STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2007

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

Director (1/18/07 - Current)	Ms. Ginger Ostro
Director (7/1/05 - 1/17/07)	Mr. John Filan
Operations Director (7/1/05 - 4/15/06)	Mr. Marcelino Garcia
Communications Director (7/1/05 - 9/28/07)	Ms. Becky Carroll
Legal Counsel	Mr. Kevin Connor
Acting Fiscal Officer (6/16/06 - Current)	Ms. Erin Von Holten
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STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

ROD R. BLAGOJEVICH
GOVERNOR

May 21, 2008

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

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 (Agency). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, the Agency has materially complied with the assertions below.

A. The Agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Agency has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. The State revenues and receipts collected by the Agency are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Agency on behalf of the State or held in trust by the Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Governor's Office of Management and Budget

Ginger Ostro, Director

John Frigo, Associate Director

Kevin S. Hovis, Acting General Counsel

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.

ACCOUNTANTS' REPORTS

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

SUMMARY OF FINDINGS

Number of	This Report	Prior Report
Findings	12	7
Repeated findings	6	1
Prior recommendations implemented or not repeated	1	2

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description
07-1	12	Inadequate control over contractual agreements
07-2	16	Inadequate control over interagency agreements
07-3	18	Noncompliance with the Regional Transportation Authority Act
07-4	19	Inadequate documentation for Regulatory Sunset Act
07-5	21	Inadequate control over travel expenditures
07-6	25	Incomplete personnel files
07-7	27	Required reports were not filed and/or filed timely
07-8	29	Insufficient controls over the recording and reporting of State property
07-9	31	Inadequate controls over cash receipts records and untimely deposits

07-10	34	Noncompliance with continuing disclosure undertaking
07-11	36	Information regarding the investment of public funds was not made available online
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PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

07-13	40	Efficiency Initiative Payments

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on April 24, 2008. Attending were:

Governor's Office of Management and Budget	Office of the Auditor General
Ginger Ostro, Director	Jane Clark, Manager
John Frigo, Associate Director	Courtney Dzierwa, Supervisor

Responses to the recommendations were provided by the Director in a letter dated May 6, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

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, 2007. The management of the State of Illinois, Governor's Office of Management and Budget is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Governor's Office of Management and Budget's compliance based on our examination.

A. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The State of Illinois, Governor's Office of Management and Budget has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Governor's Office of Management and Budget are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the State of Illinois, Governor's Office of Management and Budget on behalf of the State or held in trust by the State of Illinois, Governor's Office of Management and Budget have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

As described in findings 07-1, 07-10, and 07-12 in the accompanying Schedule of Findings, the State of Illinois, Governor's Office of Management and Budget did not comply with requirements regarding laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Governor's Office of Management and Budget to comply with the requirements listed in this first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Governor's Office of Management and Budget complied, in all material respects, with the requirements listed in the first paragraph of this report during the years ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance with those 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 findings 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8, 07-9, and 07-11.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

Internal Control

The 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 in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1, 07-2, 07-3, 07-4, 07-5, 07-6, 07-7, 07-8, 07-9, 07-10, 07-11, and 07-12 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider items 07-1, 07-10, and 07-12 to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter.

The State of Illinois, Governor's Office of Management and Budget's response 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 response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance

Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007 and 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2005 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

Bruce L. Bullard

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

May 21, 2008

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the Build Illinois Bond Retirement and Interest Fund of the State of Illinois, Governor's Office of Management and Budget, as of and for the years ended June 30, 2007 and June 30, 2006, and have issued our report thereon dated May 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Governor's Office of Management and Budget's internal control over financial reporting of the Build Illinois Bond Retirement and Interest Fund as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 financial reporting. 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 financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Governor's Office of Management and Budget's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also conducted a State compliance examination of the Agency as required by the Illinois State Auditing Act. The results of that examination are being reported to management in a separately tabbed section of this report as State compliance findings.

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

Bruce L. Bullard

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

May 21, 2008

07-1. **FINDING** (Inadequate control over contractual agreements)

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

We tested 21 contracts totaling $7,256,194 and noted the following:

- The Office did not bid out professional services contracts in excess of $20,000. The Office awarded two contracts, totaling $90,000, for legal services without soliciting competitive bids for the services. The Office also failed to publish its notices of intent to enter into two sole source contracts in the Illinois Procurement Bulletin.

  The Illinois Procurement Code (Code) (30 ILCS 500/35-35) requires all professional and artistic contracts of $20,000 or more be subject to a competitive request for proposal process prior to the contract being awarded. The Code (30 ILCS 500/20-25) also states contracts may be awarded without the use of a competitive process when there is only one economically feasible source for the item. The Code further states at least 2 weeks before entering into a sole source contract, the purchasing agency shall publish a notice of intent to do so along with a description of the item to be procured and the intended sole source contractor in the Illinois Procurement Bulletin (Bulletin).

- The Office did not timely publish notices of contracts let or awarded in the Illinois Procurement Bulletin for eight of 21 (38%) contracts tested. Notices for five contracts, totaling $219,968, were published from 93 to 301 days late. Notices for two contracts, totaling $90,000, could not be located in the Procurement Bulletin. These two contracts were commenced on August 1, 2005 and September 28, 2005.

  The Code (30 ILCS 500/15-25(b)) states notice of each and every contract that is let or awarded shall be published in the next available subsequent Bulletin.

The Office did not maintain adequate documentation of its request for proposal (RFP) and contract award processes. Of the 21 contracts we tested, 15 were awarded through the competitive selection process, and we noted the following:

- The Office did not award contracts to the bidders with the highest scores based on criteria set forth in the RFP for four contracts, totaling $239,495 and for one contract that did not contain a maximum amount. The contract stipulated the contractor would be paid $295 per hour; however, the contract did not contain number of hours or maximum amount to be paid. Records maintained by the Office of the Comptroller indicate this vendor was not paid during the examination period.
- Scoring sheets for the proposals received in response to one RFP could not be located by Office personnel. Three contracts, totaling $1,709,224, were awarded to bidders as a result of this single RFP.
- Scoring sheets maintained by the Office for 7 of 15 (47%) contracts tested did not include pertinent information, including the date scoring was performed, the name of the person(s) performing the scoring evaluation, the name of the proposer on which the scoring was based, and/or the underlying criteria on which the scoring was based.
- For 1 of 15 (7%) contracts tested, the request for proposal process garnered 14 proposals from potential bidders. However, the scoring sheets maintained by the Office indicate the proposals were not scored in a consistent manner. Two of the 14 proposals were only scored by 2 people, while the other 12 proposals were scored by 3 people. The contract was awarded to a vendor that was only scored by 2 people.
- In one instance, a proposal was given higher than the maximum allowable points for a specified criterion.

Good business practices would require the Office to document business decisions for taxpayer funds. Additionally, the State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

In addition, the Office entered into interagency agreements for 11 of 21 (52%) contracts tested. We noted the following discrepancies in our testing of the associated interagency agreements:

- Ten of 11 (91%) interagency agreements were not signed by all parties prior to the performance of services under the associated contract. Signatures were obtained ranging from 27 to 287 days after the inception of the associated contract.
- One of 11 (9%) interagency agreements stated another State agency was responsible for 100% of the costs incurred by the contractor, which totaled $50,000. However, the Office reimbursed the contractor for expenses incurred totaling $29,330.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good business practice requires terms of all contracts and interagency agreements to be properly complied with and to be approved prior to the beginning of services and requires State agencies to review interagency agreements for consistency with the associated contracts.

We also noted 17 of 21 (81%) Contract Obligation Documents (COD) were not properly completed:

- Nine of 17 (53%) CODs included inaccurate award code information. In these instances, the Office marked the COD as "exempt from bid"; however, these contracts were subject to competitive bidding and the associated COD should have reflected that fact.
- Six of 17 (35%) CODs were prepared with inaccurate or missing compensation information.
- Four of 17 (24%) CODs were not submitted timely. They were submitted from 2 to 15 days late. One of 17 (6%) CODs was submitted to the Office of the Comptroller 77 days late. Evidence of a late filing affidavit prepared for this instance was not provided to the auditors until April 7, 2008.
- One of 17 (6%) CODs did not contain an authorization signature and date.
- One of 17 (6%) CODs did not include the correct inception date of the contract.

Statewide Accounting Management System (SAMS) (Procedure 15.20.10) requires an agency to provide accurate information for each obligation to be established, including the award code, compensation information, and contract beginning and ending dates, and requires proper agency approval to establish the obligation.

In addition, we noted the following:

- We were unable to determine if 7 of 21 (33%) contracts tested, totaling $377,495, were approved prior to the performance of services under the contract. While the contracts were signed by all parties, the signature dates were absent and timeliness could not be determined.

  The State Comptroller's Accounting Bulletin 124 requires every contract signature to be dated below the actual signature.

- We noted 2 of 21 (10%) contracts, totaling in excess of $45,002, were not filed with the Illinois Office of the Comptroller.

Statewide Accounting Management System (SAMS) (Procedure 15.10.40) requires contracts for professional and artistic services exceeding $5,000 be filed with the Illinois Office of the Comptroller within 15 days of execution.

- We were unable to determine if the Office should have obtained additional signatures and approval for 1 of 21 (5%) contracts tested. The contract was for services to be rendered on an hourly basis, but the contract did not specify a maximum number of hours or dollar amount for the services. Records maintained by the Office of the Comptroller indicate the vendor was not paid for services during the examination period.

  The State Finance Act (30 ILCS 105/9.02(a)(1)) requires contracts in the amount of $250,000 or more to be signed or approved by an agency's Chief Executive Officer, Chief Legal Counsel, and Chief Fiscal Officer. The Illinois Procurement Code (30 ILCS 500/35-25) states all contracts for professional and artistic services shall include, in writing, the maximum price.

Office personnel stated that isolated mistakes with respect to the execution, maintenance and filing of contractual agreements were the result of clerical and scrivener's errors.

Failure to exercise adequate control over contractual agreements, procurement, and related interagency agreements may result in the loss or misuse of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 07-1, 05-2, 05-3)

RECOMMENDATION

We recommend the Office strengthen controls to ensure contractual agreements are signed and dated prior to the beginning of services and that contracts are reduced to writing and filed with the State Comptroller's Office in a timely manner. We also recommend the Office procure contracts in accordance with the Illinois Procurement Code and publish its notice of intent to enter into sole source contracts in the Illinois Procurement Bulletin. In addition, we recommend the Office review their procurement documentation policies to ensure proper documentation is retained to support contract award decisions.

OFFICE RESPONSE

GOMB has strengthened its contracting procedures to ensure that no awards are posted until a legal review has been completed that indicates all necessary procurement procedures have been followed, including competitive bidding if required by the Procurement Code. Moreover, procedures have been strengthened to ensure interagency agreements are signed in a timely fashion, contract obligation documents are accurate, and all appropriate steps are taken in the execution and filing of contracts.

07-2. **FINDING** (Inadequate control over interagency agreements)

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

The Office reimbursed two employees for travel expenses during the effective periods of their interagency agreements; however, these agreements specifically stated other agencies retained responsibility for such travel expenses. These employees covered by interagency agreements were reimbursed $2,959 and $2,134 by the Office for travel expenses incurred during Fiscal Year 2007. Per the related interagency agreements, those travel reimbursements should have been paid by the Department of Revenue and the Department of Corrections, respectively.

We also noted 5 of 9 (56%) interagency agreements tested were not signed or were not signed timely. We noted two interagency agreements were signed after the effective date of the agreements. The signatures ranged from 44 to 429 days late. We also noted two interagency agreements were signed but not dated, and one interagency agreement was not signed by the required individuals.

Good internal controls require a careful review of travel expenditures and related interagency agreements before vouchers are approved for reimbursement. Good internal controls also require the approval of agreements prior to the effective date and services should be performed only after the agreement is approved by all parties. In addition, the Fiscal Control and Internal Auditing Act (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.

Office personnel stated these instances occurred due to a failure to communicate the effective date of executed interagency agreements to the Office employee responsible for processing those expenses.

Inadequate control over travel expenditures and interagency agreements resulted in the wrong Agency paying for the travel expenditures of these two employees. Also, in order to assess whether the agreement sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date. (Finding Code No. 07-2)

RECOMMENDATION

We recommend the Office carefully examine travel vouchers to ensure the correct agency is paying reimbursements in accordance with the interagency agreements. Further, we recommend the Office ensure interagency agreements are approved prior to the effective date of the agreement and prior to services being rendered.

OFFICE RESPONSE

We agree. GOMB created a new travel voucher tracking system and therefore now has in place controls to ensure that travel vouchers are paid in accordance with interagency agreements. The incident referenced was an isolated instance that was quickly identified and corrected by GOMB oversight efforts and has not been repeated since. GOMB has also restructured its processes to ensure interagency agreements are approved prior to the effective date and services being rendered.

07-3. **FINDING** (Noncompliance with the Regional Transportation Authority Act)

The Governor's Office of Management and Budget (Office) did not submit, by July 1st of each year, an estimate of revenues for the next fiscal year to the Regional Transportation Authority (Authority).

The Office did not submit to the Authority an estimate of revenues for the next fiscal year to be collected from the taxes imposed by the Authority and the amounts to be available in the Public Transportation Fund and the Regional Transportation Authority Occupation and Use Tax Replacement Fund.

The Regional Transportation Authority Act (70 ILCS 3615/4.01) states by July 1st of each year, the Director of the Illinois Governor's Office of Management and Budget shall submit to the Authority an estimate of revenues for the next fiscal year to be collected from the taxes imposed by the Authority and the amounts to be available in the Public Transportation Fund and the Regional Transportation Authority Occupation and Use Tax Replacement Fund.

Office personnel stated they believed their preparation of the Illinois Budget Book fulfilled the requirements of this statute.

Failure to submit to the Authority an estimate of revenues for the next fiscal year and the amounts to be available in the Public Transportation Fund and the Regional Transportation Authority Occupation and use Tax Replacement Fund is noncompliance with the Regional Transportation Authority Act. (Finding Code No. 07-3)

RECOMMENDATION

We recommend the Governor's Office of Management and Budget comply with the Regional Transportation Authority Act by providing an estimate of revenues and the amounts to be available in the Public Transportation Fund and the Regional Transportation Authority Occupation and Use Tax Replacement Fund to the Regional Transportation Authority or seek legislative remedy regarding the current statutory requirement.

OFFICE RESPONSE

We agree. GOMB includes relevant estimates in its annual budget book but will add to our processes a transmittal to the RTA of this information.

07-4. **FINDING** (Inadequate documentation for Regulatory Sunset Act)

The Governor's Office of Management and Budget (Office) did not fully comply with the Regulatory Sunset Act (Act).

We noted the following deficiencies:

- The Office performed studies on 11 regulatory acts scheduled for repeal. The Office did not fully document their consideration of all 9 required factors for 10 of 11 (91%) studies conducted. In each of these studies, the documentation retained by the Office did not contain documentation for 3 to 5 of the 9 required elements. In addition, the Office was not able to provide documentation they had studied 1 of 11 (9%) regulatory acts scheduled for repeal.

  The Office is required by the Act (5 ILCS 80 et seq.) to conduct a study of the performance of each regulatory agency and program scheduled for termination under the Act. In conducting the study, the Office is required to consider nine specific factors in determining whether an agency or program should be recommended for termination or continuation.

- We were unable to obtain the report prepared for the Governor which showed the results of the studies of each regulatory agency and program scheduled for termination under the Act.

  The Office is required by the Act to report to the Governor the results of each study conducted, including in the report recommendations with respect to those agencies and programs the Office determines should be terminated or continued by the State.

Office personnel stated that due to the transition in staff, the same format for the documented report as used in the past was not completed, although the analysis was completed.

Failure to formally document the consideration of the nine factors required by the Act and failure to report to the Governor annually the results of the studies results in inadequate evidence to determine compliance with the statute. (Finding Code No. 07-4, 05-7)

RECOMMENDATION

We recommend the Office formally document its consideration of the factors required to be studied by the Regulatory Sunset Act. Further, we recommend the Office report to the Governor annually the results of each study.

OFFICE RESPONSE

We agree. GOMB has outlined new procedures to ensure proper documentation of its study of the nine relevant factors and to report to the Office of the Governor with the results of that study.

07-5. **FINDING** (Inadequate control over travel expenditures)

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

We noted the following:

- Eleven of 25 (44%) travel vouchers tested, totaling $8,559, were submitted from 42 to 171 days after the completion of the first instance of travel had taken place.

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

- One employee was reimbursed for the same travel expenditures on two different travel vouchers, resulting in an overpayment of $1,579 to the employee.

  Good internal controls require appropriate personnel check travel vouchers to ensure double billing has not occurred or that conflicting and/or contradicting travel dates and destinations have not occurred on different travel vouchers.

- One of 25 (4%) travel vouchers tested, totaling $1,000, was improperly completed. The employee's headquarters was erroneously reported as Springfield, instead of Chicago.

  Good internal controls require a careful review of reported information for accuracy before vouchers are approved for reimbursement.

- Three of 23 (13%) employees tested did not submit a certification of license and automotive liability coverage for each fiscal year. In addition, one employee who was assigned a State vehicle during the period was unwilling or unable to provide certification he was a licensed driver or he had liability coverage.

  The Illinois Administrative Code (80 Ill. Adm. Code 3000.300) requires employees using privately owned vehicles on State business file a statement certifying that they are duly licensed and carry at least the minimum insurance coverage as required by the Illinois Vehicle Code (625 ILCS 5/10-101).

- One of 25 (4%) travel vouchers tested, totaling $1,329, was not approved in advance by the agency head for out-of-state travel.

  The Governor's Travel Control Board Travel Update #03-09 states all requests for travel outside the borders of the State of Illinois must be received by the Office no later than three weeks prior to the anticipated departure date for approval or denial of each request. The Office will provide a recommendation to the Office of the Governor for the final decision.

- Two of 25 (8%) travel vouchers tested, totaling $546, did not include itemized travel expenses billed directly to the State.

  The State Finance Act (30 ILCS 105/12) states each voucher for traveling expenses shall be itemized. The Illinois Administrative Code (80 Ill. Adm. Code 2800.260) states all direct billed items shall be indicated on a travel voucher along with all reimbursable items. The columns of travel vouchers are then to be totaled and cross-footed. Finally, the direct-billed total is to be deducted from the total, with the balance being the amount to be reimbursed to the employee.

- One of 25 (4%) travel vouchers tested, totaling $2,150, included reimbursement for lodging which was not in accordance with travel regulations. This voucher included reimbursement for lodging costs totaling $142, while the State rate for lodging in that area was $70. This voucher was not subsequently submitted to the Travel Control Board for approval.

  The Governor's Travel Control Board Travel Guide for State Employees states at least five hotels on the Preferred Hotel Listing should be contacted. Hotels not appearing on the Preferred Hotel Listing should not be contacted until all Preferred Hotels in a particular area have been exhausted. If an acceptable rate still cannot be obtained, reservations must be made at the hotel offering the lowest rate. The travel exception policy requires State agencies to submit all requests to pay excessive lodging costs and all other travel exception requests to the Governor's Travel Control Board.

- One of 25 (4%) travel vouchers tested, totaling $1,329, did not agree to supporting documentation. This voucher included reimbursement for transportation costs totaling $453, yet the traveler only had receipts to justify $422 in transportation costs.

The Illinois Administrative Code (80 Ill. Adm. Code 2800.240) requires travel vouchers to be supported by receipts in all instances for railroad and airplane transportation, lodging, taxis, and all other items in excess, individually, of $10.00 except for meals.

- Five of ten (50%) Employee Controlled Housing Quarterly Reports, totaling $8,058, submitted by the Office to the Travel Control Board contained errors in calculations and did not include all months where travel and employee controlled housing reimbursements occurred. The reports were submitted containing errors in calculations ranging from $105 to $998.

  The Illinois Administrative Code (80 Ill. Adm. Code 2800.410) requires agencies to report quarterly to the Travel Control Board fiscal year to date expenses of employees receiving reimbursement under the controlled housing provision.

Office personnel stated the errors noted were due to clerical errors and oversight. In the instance where an employee was assigned a State vehicle but certification of licensure and insurance was not obtained, Office personnel stated this was an isolated incident where the employee in question did not have a personal or State-assigned vehicle at the time the certification was obtained. The employee subsequently obtained licensure and insurance prior to operating a State vehicle.

Failure to submit travel vouchers in a timely manner could distort travel expenditures from month to month. Additionally, according to IRS Publication 535, employee travel expense reimbursements will be considered taxable wages if the travel expenses are not submitted within a reasonable period of time. Failure to exercise adequate internal controls over payments of travel expenditures and inadequate reviews of travel vouchers increases the risk that errors, double billing, and irregularities will occur and not be detected. In addition, lack of adequate controls resulted in overpayment of $1,610 to employees. Obtaining certifications of licensure and minimum insurance coverage is necessary to limit the State's potential liability. (Finding Code No. 07-5, 05-6)

RECOMMENDATION

We recommend the Office exercise adequate control over travel expenditures and require employees to submit travel vouchers in accordance with Office policies and exercise adequate control over travel expenditures. Additionally, we recommend the Office ensure personnel using a private vehicle for State business or assigned a State vehicle file a certification of licensure and insurance with the Office annually. We further recommend the Office request reimbursement from the overpaid employees.

OFFICE RESPONSE

We agree. GOMB has implemented a new travel voucher tracking system and has reiterated to staff that travel regularly the requirements that they submit travel vouchers in a timely manner. This tracking system has also strengthened internal controls over travel expenditures to prevent errors in payments and ensure accuracy in reporting. In the instance cited, GOMB has already requested and received reimbursement from the employee who had been mistakenly overpaid. GOMB has further put in place controls to ensure that all relevant personnel annually file a certification of licensure and insurance with GOMB.

07-6. **FINDING** (Incomplete personnel files)

The Governor's Office of Management and Budget (Office) personnel files did not contain all required information. We noted the following:

- Probationary and/or annual performance evaluations were not documented for 11 of 12 (92%) employees tested.

- Salary adjustments were not properly documented and/or authorized for 6 of 12 (50%) employees tested. For three of these employees, we were unable to locate documentation for gross pay amounts on corresponding payroll vouchers. For the other three employees, the documentation noting a salary adjustment had been posted lacked proper approval.

The Office's Rules and Policies state each employee shall be evaluated after six months of probationary employment and at least on an annual basis thereafter. Additionally, good business practices require proper documentation of all salary amounts and changes thereto be maintained. Furthermore, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/1002) requires each State agency to establish and maintain an effective system of internal control.

Office personnel stated the only GOMB employees that did not receive written evaluations are senior staff members who received verbal evaluations and frequent follow-up from the Director through their daily working relationship with the Director. All other GOMB employees received written evaluations which are properly retained in their personnel files.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Written performance evaluations should serve as a foundation for salary adjustment, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Failure to maintain adequate documentation of salary adjustment amounts increases the risk of incorrect payments to employees. (Finding Code No. 07-6, 05-5)

RECOMMENDATION

We recommend the Office retain documentation of all probationary and annual performance evaluations performed. We also recommend the Office retain documentation of properly authorized salary adjustments to support gross pay amounts.

OFFICE RESPONSE

We agree. GOMB is implementing procedures to ensure that employee evaluations and salary adjustments are properly documented and retained in employee personnel files, including instituting a salary adjustment record and a quality assurance review of personnel files.

07-7. **FINDING** (Required reports were not filed and/or filed timely)

The Governor's Office of Management and Budget (Office) did not file required reports timely.

We noted the following:

- The Office did not complete or file its internal control certification for Fiscal Year 2007 with the Office of the Auditor General.

  The Fiscal Control and Internal Auditing Act (30 ILCS 10/3003) requires the Chief Executive Officer of each State agency to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification regarding the evaluation with the Auditor General by May 1 of each year.

- The Office did not submit Fiscal Year 2006 and Fiscal Year 2007 Annual Real Property Utilization Reports to the Department of Central Management Services.

  The State Property Control Act (30 ILCS 605/7.1(b)) states all responsible officers shall submit an Annual Real Property Utilization Report to the Administrator, or annual update of such report, on forms required by the Administrator by October 30th of each year.

- The Office did not submit the Fiscal Year 2006 and Fiscal Year 2007 Annual Petty Cash Fund Usage Reports (C-18) to the Office of the Comptroller.

  SAMS (Procedure 09.10.40) requires each State agency to submit an Annual Petty Cash Fund Usage Report for petty cash funds exceeding $100 no later than January 31 of each year.

- The Office submitted the Fiscal Year 2006 Agency Workforce Report to both the Office of the Governor and the Office of the Secretary of State 4 days late.

  The State Employment Records Act (Act) (5 ILCS 410/5(b)) requires State agencies to collect, classify, maintain and report certain employment statistics for women, disabled and minority groups. The Act (5 ILCS 410/20) also states annual reports summarizing the information in a prescribed format are required to be filed with the Office of the Governor and the Office of the Secretary of State by January 1 of each year for the preceding fiscal year.

Office personnel stated they failed to file their internal control certification because they mistakenly believed the certification signed by the Director of the Governor's Office of Management and Budget for the Governor's Office also covered the Governor's Office of Management and Budget. Office personnel also stated they failed to file the Fiscal Year 2006 Annual Real Property Utilization Report and the Fiscal Years 2006 and 2007 Annual Petty Cash Fund Usage Reports due to turnover in personnel in the position responsible for completing the reports. Office personnel further stated the Fiscal Year 2006 Agency Workforce Report was filed four days late due to conflicts in holiday schedules.

Timely evaluations of internal controls are necessary to determine whether existing controls are adequate to prevent or detect potential risks. Failure to submit Annual Real Property Utilization Reports could lead to inaccuracies in the State's reporting of real property. Failure to submit Annual Petty Cash Fund Usage Reports is noncompliance with SAMS. Failure to submit Agency Workforce Reports timely may cause inaccurate calculations of women and minorities employed by the State and fails to fulfill the purpose of the State Employment Records Act, which is to provide information to help guide efforts to achieve a more diversified State work force. (Finding Code No. 07-7)

RECOMMENDATION

We recommend the Office perform timely evaluations of its systems of internal fiscal and administrative control and timely file annual certifications regarding the evaluation with the Auditor General as required by the Fiscal Control and Internal Auditing Act; file the Annual Real Property Utilization Report by October 30th of each year as required by the State Property Control Act; file Petty Cash Fund Usage Reports with the Office of the Comptroller by January 31 of each year as required by SAMS; and file Agency Workforce Reports with the Secretary of State and the Office of the Governor by January 1 of each year as required by the State Employment Records Act.

OFFICE RESPONSE

We agree. GOMB has strengthened internal controls, including adding the specific responsibility of completion of required filings to employee job descriptions, to ensure that all required filings are submitted to the appropriate body in a timely fashion.

07-8. **FINDING** (Insufficient controls over the recording and reporting of State property)

The Governor's Office of Management and Budget (Office) did not maintain sufficient controls over the recording and reporting of State property.

We noted the following:

- Transfers of surplus property, totaling $64,700, during Fiscal Year 2006 were incorrectly classified on the Quarterly Fixed Asset Report (C-15) as deletions.

  The Statewide Accounting Manual System (SAMS) (Procedure 29.20.10) requires an agency to correctly report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being reported.

- Nine equipment items acquired during the examination period, totaling $10,129, were not reported on the Office's C-15's.

  SAMS (Procedure 29.20.10) requires an agency to report all additions affecting each asset class that occurred during the quarter being reported.

- Five equipment items purchased during the prior year, totaling $3,653, and shipping and handling charges, totaling $920, were included on the period ending September 30, 2005 C-15 reports, however, the amounts were not separately identified as prior year additions.

  SAMS (Procedure 29.20.10) requires agencies to separately identify prior years' acquisitions on the C-15 reports.

- For one of 25 (4%) items tested, the description of the item contained in the Office's records did not match the physical item.

  SAMS (Procedure 29.10.10) requires an agency to maintain current property information at a summary level, which includes a description of each asset and its location.

- The Office did not accurately correct errors noted during the previous period. In the prior year, auditors had determined shipping and handling charges, totaling $1,062, were not added to the value of equipment resulting in the Office's equipment records being understated. We noted Office personnel posted shipping and handling corrections during the current period totaling $920. However, $142 of shipping and handling charges were not corrected.

> Generally accepted accounting principles require assets to be recorded at cost, including purchase price, freight, and transportation costs.

Office personnel stated that the few items identified were isolated and result of clerical errors.

Failure to exercise adequate control over property and maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 07-8, 05-4)

RECOMMENDATION

We recommend the Office strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommend the Office ensure all equipment is accurately and timely recorded on the Office's property records. In addition, we recommend the Office thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller.

OFFICE RESPONSE

We agree. GOMB will add another level of supervisory review to assure more accurate recording and reporting of State property.

07-9. **FINDING** (Inadequate controls over cash receipts records and untimely deposits)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over its cash receipts journal. We noted the following:

- The Office received three prior year refunds totaling $793 during Fiscal Year 2006. However, those amounts were omitted from the cash receipts journal.
- The Office received an additional refund totaling $14, but the amount was not posted to the cash receipts journal or remitted to the Office of the Comptroller.
- The Office incurred two returned checks totaling $3, but the cash receipts journal was not properly updated to reflect the adjustments.
- The Office did not document reconciliations of Office receipts records to revenues recorded by the Office of the Comptroller.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each State agency to ensure funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. In addition, Statewide Accounting Management System (SAMS) (Procedure 25.40.20) requires each State agency to reconcile monthly receipt account balances maintained by the agency with the statewide receipt account records maintained by the Office of the Comptroller.

We also noted the Office did not maintain sufficient records to support some of their cash receipts transactions. We noted the following:

- For three of 14 (21%) receipts tested, totaling $10, we were unable to verify amounts received because the Office did not maintain copies of the checks received.
- For one of 14 (7%) receipts tested, totaling $9, we were unable to determine the timeliness of the deposit because the Office did not maintain a copy of the corresponding Treasurer's draft.
- For one of 14 (7%) receipts tested, totaling $100, we were unable to determine if the amount collected was accurate because the supporting documentation retained by the Office was insufficient. The check was received for reimbursement of personal telephone calls, but the Office's records did not contain a computation of how the dollar amount was calculated.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)) requires every State agency to keep in proper books a detailed itemized account of all moneys received, including the date of receipt, the payor, and purpose of the amount. The State Records Act (5 ILCS 160/9) requires the head of each agency to establish and maintain an active, continuing program for the economical and efficient management of the records of the agency.

In addition, the Office did not deposit receipts timely. We noted 10 of 14 (71%) receipts tested, totaling $175, were deposited between 9 and 72 days late.

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

Office records indicate receipts totaling $148 and $1,055 were processed in Fiscal Years 2007 and 2006, respectively.

Office personnel stated the errors noted were due to a vacancy in the supervisory position responsible for oversight of the deposit functions.

Failure to maintain accurate and sufficient cash receipts records and reconcile cash receipts could result in inaccurate statewide financial statement reporting. Delayed deposit of cash receipts reduces the amount of funds available for expenditure and is noncompliance with the State Officers and Employees Money Disposition Act. (Finding Code No. 07-9)

RECOMMENDATION

We recommend the Office ensure all cash receipts are recorded properly in the cash receipts journal. We also recommend the Office ensure monthly revenue reconciliations are performed and documented to detect any improperly recorded or omitted transactions. We recommend the Office retain copies of checks, Treasurer's drafts, and all pertinent records to support receipt transactions. We further recommend the Office comply with the State Officers and Employees Money Disposition Act by depositing cash receipts in a timely manner.

OFFICE RESPONSE

We agree. GOMB is taking the recommended steps to strengthen controls regarding cash receipt records and the timeliness of cash deposits and will reinforce training for staff responsible for cash handling.

07-10. **FINDING** (Noncompliance with continuing disclosure undertaking)

The Governor's Office of Management and Budget (Office) did not fully comply with annual financial reporting requirements set forth by continuing disclosure undertakings.

- For the filing due January 26, 2007, the Office did not submit audited or unaudited financial statements with their annual financial information to repositories as required by the continuing disclosure undertakings for all four (100%) bond issues tested.

- For the filing due March 27, 2007, the Office did not submit audited or unaudited financial statements with their annual financial information to repositories as required by the continuing disclosure undertaking for two (100%) bond issues tested.

- For the filing due January 26, 2006, the Office did not submit audited or unaudited financial statements with their annual financial information to repositories as required by the continuing disclosure undertakings for all twelve (100%) bond issues tested.

The continuing disclosure undertakings require the Office to submit annual financial information to each repository not more than 210 days after the fiscal year end for 16 of 18 (89%) bond issues tested. Further, for 2 of 18 (11%) bond issues tested, the continuing disclosure undertakings require the Office to submit annual financial information to each repository not more than 270 days after the fiscal year end. In addition, the Office is required to submit audited financial statements to each repository at that same time. However, if audited financial statements are not available at the time the annual financial information is filed, unaudited financial statements are required to be filed, and audited financial statements are to be filed when available.

Office personnel stated GOMB was unable to file the audited financial statements because the statements were not completed during the timeframe required by the continuing disclosure undertakings and unaudited financial statements were not available to GOMB. The audited financial statements were filed as soon as they were available to GOMB.

Failure to file audited or unaudited financial statements in accordance with continuing disclosure undertakings decreases the amount of current financial information available to investors through the repositories and potentially subjects the State to legal costs. (Finding Code No. 07-10)

RECOMMENDATION

We recommend the Office file appropriate financial statements with repositories within the required timeframe.

OFFICE RESPONSE

We agree. GOMB will make concerted efforts to obtain the relevant information from third parties in order to properly file the relevant financial statements.

07-11. **FINDING** (Information regarding the investment of public funds was not made available online)

The Governor's Office of Management and Budget (Office) did not comply with provisions of the Accountability for the Investment of Public Funds Act.

The Office has statutory authority to invest public funds, and the Office held $49,215,000 in investments in the Build Illinois Bond Retirement and Interest Fund (Fund 970) as of June 30, 2007. The Office has not included any information regarding the investments held in this fund on its website.

The Accountability for the Investment of Public Funds Act (30 ILCS 237/10) states each agency shall make available on the internet, and update at least monthly by the 15th of the month, sufficient information concerning the investment of any public funds held by the State agency to identify the following:

- The amount of funds held by the last day of the preceding month or the average daily balance for the preceding month;
- The total monthly investment income and yield for all funds invested by that agency;
- The asset allocation of the investments made by that agency; and
- A complete listing of all approved depository institutions, commercial paper issuers, and broker-dealers approved to do business with the agency.

Office personnel stated the required information was not posted due to oversight.

Failure to include the required investment information on its website is noncompliance with the Accountability for the Investment of Public Funds Act. (Finding Code No. 07-11)

RECOMMENDATION

We recommend the Office include the investment information required by the Accountability for the Investment of Public Funds Act on the Internet and update monthly by the 15th of each month.

OFFICE RESPONSE

We agree. GOMB will institute procedures and controls to ensure that the relevant information is made available on its website by the 15th of each month.

07-12. **FINDING** (Cash Management Improvement Act)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over its Cash Management Improvement Act (CMIA) Annual Report (Report). We noted the following:

- During Fiscal Year 2005, the Office did not maintain supporting documentation for 1 of 5 (20%) individual State agencies' direct cost claims, which totaled $2,813. The Office was unable to provide documentation for 3 of 5 (60%) State agencies' direct cost claims included in the Fiscal Year 2005 report, totaling $9,218, until April 7, 2008. We also noted the Office did not maintain supporting documentation during Fiscal Year 2006 for 1 of 5 (20%) individual State agencies' direct cost claims, which totaled $15,720. The Office was unable to provide documentation for 4 of 5 (80%) State agencies' direct cost claims included in the Fiscal Year 2006 report, totaling $16,536, until April 7, 2008. The total direct costs reported to the Office by individual State agencies for reimbursement during Fiscal Years 2005 and 2006 were $20,945 and $32,256, respectively. The CMIA (31 CFR 205.29) requires each State to maintain documentation pertinent to the implementation and administration of the CMIA, including support for direct cost claims, for at least three years for audit purposes.

- Two of 26 (8%) Major Federal Assistance Programs were not included in the Fiscal Year 2005 report. One of 27 (4%) Major Federal Assistance Programs required to be excluded from the report was in fact included in the Fiscal Year 2006 report. Section 4.2 of the Fiscal Year 2005 Agreement between the U.S. Department of Treasury and the State of Illinois (TSA) identifies which programs exceed the State's threshold and should be included in the report. Additionally, Section 4.4 of the Fiscal Year 2006 TSA identifies which programs exceed the State's threshold and should be excluded from the report.

- The Fiscal Year 2005 report was not filed with the Financial Management Service (FMS) in a timely manner. It was filed on January 13, 2006, which is 13 days late. The CMIA (31 CFR 205.26) requires each State to submit an Annual Report to the FMS by December 31 accounting for the interest liabilities of the State's most recently completed fiscal year and requires an authorized State official to certify the accuracy of the State's direct cost claim.

Office personnel stated that the items referenced were the result of an oversight.

Failure to maintain documentation pertinent to the implementation and administration of the CMIA is noncompliance with the TSA. In addition, failure to include or exclude programs as appropriate is noncompliance with the TSA. Timely submission of the CMIA Annual Report is necessary to remain in compliance with State and Federal regulations. (Finding Code No. 07-12)

RECOMMENDATION

We recommend the Office ensure supporting documentation for individual agencies' direct cost claims be retained. We also recommend the Office ensure all programs are appropriately included or excluded from the CMIA Annual Report in accordance with the TSA and ensure the report is submitted timely to Financial Management Services.

OFFICE RESPONSE

We agree. GOMB has updated its procedures to ensure that documentation regarding agency direct cost claims is properly retained, that all programs are appropriately included or excluded from the CMIA Annual Report, and that the report is submitted to Financial Management Service in a timely fashion.

07-13. **FINDING** (Efficiency Initiative Payments)

During the prior period, the Governor's Office of Management and Budget (Office) made payments for efficiency initiative billings from improper line item appropriations.

During the current period, we noted the Office did not receive any billings for efficiency initiative payments, and no payments of this type were made by the Office. (Finding Code No. 05-1)

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Build Illinois Bond Retirement and Interest Fund of the State of Illinois, Governor's Office of Management and Budget was performed by the staff of the Office of the Auditor General.

Based on their audit, the auditors expressed an unqualified opinion on the agency's Build Illinois Bond Retirement and Interest Fund financial statements.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

We have audited the accompanying financial statements of the Build Illinois Bond Retirement and Interest Fund of the State of Illinois, Governor's Office of Management and Budget, as of and for the years ended June 30, 2007 and June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the State of Illinois, Governor's Office of Management and Budget's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements present only the Build Illinois Bond Retirement and Interest Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois, Governor's Office of Management and Budget as of June 30, 2007 and June 30, 2006, and its changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Build Illinois Bond Retirement and Interest Fund of the State of Illinois, Governor's Office of Management and Budget, as of June 30, 2007 and June 30, 2006, and the changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INTERNET ADDRESS: AUDITOR@MAIL.STATE.IL.US

RECYCLED PAPER · SOYBEAN INKS

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2008 on our consideration of the State of Illinois, Governor's Office of Management and Budget's internal control over financial reporting of the Build Illinois Bond Retirement and Interest Fund and on our tests of the State of Illinois, Governor's Office of Management and Budget's compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Bruce L. Bullard

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

May 21, 2008

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
INDIVIDUAL NONSHARED GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2007
(expressed in thousands)

	Build Illinois Bond Retirement and Interest Fund (970 & 1231)
ASSETS	
Cash and cash equivalents	$112,031
Investments	49,215
Accrued interest receivable	524
Total Assets	$161,770
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	$0
Total liabilities	0
Fund balances:	
Reserved for:	
Debt Service	161,770
Unreserved:	
Undesignated	0
Total fund balance	161,770
TOTAL LIABILITIES AND FUND BALANCES	$161,770

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
INDIVIDUAL NONSHARED GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2006
(expressed in thousands)

	Build Illinois Bond Retirement and Interest Fund (970 & 1231)
ASSETS	
Cash and cash equivalents	$111,565
Investments	48,782
Accrued interest receivable	520
Total Assets	$160,867
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	$0
Total liabilities	0
Fund balances:	
Reserved for:	
Debt Service	160,867
Unreserved:	
Undesignated	0
Total fund balance	160,867
TOTAL LIABILITIES AND FUND BALANCES	$160,867

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
INDIVIDUAL NONSHARED GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2007
(expressed in thousands)

	Build Illinois Bond Retirement and Interest Fund (970 & 1231)
REVENUES	
Interest and other investment income	$14,899
Total revenues	14,899
EXPENDITURES	
Current:	
General government	46
Debt service:	
Principal	138,515
Interest	125,698
Total expenditures	264,259
Excess (deficiency) of revenues over (under) expenditures	(249,360)
OTHER FINANCING SOURCES (USES)	
Transfers-in	287,871
Transfers-out	(37,608)
Total other financing sources (uses)	250,263
Net change in fund balance	903
Fund balance, July 1, 2006	160,867
FUND BALANCE, JUNE 30, 2007	$161,770

The accompanying notes to the financial statements are an integral part of this statement.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
INDIVIDUAL NONSHARED GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006
(expressed in thousands)

	Build Illinois Bond Retirement and Interest Fund (970 & 1231)
REVENUES	
Interest and other investment income	$6,700
Total revenues	6,700
EXPENDITURES	
Current:	
General government	167
Debt service:	
Principal	116,840
Interest	121,562
Total expenditures	238,569
Excess (deficiency) of revenues over (under) expenditures	(231,869)
OTHER FINANCING SOURCES (USES)	
Transfers-in	288,481
Transfers-out	(43,693)
Total other financing sources (uses)	244,788
Net change in fund balance	12,919
Fund balance, July 1, 2005	147,948
FUND BALANCE, JUNE 30, 2006	$160,867

The accompanying notes to the financial statements are an integral part of this statement.

(1) Description of Funds

The Governor's Office of Management and Budget (Office) administers the nonshared governmental fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

The Build Illinois Bond Retirement and Interest Fund (970) was established during Fiscal Year 1986 to pay the debt service on outstanding bonds issued under the Build Illinois Bond Act. Even though the Treasurer shares in the activity of this fund, it is presented as a nonshared fund. The Treasurer's activity is limited to receiving interest income only and the Office is responsible for all other transactions. This fund is an appropriated fund. All cash deposits are held by a trustee in accordance with the Master Trust Indenture securing Build Illinois Bonds. The Build Illinois Bond Trustee Account Fund (1231), a non-appropriated non-budgeted locally held fund, is used to account for the deposits held by the trustee. The financial activity of the Build Illinois Bond Trustee Account Fund (1231) is collapsed and reported as part of the activity of the Build Illinois Bond Retirement and Interest Fund (970).

(2) Summary of Significant Accounting Policies

The financial statements of the individual nonshared governmental fund administered by the Office have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

Based upon the required criteria, the individual nonshared governmental fund does not have component units, nor is it a component unit of any other entity. However, because the individual nonshared governmental fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a governmental fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statements present only the Build Illinois Bond Retirement and Interest Fund administered by the State of Illinois, Governor's Office of Management and Budget and do not purport to, and do not, present fairly the financial position of the State of Illinois, Governor's Office of Management and Budget as of June 30, 2007 and June 30, 2006, and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

In government the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A balance sheet and statement of revenues, expenditures, and changes in fund balance have been presented for the individual nonshared governmental fund administered by the Office.

(c) Basis of Accounting

The individual nonshared governmental fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt are recorded only when payment is due.

Significant revenue sources of the individual nonshared governmental fund, which are susceptible to accrual, includes interest.

(d) Cash Equivalents

Cash and cash equivalents consist principally of deposits held in the State Treasury. Cash and cash equivalents also includes certificates of deposit, repurchase agreements and U.S. treasury bills.

(e) Interfund Transactions

The individual governmental nonshared fund has the following types of interfund transactions with other funds of the State:

> ***Transfers*** - flows of assets (such as cash) between funds without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(f) Fund Balance

The individual nonshared governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative State plans that are subject to change.

(g) New Accounting Pronouncements

During the two fiscal years ended June 30, 2007, there were no new accounting pronouncements that have a significant impact on the financial statements of the individual nonshared governmental fund.

(3) Deposits and Investments

The Office has entered into an agreement with a trustee to invest funds for the Build Illinois Retirement and Interest Fund. The Master Trust Indenture for the Build Illinois Bonds authorizes the trustee to enter into the following types of qualified investments:

a) Federal Obligations;

b) Deposits in interest-bearing deposits or certificates of deposit or similar arrangements issued by any bank or national banking association, including a Fiduciary, which deposits, to the extent not insured by the Federal Deposit Insurance Corporation, shall be secured by Qualified Collateral having a current market value (exclusive of accrued interest) at all times at least equal to 102 percent of the amount of such deposits, and which Qualified Collateral shall have been deposited in trust by such bank or national banking association with the trust department of the Trustee or with a Federal Reserve Bank or branch, or with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such deposits;

c) Direct and general obligations of any state of the United States of America, any direct obligations of the State, or any direct obligations of any political subdivision of the State which, in each case, are rated not less than AA or Aa or their equivalents by two nationally recognized bond rating agencies;

d) Obligations issued by any of the following agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks System, Federal Land Banks, Export-Import Bank, Tennessee Valley Authority, Government National Mortgage Association, Farmers Home Administration, United States Postal Service, the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association, any agency or instrumentality of the United States of America, and any corporation controlled and supervised by, and acting as an agency or instrumentality of, the United States of America;

e) Repurchase agreements extending not beyond 30 calendar days with banks which are members of the Federal Reserve System having capital, surplus, and undivided profits of at least $100,000,000 or with government bond dealers having capital, surplus and undivided profits or net worth of at least $100,000,000 and recognized as primary dealers by the Federal Reserve Bank of New York that are secured by Federal Obligations having a current market value (inclusive of accrued interest) at all times at least equal to 102 percent of the full amount of the repurchase agreement, and which Federal Obligations shall have been deposited in trust by such banks or dealers with the trust department of the Trustee or with a Federal Reserve Bank or branch, or with the written approval of the State and the Trustee, with another bank, trust company or national banking association for the benefit of the State and the appropriate Fund or Account as collateral security for such repurchase agreements;

f) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America, or project notes issued by public housing authorities, or project notes issued by local public agencies, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America; and

g) Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds or obligations for redemption on the date or dates specified in such instructions, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in the definition of Federal Obligation which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in the definition of Federal Obligation which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph (g) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) of this paragraph (g), as appropriate.

Deposits

The State Treasurer is the custodian of the State's cash and cash equivalents for funds maintained in the State Treasury. At June 30, 2007 and 2006, the bank balance and the carrying amount of cash on deposit with the State Treasurer for the Build Illinois Bond Retirement and Interest Fund (970) was $2,661,666 and $2,466,961, respectively. There are no cash deposits held outside the State Treasury.

Investments

At June 30, 2007 and 2006 in accordance with Governmental Accounting Standards Board Statement 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, there is no custodial risk assumed by the individual nonshared governmental fund administered by the Office because the investments are represented by specific identifiable investment securities, are insured or registered, or are securities held by the fund's trustee in the name of the State or the individual nonshared governmental fund. The individual nonshared governmental fund had the following investments, stated at fair value, and maturities as of June 30: (amounts are in thousands)

	2007			
	Less than 1 year	1-5 Years	6-10 Years	Total
U.S. Agency Securities		$49,215		$49,215
Subtotal		49,215		49,215
Investment in Guaranteed Investment Contracts				109,369
Total Investments				$158,584

	2006			
	Less than 1 year	1-5 Years	6-10 Years	Total
U.S. Agency Securities		$48,782		$48,782
Subtotal		48,782		48,782
Investment in Guaranteed Investment Contracts				109,098
Total Investments				$157,880

(4) Interfund Activity

Transfers to/from Other Funds

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

Fund	Amount	Description
970	$ 287,871	Mandatory transfer of sales tax revenues per SAMS Procedure 27.50.50.
	$ 287,871	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2007, were as follows:

Fund	Amount	Description
970	$ 37,608	Transfer of excess debt service reserves to General Revenue (001) fund.
	$ 37,608	

Interfund transfers in (amounts expressed in thousands) for the year ended June 30, 2006, were as follows:

Fund	Amount	Description
970	$ 288,481	Mandatory transfer of sales tax revenues per SAMS Procedure 27.50.50.
	$ 288,481	

Interfund transfers out (amounts expressed in thousands) for the year ended June 30, 2006, were as follows:

Fund	Amount	Description
970	$ 43,693	Transfer of excess debt service reserves to General Revenue (001) fund.
	$ 43,693	

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

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

- Analysis of Operations:

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

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

STATE OF ILLINOIS
GOVERNOR’S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2007

P.A. 93-0842 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Appropriated Funds					
General Revenue Fund - 001					
Personal Services	$ 1,994,900	$ 1,956,711	$ 0	$ 1,956,711	$ 38,189
Employee Retirement Contributions Paid by Employer	0	0	0	0	0
State Contribution to State Employees' Retirement System	229,900	225,602	0	225,602	4,298
State Contributions to Social Security	152,500	151,308	363	151,671	829
Contractual Services	194,000	183,277	7,062	190,339	3,661
Travel	96,900	53,037	36,454	89,491	7,409
Commodities	5,100	4,794	226	5,020	80
Printing	14,000	11,133	0	11,133	2,867
Equipment	3,500	1,691	0	1,691	1,809
Electronic Data Processing	60,000	35,227	14,182	49,409	10,591
Telecommunications	70,600	53,855	8,773	62,628	7,972
Total General Revenue Fund	$ 2,821,400	$ 2,676,635	$ 67,060	$ 2,743,695	$ 77,705
IL Civic Center Bond Retirement & Interest Fund - 105					
Principal, Interest, and Premium on Limited Obligation Revenue Bonds	$ 14,000,000	$ 13,851,826	$ 0	$ 13,851,826	$ 148,174

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2007

P.A. 93-0842 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Appropriated Funds Continued					
Capital Development Fund - 141					
Expenses for the Sale of State Bonds	$ 1,384,600	$ 858,547	$ 1,249	$ 859,796	$ 524,804
School Infrastructure Fund - 568					
Operational Expenses	$ 113,400	$ 111,322	$ 0	$ 111,322	$ 2,078
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	$ 298,160,000	$ 287,871,318	$ 0	$ 287,871,318	$ 10,288,682
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	$ 425,000	$ 49,959	$ 33	$ 49,992	$ 375,008
Total All Appropriated Funds	$ 316,904,400	$ 305,419,607	$ 68,342	$ 305,487,949	$ 11,416,451

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2007

P.A. 93-0842 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Non-Appropriated Funds					
Federal Financing Cost Reimbursement Fund - 212					
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act		$ 2,977,111	$ 0	$ 2,977,111	
Total All Non-Appropriated Funds		$ 2,977,111	$ 0	$ 2,977,111	
GRAND TOTAL ALL FUNDS		$ 308,396,718	$ 68,342	$ 308,465,060	

Note: Appropriations, expenditures and lapsed balances were obtained from Office records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Appropriated Funds					
General Revenue Fund - 001					
Personal Services	$ 2,092,000	$ 2,023,728	$ 2,036	$ 2,025,764	$ 66,236
Employee Retirement Contributions Paid by Employer	0	0	0	0	0
State Contribution to State Employees' Retirement System	163,000	157,529	159	157,688	5,312
State Contributions to Social Security	160,000	149,897	153	150,050	9,950
Contractual Services	150,000	97,971	16,009	113,980	36,020
Travel	86,400	70,152	13,182	83,334	3,066
Commodities	6,000	4,725	775	5,500	500
Printing	24,000	9,240	0	9,240	14,760
Equipment	6,000	3,611	408	4,019	1,981
Electronic Data Processing	113,200	37,947	4,875	42,822	70,378
Telecommunications	81,600	62,800	7,244	70,044	11,556
Total General Revenue Fund	$ 2,882,200	$ 2,617,600	$ 44,841	$ 2,662,441	$ 219,759
IL Civic Center Bond Retirement & Interest Fund - 105					
Principal, Interest and Premium on Limited Obligation Revenue Bonds	$ 14,000,000	$ 13,848,481	$ 0	$ 13,848,481	$ 151,519

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Appropriated Funds Continued					
Capital Development Fund - 141					
Expenses for the Sale of State Bonds	$ 1,384,600	$ 989,546	$ 33,021	$ 1,022,567	$ 362,033
School Infrastructure Fund - 568					
Operational Expenses	$ 113,400	$ 101,549	$ 0	$ 101,549	$ 11,851
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by the Build Illinois Bond Act	$ 260,000,000	$ 260,000,000	$ 0	$ 260,000,000	$ 0
Payments to Trustees	$ 28,480,515	$ 28,480,514	$ 0	$ 28,480,514	$ 1
Total Build Illinois Bond Retirement & Interest Fund	$ 288,480,515	$ 288,480,514	$ 0	$ 288,480,514	$ 1
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	$ 425,000	$ 140,257	$ 160	$ 140,417	$ 284,583
Total All Appropriated Funds	$ 307,285,715	$ 306,177,947	$ 78,022	$ 306,255,969	$ 1,029,746

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Non-Appropriated Funds					
Federal Financing Cost Reimbursement Fund - 212					
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act		$ 1,313,863	$ 0	$ 1,313,863	
Total All Non-appropriated Funds		$ 1,313,863	$ 0	$ 1,313,863	
GRAND TOTAL ALL FUNDS		$ 307,491,810	$ 78,022	$ 307,569,832	

Note: Appropriations, expenditures and lapsed balances were obtained from Office records and have been reconciled to records of the State Comptroller.

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

	Fiscal Year		
	2007	2006	2005
	P.A. 94-798	P.A. 94-0015	P.A. 93-0842
General Revenue Fund - 001			
Appropriations (Net of Transfers)	$ 2,821,400	$ 2,882,200	$ 3,164,000
Expenditures			
Personal Services	$ 1,956,711	$ 2,025,764	$ 1,918,465
Employee Retirement Contributions Paid by Employer	0	0	0
State Contribution to State Employees' Retirement System	225,602	157,688	308,877
State Contributions to Social Security	151,671	150,050	139,171
Contractual Services	190,339	113,980	240,690
Travel	89,491	83,334	86,216
Commodities	5,020	5,500	2,856
Printing	11,133	9,240	8,610
Equipment	1,691	4,019	3,517
Electronic Data Processing	49,409	42,822	53,372
Telecommunications	62,628	70,044	63,485
Total Expenditures	$ 2,743,695	$ 2,662,441	$ 2,825,259
Lapsed Balances	$ 77,705	$ 219,759	$ 338,741
Illinos Civic Center Bond Retirement & Interest Fund - 105			
Appropriations (Net of Transfers)	$ 14,000,000	$ 14,000,000	$ 14,000,000
Principal, Interest and Premium on Limited Obligation Revenue Bonds	$ 13,851,826	$ 13,848,481	$ 13,855,411
Lapsed Balances	$ 148,174	$ 151,519	$ 144,589
Capital Development Fund - 141			
Appropriations (Net of Transfers)	$ 1,384,600	$ 1,384,600	$ 1,384,600
Expenses for the Sale of State Bonds	$ 859,796	$ 1,022,567	$ 928,816
Lapsed Balances	$ 524,804	$ 362,033	$ 455,784
School Infrastructure Fund - 568			
Appropriations (Net of Transfers)	$ 113,400	$ 113,400	$ 113,400
Operational Expenses	$ 111,322	$ 101,549	$ 105,183
Lapsed Balances	$ 2,078	$ 11,851	$ 8,217

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

	Fiscal Year		
	2007	2006	2005
	P.A. 94-798	P.A. 94-0015	P.A. 93-0842
Build Illinois Retirement & Interest Fund - 970			
Appropriations (Net of Transfers)	$ 298,160,000	$ 288,480,515	$ 266,084,416
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	$ 287,871,318	$ 260,000,000	$ 255,000,000
Payments to Trustees	$ 0	$ 28,480,514	$ 11,084,415
Total Expenditures	$ 287,871,318	$ 288,480,514	$ 266,084,415
Lapsed Balances	$ 10,288,682	$ 1	$ 1
Build Illinois Bond Fund - 971			
Appropriations (Net of Transfers)	$ 425,000	$ 425,000	$ 425,000
Expenses for the Sale of State Bonds	$ 49,992	$ 140,417	$ 178,050
Lapsed Balances	$ 375,008	$ 284,583	$ 246,950
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	$ 316,904,400	$ 307,285,715	$ 285,171,416
Total Expenditures	$ 305,487,949	$ 306,255,969	$ 283,977,134
Lapsed Balances	$ 11,416,451	$ 1,029,746	$ 1,194,282
NON-APPROPRIATED FUND			
Federal Financing Cost Reimbursement Fund - 212			
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act	$ 2,977,111	$ 1,313,863	$ 486,001

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

Series FY95A COP Capital Projects Fund - 1319	**Fiscal Year** 2007	2006
Beginning Cash Balance	$ 5,926	$ 5,720
Cash Receipts:		
Interest Income	290	206
Transfers from Other Funds		2,600
Cash Disbursements:		
Debt Service Payments		
Contractual Services		2,600
Ending Cash Balance	$ 6,216	$ 5,926

Series FY95A COP Debt Service Fund - 1320	2007	2006
Beginning Cash Balance	$ 1,325,619	$ 9,278
Cash Receipts:		
Interest Income	11,788	5,106
Transfers from Other Funds	1,730,930	3,020,294
Cash Disbursements:		
Debt Service Payments	1,704,200	1,709,059
Transfers to Other Funds		
Contractual Services		
Ending Cash Balance	$ 1,364,137	$ 1,325,619

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

	Fiscal Year	
Series FY96A COP Capital Projects Fund - 1323	2007	2006
Beginning Cash Balance	$ 1,043	$ 1,007
Cash Receipts:		
Interest Income	51	36
Transfers from Other Funds		
Cash Disbursements:		
Debt Service Payments		
Contractual Services		
Ending Cash Balance	$ 1,094	$ 1,043

Series FY96A COP Debt Service Fund - 1324	2007	2006
Beginning Cash Balance	$ 1,181,353	$ 2,444,864
Cash Receipts:		
Interest Income	12,412	9,794
Transfers from Other Funds	1,554,994	1,558,981
Cash Disbursements:		
Debt Service Payments	1,536,988	2,832,286
Transfers to Other Funds		
Contractual Services		
Ending Cash Balance	$ 1,211,771	$ 1,181,353

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2007

	Equipment
Balance at July 1, 2005	$ 398,672
Additions	10,778
Deletions	7,776
Net Transfers	(67,029)
Balance at June 30, 2006	$ 334,645
Balance at July 1, 2006	$ 334,645
Additions	3,890
Deletions	0
Net Transfers	0
Balance at June 30, 2007	$ 338,535

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, 2007

General Revenue Fund - 001	**2007**	**2006**	**2005**
Telephone Reimbursements	$ 148	$ 262	$ 1,145
Jury Duty	0	0	52
Prior Year Refunds	0	793	0
Total Receipts	$ 148	$ 1,055	$ 1,197

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER
For the Fiscal Years Ended June 30,

General Revenue Fund - Fund 001	**2007**	**2006**
Receipts per Office Records	$ 148	$ 1,055
Add: Deposits in Transit, Beginning of Year	13	804
Less: Deposits in Transit, End of Year	0	13
Deposits Recorded by the Comptroller	$ 161	$ 1,846

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2006 AND 2007

General Revenue Fund (001)

State Contribution to State Employees' Retirement System
The increase in State Contributions to State Employees' Retirement System expenditures was due to the contribution percentage increasing from 7.792% in FY06 to 11.525% in FY07.

Contractual Services
The increase in contractual services expenditures was due to the Office contracting for consulting services concerning gross receipt tax and revenue-related issues in FY07.

Printing
The increase in printing expenditures was due to the purchase of an additional pallet of paper during FY07.

Equipment
The decrease in equipment expenditures was due to biennial subscription fees paid during FY06, resulting in decreased equipment expenditures during FY07.

Build Illinois Bond Fund (971)

Expenditures for the Sale of State Bonds
The decrease in expenditures for the sale of State bonds was due to a reallocation of personal services expenses to the Capital Development Fund.

Federal Financing Cost Reimbursement Fund (212)

Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act (CMIA)
The increase in CMIA payment expenditures was due to an increase of the interest rate from 2.28% in FY06 to 4.18% in FY07.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2005 AND 2006

General Revenue Fund (001)

State Contribution to State Employees' Retirement System
The decrease in State Contributions to State Employees' Retirement System expenditures was due to the contribution percentage decreasing from 16.107% in FY05 to 7.792% in FY06.

Contractual Services
The decrease in contractual services expenditures was mainly due to a decrease in legal fees incurred for budget implementation bills.

Commodities
The increase in commodities expenditures was due to increased office supply usage and a thorough replenishment of office supplies.

Build Illinois Bond Fund (971)

Expenditures for the Sale of State Bonds
The decrease in expenditures for the sale of State bonds was due to a decrease in personal services expenditures resulting from an employee resignation.

Federal Financing Cost Reimbursement Fund (212)

Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act (CMIA)
The increase in CMIA payment expenditures was due to an increase of the interest rate from .98% in FY05 to 2.28% in FY06.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Two Fiscal Years Ended June 30, 2007

General Revenue Fund (001)

Receipts routinely consist of telephone reimbursements. The decrease in telephone reimbursements was due to a decrease in personal phone usage by employees. In addition, the Agency received reimbursement in FY06 for duplicate payments to vendors made in FY05.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Fiscal Years Ended June 30, 2007

FISCAL YEAR 2007

General Revenue Fund (001)

Travel
Travel expenditures totaling $36,454 during the lapse period were due to the late submission and processing of several vouchers and increased travel late in the fiscal year due to an extended legislative session.

Electronic Data Processing
Electronic data processing expenditures totaling $14,182 during the lapse period were mainly due to the purchase of nine personal computers ($9,980) accompanied by the purchase of hardware and software ($2,792), all of which were ordered late in the fiscal year.

FISCAL YEAR 2006

The Office had no instances of significant lapse period spending during FY06.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Fiscal Years Ended June 30, 2007

Functions
The Office of Management and Budget (Office) is part of the Executive Office of the Governor. The Office's statutory responsibilities are contained in the Governor's Office of Management and Budget Act (20 ILCS 3005). The primary function of the Office is to review budget requests for the Governor and prepare an annual State budget that is both programmatically and fiscally balanced.

The statute creating the Office establishes several goals and mandates that require the Office to:

1. Provide assistance in submitting the annual budget, including estimated receipts and revenue to the General Assembly

2. Perform studies of agencies to enable the Governor to determine what changes should be made in the existing organization, activities, and methods of business of such agencies so as to strengthen the State's management processes and bring about more efficient and economical conduct of State services;

3. Evaluate programs proposed by State agencies in terms of goals, costs, and relative priorities, keep the Governor informed of the programs and accomplishments of activities by State agencies, and coordinate the development and implementation of State programs to the end that the monies appropriated by the Legislature may be expended in the most economical manner possible with the least possible overlapping and duplication of effort;

4. Improve intergovernmental cooperation in developing policies, plans, and programs by cooperating with and coordinating Federal, State, and local fiscal relationships;

5. Prepare and submit an annual long-range capital expenditure plan for all State agencies;

6. Provide bond indentures to the Commission on Government Forecasting and Accountability no later than seven calendar days following the sale or issuance of any bonds; and

7. Distribute forms to all State agencies for preparation of budget estimates. The forms shall include requests for revenue and expenditures for the preceding fiscal year; appropriations for the preceding fiscal year, obligations incurred, and amounts unobligated and unexpended; an estimate of revenue and expenditures of the current fiscal year; and an estimate of the revenue and expenditures for the next fiscal year.

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Two Fiscal Years Ended June 30, 2007

The Office is organized into three divisions, which are responsible for its various functions, which are:

<u>Director’s Office Division</u> - Staff members in this division issue budget instructions and procedures, review legislation, and supervise the preparation, printing, and issuance of the annual budget books. This division manages the Office’s internal operating affairs and maintains the Office’s computer systems. This division is also responsible for drafting all appropriation bills, the electronic Personnel Acquisition Request (ePAR) system, out of state travel requests and Large Transaction Report (LTR’s). Staff remains current on all law which is applicable to the agency specifically and State operations generally. Staff also ensures that Office contracts incorporate appropriate provisions and comply with law. Modifications of law that may affect Office operations are discussed among senior staff at weekly meetings. The Office regularly receives updates of the Illinois Compiled Statutes in order to remain current on issues and laws affecting the Office.

<u>Budget Analyst Division</u> - Staff members in this division are responsible for the strategic planning and performance management process for each agency, board and commission under the purview of the Governor. Staff members also monitor the performance measures of all agencies and relative programs to provide accountability and maximize efficiency in the delivery of services. They coordinate with all agencies in completing and submitting their Strategic Management Plan and Annual Management Plan.

<u>Debt and Capital Division</u> - Staff members in this division issue and monitor the State’s general obligations and Build Illinois Bonds as well as assist in the oversight of the State’s bonding authorities, including the administration of the State’s volume cap. Staff members in this division also manage the State’s capital program, including the construction, repair, and renovation of State facilities and highways as well as conducting program reviews.

Planning Program

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

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Two Fiscal Years Ended June 30, 2007

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, at a minimum, on an annual basis.

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

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
AVERAGE NUMBER OF EMPLOYEES
For the Two Fiscal Years Ended June 30, 2007

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Agency records, presents the average number of employees, by function, for the Fiscal Years ended June 30, 2007.

	2007	2006	2005*
Director's Office	21	19	20
Budget Analyst	18	20	17
Debt & Capital	8	10	9
Total average full-time employees	47	49	46

* In 2006, the Director of the Governor's Office of Management and Budget (Office) changed the structure of the Office. The 2005 information has been restated for comparative purposes.

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

For Fiscal Years 2005 and 2006

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

The first agreement between the U.S. Department of the Treasury and the State of Illinois, called the Treasury-State Agreement (TSA), was in effect for the State's fiscal year 1994 and covered 18 programs in nine different State agencies. The fiscal year 2005 TSA covered 26 programs in eight different State agencies, and the fiscal year 2006 TSA covered 27 programs in eight 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 claim.

The Fiscal Year 2005 net State liability under the Treasury-State Agreement is as follows:

State Agency/Development	Total State Interest Liability	Total Federal Interest Liability	Direct State Costs	Net State Liability
State Board of Education	$ 192,074	$ 0	$ 3,755	$ 188,319
Department of Healthcare and Family Services	185,659 *	0	2,813	182,846
Department of Commerce and Economic Opportunity	9,417	0	1,344	8,073
Department of Human Services	362,296	15,069	0	347,227
Department of Employment Security	574,799	0	4,119	570,680
Department of Children and Family Services	0	0	0	0
Department of Transportation	25,632	0	8,914	16,718
Environmental Protection Agency	0	0	0	0
	$ 1,349,877	$ 15,069	$ 20,945	$ 1,313,863

* Includes prior year State Adjustment.

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

For Fiscal Years 2005 and 2006

The Fiscal Year 2006 net State liability under the Treasury-State Agreement is as follows:

State Agency/Development	Total State Interest Liability	Total Federal Interest Liability	Direct State Costs	Net State Liability
State Board of Education	$ 509,861	$ 0	$ 15,720	$ 494,141
Department of Healthcare and Family Services	469,873	0	3,124	466,749
Department of Commerce and Economic Opportunity	13,872	0	1,323	12,549
Department of Human Services	702,295	27,891	0	674,404
Department of Employment Security	1,277,091	0	4,158	1,272,933
Department of Children and Family Services	0	0	0	0
Department of Transportation	64,266	0	7,931	56,335
Environmental Protection Agency	0	0	0	0
	$ 3,037,258	$ 27,891	$ 32,256	$ 2,977,111

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)
For the Two Fiscal Years Ended June 30, 2007

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 and Build Illinois Bonds

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

The Build Illinois Program was created to foster economic development and modernization of infrastructure and to provide for the financing thereof.

The related bond issues under the General Obligation Bond Act and the Build Illinois Program for fiscal years 2007 and 2006 are as follows:

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)
For the Two Fiscal Years Ended June 30, 2007

Fiscal Year 2006

Issue	Amount	Date of Sale
General Obligation Bonds – Series September 2005	$300,000,000	9/29/05
General Obligation Certificates – November 2005	$1,000,000,000	11/22/05
General Obligation Bonds – Series January 2006	$325,000,000	1/18/06
Build Illinois Bonds – Series March 2006	$65,000,000	3/30/06
Build Illinois Bonds – Series June 2006	$150,000,000	6/20/06
General Obligation Bonds – Series A June 2006	$285,000,000	6/29/06
General Obligation Bonds – Series B June 2006	$15,000,000	6/29/06
General Obligation Refunding Bonds – Series June 2006	$274,950,000	6/29/06
Total	$2,414,950,000	

Fiscal Year 2007

Issue	Amount	Date of Sale
General Obligation Certificates – February 2007	$900,000,000	2/7/07
General Obligation Bonds – Series April 2007	$150,000,000	4/19/07
General Obligation Bonds – Series A June 2007	$108,000,000	6/26/07
General Obligation Refunding Bonds – Series June 2007	$329,000,000	6/27/07
Total	$1,487,000,000	

Performance Indicators

	FY06	FY07
General Obligation Bond Rating:		
Moody's Investors Service	Aa3	Aa3
Standard & Poor's	AA	AA
Fitch, Inc.	AA	AA

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

GENERAL OBLIGATION BOND INDEBTEDNESS SUMMARY

June 30, 2007

(expressed in thousands)

GENERAL OBLIGATION BONDS

	Capital Development	Transportation Series A	Transportation Series B	School Construction	Anti-Pollution	Coal Development	Multi-Purpose	Multi-Purpose Pension	Refunding	Total
Bonds Authorized by Statute	$1,737,000	$1,326,000	$403,000	$330,000	$599,000	$35,000	$17,658,149	$10,000,000	$2,839,025	$34,927,174
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
Total Bonds Issued	$1,737,000	$1,326,000	$403,000	$330,000	$599,000	$35,000	$14,866,387	$10,000,000	$4,569,524	$33,865,911
Bonds Authorized But Not Issued	$0	$0	$0	$0	$0	$0	$2,791,762	$0	$671,702 (1)	$3,463,464

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

(1) The State is authorized to issue $2,839,025 at any time and from time to time outstanding, for the purpose of refunding any outstanding General Obligation bonds. Therefore, the unissued amount is the difference between the amount authorized and the amount outstanding of $2,167,323.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
BUILD ILLINOIS BOND INDEBTEDNESS SUMMARY
June 30, 2006
(expressed in thousands)

BUILD ILLINOIS BONDS

	Sales Tax Based Revenue		Refunding (1)	Total
Bonds Authorized by Statute	$3,805,509		$1,575,577	$5,381,086
Bonds Issued (by Fiscal Year):				
Prior to 1986				
1986	100,000			100,000
1987	89,252	(2)	95,475	184,727
1988	220,000			220,000
1989	197,004			197,004
1990	300,002			300,002
1991	255,000			255,000
1992	215,783		150,057	365,840
1993	100,000		416,890	516,890
1994	174,830		256,815	431,645
1995	135,000			135,000
1996	80,000			80,000
1997	60,000			60,000
1998	0		145,475	145,475
1999	60,000			60,000
2000	125,000			125,000
2001	125,000		125,165	250,165
2002	150,000		255,575	405,575
2003	182,225		130,125	312,350
2004	350,000			350,000
2005	200,000			200,000
2006	215,000			215,000
2007	0			0
Total Bonds Issued	$3,334,096		$1,575,577	$4,909,673
Bonds Authorized But Not Issued	$471,413		$0	$471,413

(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.