



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, 2016 and
 Compliance Examination for the Two Years Ended June 30,
 2016

Release Date: April 27, 2017

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2012		16-1	
Category 2:	2	4	6	2010		16-6	
Category 3:	0	0	0	2008		16-2	
TOTAL	2	4	6	2006		16-4	
FINDINGS LAST AUDIT: 7							

SYNOPSIS

- (16-1) The Board did not have adequate controls over its revenue and receipts.
- (16-2) The Board did not fully comply with the Illinois Procurement Code’s provisions for publishing procurement information in the Illinois Procurement Bulletin.
- (16-5) The Board processed inaccurate gross pay and did not have documentation to support notification of the error to the State Employees Retirement System.

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, 2016
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures (All Funds).....	\$ 122,027,444	\$ 713,835,801	\$ 706,055,069
OPERATIONS TOTAL.....	\$ 19,657,012	\$ 20,866,914	\$ 20,344,492
% of Total Expenditures.....	16.1%	2.9%	2.9%
Personal Services.....	9,939,548	10,757,324	10,548,310
% of Operations Expenditures.....	50.6%	51.6%	51.8%
Other Payroll Costs (Retirement, Social Security, Group Ins)....	7,976,997	7,797,488	7,612,751
% of Operations Expenditures.....	40.6%	37.9%	37.4%
Contractual Services.....	364,305	452,207	401,525
% of Operations Expenditures.....	1.8%	2.2%	2.0%
All Other Operations Items.....	1,376,162	1,859,895	1,781,906
% of Operations Expenditures.....	7.0%	8.9%	8.8%
Construction Total.....	\$ 102,370,432	\$ 692,968,887	\$ 685,710,577
% of Total Expenditures.....	83.9%	97.1%	97.1%
Cost of Property and Equipment.....	\$ 1,335,665	\$ 1,356,355	\$ 1,180,299
Cost of Construction in Progress.....	\$ 91,319,166	\$ 44,771,194	\$ 66,534,150
Total Receipts.....	\$ 70,057,526	\$ 49,316,411	\$ 58,308,771
Average No. of Employees.....	128	134	135

SELECTED ACTIVITY MEASURES (Unaudited)	2016	2015	2014
Number of Projects.....	1,105	1,196	1,309
Number of Projects Awarded.....	66	213	279
Average Variation from Planned Schedule:			
Construction Phase.....	79.00%	35.20%	16.90%
Number of Change Orders.....	386	1,011	905

EXECUTIVE DIRECTOR	
During Examination Period:	James Underwood (through April 15, 2015) Gevan Behnke (Acting Director April 16, 2015 through June 9, 2015) Jodi Golden (effective June 10, 2015)
Currently:	Jodi Golden

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER REVENUE AND RECEIPTS

The Capital Development Board (Board) did not have adequate controls over its revenue and receipts.

During our review of 80 receipts totaling \$16,757,867, we noted the following:

Excess fees of \$103,349 were collected from contractors

- Receipts for six contract administration fees (CAF) were more than 3% of the contract amount and the excess totaled \$103,349.
- Four (5%) receipts totaling \$1,231,910 were deposited between one and three days late.

During our review of 5 refunds totaling \$281,427, we noted the following:

- Two (40%) refunds totaling \$88,660 were deposited between one and three days late. (Finding 1, pages 12-13) **This finding has been repeated since 2012.**

We recommended the Board strengthen its controls over revenue and cash receipts to ensure fees are collected and deposited in accordance with State statutes. Deposits should also be made on a timely basis to maximize interest earned.

Board agrees with auditors

The Board agreed with the finding and recommendation and stated they have changed the method for calculating the CAF to ensure compliance with the statutory limit and they will continue to ensure that deposits are made on a timely basis. *(For the previous Department response, see Digest Footnote #1.)*

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 (the Bulletin).

Noncompliance with the Illinois Procurement Code

Annual Business Enterprise Program reports published 71 to 107 days late

Based on our review of procurement information on the Board's website, we noted the annual Business Enterprise Program reports were not posted on the online electronic Bulletin within 10 business days after submission of the report to the Business Enterprise Council for Minorities, Females and Persons with Disabilities during Fiscal Years 2016 and 2015. The reports were posted 71 to 107 days late. (Finding 2, pages 14-15) **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

The Board agreed with the finding and recommendation and stated they will develop a report suitable for posting to its website and post it to the electronic Bulletin within 10 calendar days of its submission to the Council. *(For the previous Department response, see Digest Footnote #2.)*

INACCURATE GROSS PAY

The Board processed inaccurate gross pay and did not have documentation to support notification of the error to the State Employees Retirement System (SERS)

During testing, the auditors noted the following:

Employees were overpaid by \$9,536

- During our review of 40 employee personnel files, we noted two employees (5%) were not paid the correct gross pay. The employees were paid higher than the pay rate stated in the Gross Pay Rate Table for Fiscal Year 2015. These errors resulted in overpayments to the employees totaling \$9,536.
- In reviewing these two identified exceptions, the auditors noted the Board did not take appropriate corrective action. Specifically, the auditors noted only one of the two employees had entered into a repayment agreement in January 2016 so the Board could recoup the overpayment. Further, the auditors noted the Board did not maintain any documentation for and could not support that it had notified SERS about the overpayment so SERS could take appropriate action to correct the records. (Finding 5, pages 20-21)

Board did not take appropriate corrective action

We recommended the Board process payroll accurately. In addition, we recommended the Board recoup all overpayments made to employees. Finally, we recommended the Board contact SERS so appropriate corrective action can be taken.

Board accepts the finding

Board officials accepted our recommendation and stated it has hired a new HR Administrator and is taking steps to address the issues noted above.

OTHER FINDINGS

The remaining findings pertain to vehicles not properly maintained, performance evaluations not completed, and untimely approval and payment of vouchers. 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, 2016 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, 2016, as required by the Illinois State Auditing Act. The accountants stated the Capital Development 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

BRUCE L. BULLARD
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

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DIGEST FOOTNOTES

#1 - INADEQUATE CONTROLS OVER REVENUE AND RECEIPTS - Previous Board Response

2014: The Capital Development Board agrees with the finding and recommendation. CDB has changed the method for calculating the CAF to ensure compliance with the statutory limit. Also, CDB continues to make every effort to ensure that deposits are made on a timely basis.

#2 - FAILURE TO PUBLISH REQUIRED PROCUREMENT INFORMATION TIMELY - Previous Board Response

2014: The Capital Development Board agrees with the finding and recommendation. The BEP reports have been posted onto CDB's electronic Bulletin. CDB will continue to work with the CPO to ensure the reports are posted as required.