

# REPORT DIGEST

## GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

### FINANCIAL AND COMPLIANCE AUDIT For the Two Years Ended: June 30, 2003

#### Summary of Findings:

Total this audit	3
Total last audit	0
Repeated from last audit	0

Release Date:

May 12, 2004



State of Illinois  
Office of the Auditor General  
**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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## SYNOPSIS

- The Governor's Office of Management and Budget (GOMB) did not maintain appropriate documentation to support its claim for direct costs and the State's net interest liability under the Cash Management Improvement Act.
- GOMB did not correctly report certain financial information to the Office of the Comptroller through the year-end financial reporting process. Specifically, the Office did not report \$211,160,000 as an accounts receivable from the Federal Government at June 30, 2003.

Expenditures and Activity Measures are summarized on the reverse page.)

**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 2003**

EXPENDITURE STATISTICS	FY03	FY02	FY01
<b>Total Expenditures (All Treasury Held Funds).....</b>	<b>\$386,640,206</b>	<b>\$520,326,192</b>	<b>\$427,906,339</b>
• <b>Total Appropriated Funds .....</b>	<b>\$386,261,619</b>	<b>\$519,746,193</b>	<b>\$427,090,981</b>
<b>% of Total Expenditures .....</b>	<b>99.90%</b>	<b>99.89%</b>	<b>99.81%</b>
Personal Services .....	\$2,502,232	\$2,313,109	\$2,393,690
% of Total Appropriated Funds .....	.65%	.45%	.56%
Average No. of Employees .....	51	56	58
Other Payroll Costs (FICA, Retirement) .....	\$524,228	\$493,751	\$499,900
% of Total Appropriated Funds .....	.14%	.09%	.12%
General and Administrative Expenditures.....	\$272,944	\$144,446	\$215,933
% of Total Appropriated Funds .....	.07%	.03%	.05%
Expenditures necessary for sale of State bonds .....	\$1,193,146	\$1,272,117	\$1,107,062
% of Total Appropriated Funds .....	.30%	.24%	.26%
Expenditures pursuant to the Build Illinois Bond Act .....	\$381,769,069	\$515,522,770	\$371,816,380
% of Total Appropriated Funds .....	98.84%	99.19%	87.05%
Payment to Refunded Bond Escrow Agent % of Total Appropriated Funds .....	\$0 0%	\$0 0%	\$51,058,016 11.96%
<b>Total Non-Appropriated Funds .....</b>	<b>\$378,587</b>	<b>\$579,999</b>	<b>\$815,358</b>
<b>% of Total Expenditures .....</b>	<b>.10%</b>	<b>.11%</b>	<b>.19%</b>
Interest liability on federal funds .....	\$378,587	\$579,999	\$815,358
% of Total Non-Appropriated Funds .....	100%	100%	100%
Cost of Property and Equipment .....	\$366,000	\$402,000	\$418,000

SCHEDULED ACTIVITY MEASURES	FY 2003	FY 2002
Amount of General Obligation and Build Illinois Bonds Issued.....	\$12,589,328,508	\$2,304,045,000
Amount of Revenue Anticipation Certificates Issued. ....	\$1,000,000,000	\$0
Amount of General Obligation Certificates Issued.....	\$1,500,000,000	\$0

**DIRECTOR(S)**

Audit Period: Mr. Stephen Schnorf (through 9/30/02), Mr. Michael J. Colsch (10/1/02 – 1/29/03), Mr. John Filan (1/30/03 – present)  
 Currently: Mr. John Filan

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

**LACK OF DOCUMENTATION REGARDING THE  
CASH MANAGEMENT IMPROVEMENT ACT**

The Governor's Office of Management and Budget (GOMB) did not maintain appropriate documentation to support its claim for direct costs and the State's net interest liability under the Cash Management Improvement Act (CMIA) as implemented through the Code of Federal Regulation.

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**Appropriate documentation was not maintained to support State's claim for direct costs and net interest liability under the CMIA**

We noted GOMB did not maintain documentation to support the reasonableness of its claim for direct cost reimbursement on behalf of individual State agencies or to support differences in net interest liability between the CMIA annual report and the information provided by the U.S. Department of the Treasury. In addition, GOMB did not maintain documentation to support the filing of the FY01 and FY02 CMIA Annual Reports. (Finding 1, pages 10-11)

We recommended GOMB maintain sufficient supporting documentation to substantiate its direct cost claims, net interest liability, and report filings with the Financial Management Service as required by the Code of Federal Regulation.

GOMB officials agreed with the finding and recommendation and stated they have taken corrective action to maintain adequate supporting documentation to substantiate the State's direct cost claims, net interest and report filings with the federal Financial Management Service as required by the Code of Federal Regulations.

**INACCURATE FISCAL YEAR 2003 FINANCIAL  
REPORTING**

GOMB did not correctly report certain financial information to the Office of the State Comptroller in its year-end financial reporting for fiscal year 2003.

GOMB received \$211,160,000 from the U.S. Treasury in accordance with the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003. However, the Office failed to report this amount as an accounts receivable from the federal government in its FY03 Generally Accepted Accounting

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160,000 was not  
ded as a federal  
nts receivable in its  
financial reporting to  
Office of the State  
roller

Principles (GAAP) Forms submitted for the General Revenue Fund. The money was received in August 2003. However, all applicable eligibility requirements were met prior to June 30, 2003 and therefore, the receivable should have been recorded at June 30, 2003. (Finding 2, pages 12-19)

We recommended GOMB report all receivables and revenues properly in accordance with Government Accounting Standards Board (GASB) requirements.

GOMB officials disagreed and stated that, in their opinion, the \$211 million should be recognized as Revenue in FY 2004 when the amount was actually received rather than as a receivable in FY 2003 when the money was made available by the federal government. GOMB also stated that it is critical to note that the financial statements are to be those of management. On behalf of the management of the State of Illinois (i.e., the Governor pursuant to Article V, Section 8 of the Constitution), GOMB believes they followed applicable GAAP and GASB standards when recognizing the federal grant received in August 2003 (FY 2004) and applied GASB the same as the majority of the states in the same circumstances.

In our auditors' comment, we noted the State Comptroller is responsible for developing and prescribing a uniform accounting system for the use of all State agencies. Pursuant to his authority and in the exercise of his responsibility, effective with the State's Fiscal Year 2001 Statements, the Comptroller adopted Governmental Accounting Standards Board Statement No. 33 (GASB 33).

GASB 33 generally requires revenues to be recognized when all requirements for a government to be eligible for those monies are met. GOMB maintains that the fact that Illinois had to file a certification statement in order to claim the federal funds means that all eligibility criteria were not met in FY 03. However, the auditors noted that the certification process presented so low a hurdle to claim the federal moneys that the average timeframe for all 50 states to file the required document with the federal government was 18.5 days after the June 4 notification letter from the U.S. Secretary of the Treasury stating the moneys were available. In fact 16 states claimed their moneys within seven days of notification. In contrast, Illinois' claim for the federal moneys was not received by the federal government until August 4, 2003 - 61 days from the date of the notification letter and second last among all 50 states. Under these

circumstances, the Comptroller maintains, and the auditors agree, that the State of Illinois met all eligibility requirements for the \$211 million in federal moneys in State Fiscal Year 2003. As a result, we believe the \$211 million should be recognized as a receivable in FY 03, not as revenue in FY 04 when GOMB actually claimed the money.

**AUDITORS' OPINION**

The auditors stated that GOMB's individual nonshared governmental financial statements and individual nonshared fiduciary financial statements as of and for the years ended June 30, 2003 and June 30, 2002, are fairly stated in all material respects.



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WILLIAM G. HOLLAND, Auditor General

WGH:JSC:pp

**AUDITORS ASSIGNED**

The audit was conducted by the Auditor General's staff.