOGT
JOSHUA D. LOWE

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SULLIVAN

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, 2013. 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.

Our examination was conducted 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, 2013. 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 2013-001, 2013-002, and 2013-003.

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 to determine the examination procedures that are appropriate in the circumstances 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 the State of Illinois, Governor's Office of Management and Budget's 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 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 in internal control 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. *A significant deficiency in 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2013-001, 2013-002, and 2013-003 that we consider to be significant deficiencies.

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 the 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 for the years ended June 30, 2013 and June 30, 2012 in Schedules 1 through 10 and the Analysis of Operations Section 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 June 30, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 10. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 3 through 9 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

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

West & Company, LLC

West & Company, LLC
Greenville, IL

February 10, 2014

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-001. **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 seven locally held funds for the purpose of paying debt service on select special bond issuances and on certificates of participation outstanding. We noted discrepancies between the C-17s and related bank statements for 5 of 56 (9%) C-17s filed during the examination period. All errors occurred in fiscal year 2013 reports, for a net misstatement of \$36,945,465 more fully explained as:

- An understatement of \$5,805,385 for the first quarter was reported when an analyst who is no longer with the Office prepared the report and Office personnel were unable to determine the cause for the variance.
- A fund transfer for the second quarter was reported using the Comptroller records rather than the Office amounts, resulting in the C-17 being overstated \$42,762,108.
- An account balance was inadvertently omitted in the second and third quarter C-17s resulting in understatements of \$5,656 and \$5,657.
- On the 4th quarter C-17, a \$55 clerical error was not discovered due to rounding.

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.

Failure to provide accurate C-17 reports to the Office of the Comptroller could result in inaccurate Statewide financial reporting. (Finding Code No. 2013-001, 11-2)

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-001. **FINDING** (Inadequate locally held fund reports) (Continued)

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. Currently an Office analyst prepares the C-17 reports, but a manager will review and approve these reports prior to their submission to the Office of the Comptroller. Each of these mistakes was corrected in the subsequent quarter or at the end of the fiscal year during the GAAP package preparation.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-002. **FINDING** (Inadequate control over cash receipts)

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

During our testing of receipts totaling \$57,140,621 we noted the following:

- 1 of 27 (4%) receipts tested was deposited 9 days late. The receipt totaled \$12,487 and was a refund from the State for employer's contributions due to a change in the fiscal year 2011 contribution rate.
- 1 of 27 (4%) receipts tested was not received in full from the federal government. The receipt totaled \$6,830,796, but the Office only received a partial payment of \$6,580,933 and failed to pursue the additional \$249,863 that was not received. The receipt was a rebate for an interest subsidy from the federal government that is recorded in the Office's Federal Interest Subsidy Receipts Tracker (Tracker).

Total rebates recorded to the Tracker were \$64,337,252 and \$63,300,146 in Fiscal Years 2012 and 2013, respectively.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2 (a)) requires each State agency to deposit into the State Treasury individual receipts exceeding \$10,000 in the same day received. The Statewide Accounting Management Systems (SAMS) manual (Procedure 26.40.10) states each agency must individually pursue all reasonable and appropriate procedures available to the agency to effectuate collection of amounts due.

Office personnel stated the failure to deposit the cash receipt timely was due to the draft being lost in interoffice mail and the fact that an employee was out and was not able to follow up on the lost draft timely. The failure to pursue outstanding rebates was due to no formal procedure in place to track outstanding rebates. Office personnel stated they have discussed the \$249,863 difference with the federal authorities and were told the amount was applied to a penalty the state owed the Internal Revenue Service. This was verbally confirmed with a State employee; however, formal written documentation is not available to further explain.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-002. **FINDING** (Inadequate control over cash receipts) (Continued)

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. Failure to pursue outstanding refunds could result in loss of funds owed to the State. (Finding Code No. 2013-002, 11-1)

RECOMMENDATION

We recommend the Office deposit cash receipts timely according to State Statutes. Additionally, we recommend formal procedures be developed to pursue the collection of outstanding Interest Subsidy Receipts on a timely basis.

OFFICE RESPONSE

We concur with the auditor's recommendation. Additional staff have been authorized and trained to make deposits.

- The receipt totaling \$12,487 was received on June 8, 2011 and deposited on June 17, 2011. During that time both employees capable of depositing the check were out on furlough and vacation. Upon their return the check was deposited immediately.
- Formal procedures have been put in place to track the collection of the outstanding Interest Subsidy Receipts, as well as, reconciliation with the Comptroller's record of depositing the subsidies.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-003. **FINDING** (Inadequate control over interagency agreements)

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

Testing of 12 of 44 (27%) of the Office's Interagency Agreements disclosed the following:

- 4 of 12 (33%) were signed by the Office after the effective date of the agreement. The signatures were obtained 4 to 6 days late.
- 1 of 12 (8%) contained a termination agreement which was signed by the Office 26 days after the date of termination.
- 5 of 12 (42%) were not signed by all of the required parties by the effective date of the agreement. The signatures were obtained from the other parties to the agreements 4 to 12 days late.

Good internal controls require the approval of agreements and related addendums 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 compliance with applicable laws, rules, and agreements.

According to Office personnel, 3 of the 12 agreements were signed 4 days after the effective date by the Office and the other required parties because the effective date of the agreements was July 1st (Friday) and the July 4th (Monday) holiday caused difficulties in obtaining signatures. Secondly, Office management stated the termination agreement was completed following completion of the employee transfer to the other Agency. Office personnel noted they have limited control over signatures at other agencies.

Prudent business practices calls for agreements to be approved prior to the effective date, in order to assess whether the agreement sufficiently enumerates the responsibilities of all appropriate parties. (Finding Code No. 2013-003, 11-4, 09-4, 07-2)

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013**

Current Findings – State Compliance

2013-003. **FINDING** (Inadequate control over interagency agreements) (Continued)

RECOMMENDATION

We recommend the Office ensure interagency agreements are signed by all parties before the effective date of the agreement. Additionally, we recommend the Office ensure termination agreements are signed by all parties before the effective date of the termination.

OFFICE RESPONSE

We concur with the auditors' recommendation. The Office's policy is to execute interagency agreements prior to their respective effective dates. The majority of the interagency agreements that were the subject of this finding were not signed appropriately or timely by other agencies, over which the Office has limited control, and as previously noted, three of the agreements were executed immediately following an extended holiday weekend that coincided with the beginning of the fiscal year. 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.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF FINDINGS
For the Two Years Ended June 30, 2013

Prior Findings Not Repeated

A. **FINDING** (Inadequate control over travel functions)

During the prior examination, the Governor's Office of Management and Budget (Office) did not exercise adequate control over travel vouchers.

During the current examination, testing of the Office travel vouchers showed they were being submitted timely. (Finding Code No. 11-3, 09-3, 07-5, 05-6)

B. **FINDING** (Notice of Bond Interest and/or Principal forms not filed timely)

During the prior examination, the Governor's Office of Management and Budget (Office) did not file "Notice of Payment of Bond Interest and/or Principal "(C-08) forms with the Office of the Comptroller timely.

During the current examination, testing of 100% of C-08 forms were timely filed with the Office of the Comptroller. (Finding Code No. 11-5)

C. **FINDING** (Inadequate control over employee attendance reporting)

In the prior examination, the Governor's Office of Management and Budget (Office) did not exercise adequate control over employee attendance and related reporting.

During the current examination, testing of a sample of Office employee attendance records indicated supervisor review and approval were documented. (Finding Code No. 11-6, 09-7)

D. **FINDING** (Inadequate control over voucher processing)

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

During the current examination, the Office began processing their vouchers with their own staff and significant improvements were made in lowering voucher processing exceptions. As a result, this finding has been moved to the letter of immaterial findings. (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, 2013

Prior Findings Not Repeated

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

Testing in the previous examination disclosed the Governor's Office Management and Budget (Office) did not maintain or provide documentation to substantiate compliance with provisions of the General Obligation Bond Act (30 ILCS 330/8 (b)) regarding letters certifying contingent fees will not be paid to third parties for having promoted their services to the Office with bond issuances. Secondly, cost of issuance and truth in borrowing reports were untimely filed.

During the current examination, testing of a sample of certification letters, cost of issuance reports, and truth in borrowing disclosures showed the Office was in compliance with the statutes. (Finding Code No. 11-8)

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013**

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-2013
 - Schedule of Appropriations, Expenditures and Lapsed Balances-2012
 - 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 (Not Examined):
 - Agency Functions and Planning Program (Not Examined)
 - Average Number of Employees (Not Examined)
 - Cash Management Improvement Act Summary (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)
 - General Obligation Bond Indebtedness Summary (Not Examined)
 - Build Illinois Bond Indebtedness Summary (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 10. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations For Fiscal Year 2013

Fourteen Months Ended August 31, 2013

PUBLIC ACT 97-0727	Appropriations (Net After Transfers)	Expenditures Through 6/30/13	Lapse Period Expenditures 7/01 - 8/31/13	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>General Revenue Fund - 001</u>					
Personal services	\$ 1,503,300	\$ 1,363,491	\$ -	\$ 1,363,491	\$ 139,809
State contributions to Social Security	122,500	100,989	-	100,989	21,511
Operational expenses	<u>219,600</u>	<u>126,943</u>	<u>30,261</u>	<u>157,204</u>	<u>62,396</u>
Subtotal - Fund 001	<u>1,845,400</u>	<u>1,591,423</u>	<u>30,261</u>	<u>1,621,684</u>	<u>223,716</u>
<u>Illinois Civic Center Bond Retirement and Interest Fund - 105</u>					
Principal and interest and premium	<u>14,000,000</u>	<u>13,784,666</u>	<u>-</u>	<u>13,784,666</u>	<u>215,334</u>
<u>Capital Development Fund - 141</u>					
Expenses for the sale of State bonds	<u>1,543,100</u>	<u>1,212,736</u>	<u>9,502</u>	<u>1,222,238</u>	<u>320,862</u>
<u>School Infrastructure Fund - 568</u>					
Operational expenses	<u>113,400</u>	<u>67,353</u>	<u>-</u>	<u>67,353</u>	<u>46,047</u>
<u>Build Illinois Bond Retirement & Interest Fund - 970</u>					
Trustee payments under Master Indenture as defined by Build Illinois Bond Act	<u>383,762,094</u>	<u>342,096,751</u>	<u>-</u>	<u>342,096,751</u>	<u>41,665,343</u>
<u>Build Illinois Bond Fund - 971</u>					
Expenses for the sale of State bonds	440,000	294,460	60,569	355,029	84,971
Transfers to ESCROW account for the purpose of refunding outstanding Build Illinois bond payments	<u>686,235,770</u>	<u>686,235,769</u>	<u>-</u>	<u>686,235,769</u>	<u>1</u>
Subtotal - Fund 971	<u>686,675,770</u>	<u>686,530,229</u>	<u>60,569</u>	<u>686,590,798</u>	<u>84,972</u>
TOTAL - All APPROPRIATED FUNDS	<u><u>\$1,087,939,764</u></u>	<u><u>\$1,045,283,158</u></u>	<u><u>\$ 100,332</u></u>	<u><u>\$ 1,045,383,490</u></u>	<u><u>\$ 42,556,274</u></u>

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations For Fiscal Year 2013**

Fourteen Months Ended August 31, 2013

PUBLIC ACT 97-0727	Expenditures Through 6/30/13	Lapse Period Expenditures 7/01 - 8/31/13	Total Expenditures
<u>NON-APPROPRIATED FUNDS</u>			
<u>Federal Financing Cost Reimbursement Fund - 212</u>			
Other interest penalty	\$ 75,872	\$ -	\$ 75,872
TOTAL - ALL NON-APPROPRIATED	<u>\$ 75,872</u>	<u>\$ -</u>	<u>\$ 75,872</u>
GRAND TOTAL - ALL FUNDS	<u><u>\$1,045,359,030</u></u>	<u><u>\$ 100,332</u></u>	<u><u>\$1,045,459,362</u></u>

Note 1: The information reflected in this schedule was taken directly from the records of the State Comptroller and reconciled to the records of the Agency.

Note 2: Expenditures 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
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations For Fiscal Year 2012

Eighteen Months Ended December 31, 2012

PUBLIC ACT 97-0057	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Lapse Period Expenditures 7/01 - 12/31/12	Total Expenditures	Balances Lapsed
<u>APPROPRIATED FUNDS</u>					
<u>General Revenue Fund - 001</u>					
Personal services	\$ 1,503,300	\$ 1,456,417	\$ -	\$ 1,456,417	\$ 46,883
State contributions to Social Security	122,500	107,702	-	107,702	14,798
Contractual services	423,800	322,858	30,015	352,873	70,927
Travel	70,800	56,366	13,681	70,047	753
Commodities	3,000	1,645	539	2,184	816
Printing	9,800	2,443	130	2,573	7,227
Equipment	4,500	3,209	15	3,224	1,276
Electronic data processing	51,000	22,869	10,049	32,918	18,082
Telecommunication	52,500	39,943	7,897	47,840	4,660
Subtotal - Fund 001	<u>2,241,200</u>	<u>2,013,452</u>	<u>62,326</u>	<u>2,075,778</u>	<u>165,422</u>
<u>Illinois Civic Center Bond Retirement and Interest Fund - 105</u>					
Principal and interest and premium	14,000,000	13,796,538	-	13,796,538	203,462
<u>Capital Development Fund - 141</u>					
Expenses for the sale of State bonds	1,343,100	1,183,888	14,619	1,198,507	144,593

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations For Fiscal Year 2012

Eighteen Months Ended December 31, 2012

	<u>Appropriations (Net After Transfers)</u>	<u>Expenditures Through 6/30/12</u>	<u>Lapse Period Expenditures 7/01 - 12/31/12</u>	<u>Total Expenditures</u>	<u>Balances Lapsed</u>
PUBLIC ACT 97-0057					
<u>APPROPRIATED FUNDS</u>					
<u>School Infrastructure Fund - 568</u>					
Operational expenses	113,400	110,739	250	110,989	2,411
<u>Build Illinois Bond Retirement & Interest Fund - 970</u>					
Trustee payments under Master Indenture as defined by Build Illinois Bond Act	322,000,000	299,731,159	-	299,731,159	22,268,841
<u>Build Illinois Bond Fund - 971</u>					
Expenses for the sale of State bonds	425,000	186,202	85,138	271,340	153,660
TOTAL - All APPROPRIATED FUNDS	<u>\$ 340,122,700</u>	<u>\$ 317,021,978</u>	<u>\$ 162,333</u>	<u>\$ 317,184,311</u>	<u>\$ 22,938,389</u>
<u>NON-APPROPRIATED FUNDS</u>					
<u>Federal Financing Cost Reimbursement Fund - 212</u>					
Other Interest Penalty		\$ 213,978	\$ -	\$ 213,978	
TOTAL - ALL NON-APPROPRIATED		<u>\$ 213,978</u>	<u>\$ -</u>	<u>\$ 213,978</u>	
GRAND TOTAL - ALL FUNDS		<u>\$ 317,235,956</u>	<u>\$ 162,333</u>	<u>\$ 317,398,289</u>	

Note 1: The information reflected in this schedule was taken directly from the records of the State Comptroller and reconciled to the records of the Agency.

Note 2: Expenditures 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, 2013, 2012, and 2011

	2013	2012	2011
	P.A. 97-0727	P.A. 97-0057	P.A. 96-0956
General Revenue Fund - 001			
Appropriations (net after transfers)	\$ 1,845,400	\$ 2,241,200	\$ 2,323,100
Expenditures			
Personal services	1,363,491	1,456,417	1,607,588
State contributions to			
Social Security	100,989	107,702	118,074
Contractual services	90,988	352,873	59,818
Travel	19,831	70,047	72,213
Commodities	1,483	2,184	2,545
Printing	3,606	2,573	3,815
Equipment	10	3,224	732
Electronic data processing	7,150	32,918	29,207
Telecommunications	34,136	47,840	54,153
Total expenditures Fund 001	1,621,684	2,075,778	1,948,145
Lapsed balances	\$ 223,716	\$ 165,422	\$ 374,955
Illinois Civic Center Bond Retirement and Interest Fund - 105			
Appropriations (net after transfers)	\$ 14,000,000	\$ 14,000,000	\$ 14,000,000
Principal and interest and premium on Limited Obligation Revenue Bonds	13,784,666	13,796,538	13,845,688
Lapsed Balances	\$ 215,334	\$ 203,462	\$ 154,312
Capital Development Fund - 141			
Appropriations (net after transfers)	\$ 1,543,100	\$ 1,343,100	\$ 1,343,100
Expenses for the sale of State bonds	1,222,238	1,198,507	1,281,570
Lapsed balances	\$ 320,862	\$ 144,593	\$ 61,530
School Infrastructure Fund - 568			
Appropriations (net after transfers)	\$ 113,400	\$ 113,400	\$ 113,400
Operational expenses	67,353	110,989	102,012
Lapsed balances	\$ 46,047	\$ 2,411	\$ 11,388

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, 2013, 2012, and 2011

	2013	2012	2011
	P.A. 97-0727	P.A. 97-0057	P.A. 96-0956
Build Illinois Bond Retirement & Interest Fund - 970			
Appropriations (net after transfers)	\$ 383,762,094	\$ 322,000,000	\$ 320,000,000
Trustee payments under Master Indenture as defined by Build Illinois Bond Act	342,096,751	299,731,159	299,287,821
Lapsed balances	\$ 41,665,343	\$ 22,268,841	\$ 20,712,179
Build Illinois Bond Fund - 971			
Appropriations (net after transfers)	\$ 686,675,770	\$ 425,000	\$ 425,000
Expenses for the sale of State bonds	355,029	271,340	250,070
Transfers to ESCROW account for the purpose of refunding outstanding Build Illinois bond payments	686,235,769	-	-
Total expenditures Fund 971	686,590,798	271,340	250,070
Lapsed Balances	\$ 84,972	\$ 153,660	\$ 174,930
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (net after transfers)	\$ 1,087,939,764	\$ 340,122,700	\$ 338,204,600
Total expenditures	1,045,383,490	317,184,311	316,715,306
Lapsed balances	\$ 42,556,274	\$ 22,938,389	\$ 21,489,294
NON-APPROPRIATED FUNDS			
Federal Financing Cost Reimbursement Fund - 212			
Other interest penalty	\$ 75,872	\$ 213,978	\$ 95,218

Note: Fiscal year 2011 expenditures and lapsed balances do not reflect interest payments approved and submitted after August.

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

	Fiscal Year	
	2013	2012
1995A COP Capital Projects Fund - 1319*		
Beginning cash balance	\$ 10,604	\$ 10,604
Cash receipts:		
Interest income	-	-
Transfers from other funds	2,600	-
Other	-	-
Cash disbursements:		
Contractual services	2,600	-
Debt service	-	-
Transfers to other funds	-	-
Ending cash balance	<u>\$ 10,604</u>	<u>\$ 10,604</u>

	Fiscal Year	
	2013	2012
1995A COP Debt Service Fund - 1320*		
Beginning cash balance	\$ 8,765	\$ 1,450,284
Cash receipts:		
Interest income	-	-
Transfers from other funds	3,206,140	248,751
Other	-	-
Cash disbursements:		
Contractual services	-	-
Debt service	1,692,445	1,690,270
Transfers to other funds	-	-
Ending cash balance	<u>\$ 1,522,460</u>	<u>\$ 8,765</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
BALANCES (CASH BASIS) – LOCALLY HELD FUNDS
For the Years Ended June 30,

	Fiscal Year	
	2013	2012
1996A COP Capital Projects Fund - 1323*		
Beginning cash balance	\$ 1,136	\$ 1,136
Cash receipts:		
Interest income	-	-
Transfers from other funds	-	-
Other	-	-
Cash disbursements:		
Contractual services	-	-
Debt service	-	-
Transfers to other funds	-	-
Ending cash balance	<u>\$ 1,136</u>	<u>\$ 1,136</u>

	Fiscal Year	
	2013	2012
1996A COP Debt Service Fund - 1324*		
Beginning cash balance	\$ -	\$ 1,279,423
Cash receipts:		
Interest income	-	-
Transfers from other funds	2,863,446	238,366
Other	-	-
Cash disbursements:		
Contractual services	-	-
Debt service	1,518,406	1,517,789
Transfers to other funds	-	-
Ending cash balance	<u>\$ 1,345,040</u>	<u>\$ -</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
COMPLIANCE EXAMINATION
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCES (CASH BASIS) – LOCALLY HELD FUNDS
For the Years Ended June 30,

	Fiscal Year	
	2013	2012
Build Illinois Fund - 1231*		
Beginning cash balance	\$ 148,018,469	\$ 74,203,777
Cash receipts:		
Interest income	50,019	1,357,810
Transfers from other funds	342,158,209	376,038,823
Other		
Cash disbursements:		
Contractual services	49,000	57,500
Debt service	341,896,751	299,531,160
Transfers to other funds	40,167,083	3,993,281
Ending cash balance	<u>\$ 108,113,863</u>	<u>\$ 148,018,469</u>

	Fiscal Year	
	2013	2012
Civic Center 1985 & 2000 Fund - 1230*		
Beginning cash balance	\$ 16,832,041	\$ 16,851,209
Cash receipts:		
Interest income	1,759	1,739
Transfers from other funds	13,784,666	13,796,538
Other		
Cash disbursements:		
Contractual services	17,560	20,907
Debt service	13,784,666	13,796,538
Transfers to other funds	-	-
Ending cash balance	<u>\$ 16,816,240</u>	<u>\$ 16,832,041</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
COMPLIANCE EXAMINATION
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCES (CASH BASIS) – LOCALLY HELD FUNDS
For the Years Ended June 30,

	Fiscal Year	
	2013	2012
October 2003 Fund - 2101 (formerly 1395)*		
Beginning cash balance	\$ 6,441,299	\$ 6,732,439
Cash receipts:		
Interest income	4	3
Transfers from other funds	48,306,004	48,300,003
Other	6,000	-
Cash disbursements:		
Contractual services	24,453,277	24,472,345
Debt service	12,046,530	18,319,073
Transfers to other funds	12,716,310	5,799,728
Ending cash balance	<u>\$ 5,537,190</u>	<u>\$ 6,441,299</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, 2013

	<u>Equipment</u>
Balance at July 1, 2011	\$ 389,567
Additions	36,016
Deletions	(4,069)
Net transfers	<u>(73,794)</u>
Balance at June 30, 2012	<u>\$ 347,720</u>
Balance at July 1, 2012	\$ 347,720
Additions	4,488
Deletions	-
Net transfers	<u>135</u>
Balance at June 30, 2013	<u>\$ 352,343</u>

Note: The above schedule has been derived from Agency records which have been 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, 2013, 2012, and 2011

	Fiscal Year		
	2013	2012	2011 (Not Examined)
<u>General Revenue Fund - 001</u>			
Miscellaneous	\$ 29	12,696	\$ 543,680
Prior year refunds	-	-	-
Total receipts - Fund 001	<u>\$ 29</u>	<u>12,696</u>	<u>\$ 543,680</u>
<u>General Obligation BR&I -101</u>			
Federal Interest Subsidy Build America Bonds	\$ 59,199,309	\$ 63,909,088	\$ 61,810,016
Total receipts - Fund 101	<u>\$ 59,199,309</u>	<u>\$ 63,909,088</u>	<u>\$ 61,810,016</u>
Total receipts - all funds	<u>\$ 59,199,338</u>	<u>\$ 63,921,784</u>	<u>\$ 62,353,696</u>

Schedule 7

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO
THE STATE COMPTROLLER
For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	Fiscal Year		
	2013	2012	2011 (Not Examined)
<u>General Revenue Fund - 001</u>			
Receipts per Comptroller records	\$ 29	\$ 12,696	\$ 543,680
Add: Deposits in transit, beginning of year	-	-	-
Prior year refund	-	-	-
Less: Deposits in transit, end of year	-	-	-
Deposits remitted to the Comptroller - Fund 001	<u>\$ 29</u>	<u>12,696</u>	<u>543,680</u>
<u>General Obligation BR&I -101</u>			
Receipts per Comptroller records	\$ 59,199,309	\$ 63,909,088	\$ 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 - Fund 001	<u>\$ 59,199,309</u>	<u>\$ 63,909,088</u>	<u>\$ 61,810,016</u>
Total deposits remitted to the Comptroller - all funds	<u>\$ 59,199,338</u>	<u>\$ 63,921,784</u>	<u>\$ 62,353,696</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2013

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2012 AND 2013

The following are explanations for expenditures which differed by at least \$30,000 and by more than 20% from the previous year.

General Revenue Fund (001)

Contractual services

The decrease of \$261,885 or 74% from Fiscal Year 2012 to Fiscal Year 2013 was due to consulting fees for bond fund refinancing implementation needed in Fiscal Year 2012 but not needed in Fiscal Year 2013.

Travel

The decrease of \$50,216 or 72% from Fiscal Year 2012 to Fiscal Year 2013 was due to a decrease in appropriation whereby the office made significant reductions in staff travel between the Springfield and Chicago offices and other locations.

School Infrastructure Fund (568)

Operational expenses

The decrease of \$43,636 or 39% from Fiscal Year 2012 to Fiscal Year 2013 was due a decrease of appropriation in the General Revenue fund, which led to decreased spending in all operational areas.

Build Illinois Bond Fund (971)

Expenditures for the sale of State bonds

The increase of \$83,689 or 31% from Fiscal Year 2012 to Fiscal Year 2013 was due to the selling of more bonds in Fiscal Year 2013; therefore, more proceeds were necessary in Fiscal Year 2013.

Transfers to ESCROW account for the purpose of refunding outstanding Build Illinois bond payments

The increase of \$686,235,769 from Fiscal Year 2012 to Fiscal Year 2013 was due to the purchase of US Government obligations to establish an escrow account to defease bonds from previous years, linked to the June 2013 bond refunding.

Federal Financing Cost Reimbursement Fund (212)

Other interest penalty

The decrease of \$138,106 or 65% from fiscal year 2012 to fiscal year 2013 was due to fluctuation in interest rates along with fluctuations in agency draw patterns for statewide federal grants that incurred interest for the State.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2013**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2011 AND 2012**

The following are explanations for expenditures which differed by at least \$30,000 and by more than 20% from the previous year.

General Revenue Fund (001)

Contractual services

The increase of \$293,055 or 490% from Fiscal Year 2011 to Fiscal Year 2012 was due to consulting fees for bond fund refinancing implementation needed in Fiscal Year 2012 but not needed in Fiscal Year 2011.

Federal Financing Cost Reimbursement Fund (212)

Other interest penalty

The increase of \$118,760 or 125% from Fiscal Year 2011 to Fiscal Year 2012 was due to fluctuation in interest rates along with fluctuations in agency draw patterns for statewide federal grants that incurred interest for the State.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Years Ended June 30, 2013**

The following are explanations for receipts which differed by at least \$30,000 and by more than 20% from the previous year.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2012 AND 2013**

General Obligation Fund (101)

There were no significant variations in receipts between Fiscal Year 2012 and Fiscal Year 2013 which differed by at least \$30,000 and by more than 20%.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2011 AND 2012**

General Revenue Fund (001)

During Fiscal Year 2011, the Office received \$530,984 due to the bankruptcy of a conduit debt bond issue. No payments of this type were received during Fiscal Year 2012.

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Fiscal Year Ended June 30, 2013**

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

The following are explanations for lapse period spending of at least \$30,000 and more than 20% of the current year's expenditures.

FISCAL YEAR 2013

For the fiscal year ended June 30, 2013, we noted no significant lapse period spending.

FISCAL YEAR 2012

Build Illinois Bond Fund – 971

Lapse period spending of \$85,138 or 31.38% expenses for the sale of State bonds was due to the reimbursement of the Illinois Student Assistance Commission (ISAC) for half of the year's salary and expenses for an employee shared by GOMB and ISAC.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined)
For the Two Years Ended June 30, 2013

Agency 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-rang 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 capital improvement programs and yearly capital budgets based on those programs. Prepare and submit an assessment of the State's capital need, 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
AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined)
For the Two Years Ended June 30, 2013

Agency Functions, 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: 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
AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined)
For the Two Years Ended June 30, 2013

Agency Functions, Continued

Public Safety, Economic Development and Government Services: Responsible for 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 GOMB's FOIA responses, drafts and/or approves the legal content of all contracts and reviews proposed legislation concerning GOMB.

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, GOMB 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
AGENCY FUNCTIONS AND PLANNING PROGRAM (Not Examined)
For the Two Years Ended June 30, 2013**

Planning Program

Since the Office is part of the Executive Officer 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 goal 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 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 (Not Examined)
For the Two Years Ended June 30, 2013**

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

	Fiscal Year		
	2013	2012	2011
Director's Office	17	14	15
Operations	9	8	6
Budget Analyst	11	14	15
Debt & Capital	8	8	13
Total average full-time employees	<u>45</u>	<u>44</u>	<u>49</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
CASH MANAGEMENT IMPROVEMENT ACT SUMMARY (NOT EXAMINED)
For Fiscal Years 2011 and 2012

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 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 2011 TSA covered 18 programs in seven different State agencies, and the Fiscal Year 2012 TSA covered 17 programs in five 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 2011 net State liability under the Treasury-State 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 Human Services	\$ 8,597	\$ 1,674	\$ -	\$ 6,923
Department of Healthcare and Family Services	107,516	-	-	107,516
Department of Employment Security	96,088	-	4,196	91,892
Department of Commerce & Economic Opportunity	1,951	-	-	1,951
State Board of Education	14,426	-	7,296	7,130
Department of Transportation	-	218	-	(218)
Office of the Governor	-	-	1,216	(1,216)
	<u>\$ 228,578</u>	<u>\$ 1,892</u>	<u>\$ 12,708</u>	<u>\$ 213,978</u>

The Fiscal Year 2012 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 Human Services	\$ 4,889	\$ 255	\$ 1,722	\$ 2,912
Department of Healthcare and Family Services	23,516	-	-	23,516
Department of Employment Security	53,532	-	5,156	48,376
Department of Commerce & Economic Opportunity	157	-	-	157
State Board of Education	7,511	-	6,600	911
	<u>\$ 89,605</u>	<u>\$ 255</u>	<u>\$ 13,478</u>	<u>\$ 75,872</u>

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For Fiscal Years 2012 and 2013

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 provide 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 form 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 2012 and 2013 are shown on the following schedules.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2013

Fiscal Year 2012 Bond Issues

	Amount	Closing
Build Illinois Sales Tax Revenue Bonds - Series of October 2011	\$ 300,000,000	11/4/2011
General Obligation Bonds, Taxable Series A of January 2012	525,000,000	1/20/2012
General Obligation Bonds, Series B of January 2012	275,000,000	1/20/2012
General Obligation Bonds, Series of March 2012	575,000,000	3/27/2012
General Obligation Bonds, Refunding Bonds Series of May 2013	1,797,740,000	5/8/2012
Build Illinois Sales Tax Revenue Bonds, Taxable Series of May 2012	425,040,000	5/17/2012
	\$3,897,780,000	
Total	\$3,897,780,000	

Fiscal Year 2013 Bond Issues

	Amount	Closing
General Obligation Technology Bonds, Series of September 2012	\$ 50,000,000	9/25/2012
General Obligation Bonds, Series A of April 2013	450,000,000	4/10/2013
General Obligation Bonds, Taxable Series B of April 2013	350,000,000	4/10/2013
Build Illinois Sales Tax Revenue Bonds, Taxable Series of May 2013	300,000,000	5/21/2013
Build Illinois Sales Tax Revenue Bonds, Junior Series of June 2013	604,110,000	6/20/2013
	\$1,754,110,000	
Total	\$1,754,110,000	

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2013

Performance Indicators

	<u>2012</u>	<u>2013</u>
General Obligation Bond Rating (as of June 30):		
Moody's Investors Service	A2	A3
Standard & Poor's	A+	A-
Fitch, Inc.	A	A-
Special Obligation Bond Ratings (as of June 30):		
Build Illinois Bonds:		
Moody's Investors Service	A2	A3
Standards & Poor's	AAA	AAA
Fitch, Inc.	AA+	AA+

**STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
GENERAL OBLIGATION BOND INDEBTEDNESS SUMMARY
June 30, 2013
(expressed in thousands)**

GENERAL OBLIGATION BONDS

Bonds Authorized by Statute	Capital Development	Transportation Series A	Transportation Series B	School Construction	Anti- Pollution	Coal Development	Multi- Purpose	Multi-Purpose Pension	Refunding	Total
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
2012							1,375,000		1,797,740	3,172,740
2013							850,000			850,000
Total Bonds Issued	\$1,737,000	\$1,326,000	\$403,000	\$330,000	\$599,000	\$35,000	\$21,268,482	\$17,166,000	\$7,868,564	\$50,733,046
Bonds Authorized But Not Issued	\$0	\$0	\$0	\$0	\$0	\$0	\$8,365,490	\$396,348,300	\$1,055,906	\$405,769,696

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
BUILD ILLINOIS BOND INDEBTEDNESS SUMMARY
June 30, 2013
(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	89,250	(2)	95,475	184,725
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				-
2008	50,000			50,000
2009				-
2010	529,920			529,920
2011				-
2012	725,040			725,040
2013	300,000		604,110	904,110
Total Bonds Issued	\$4,939,054		\$2,179,687	\$7,118,741
Bonds Authorized But Not Issued	\$1,268,925		\$0	\$1,268,925

(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.