



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

**COMPLIANCE ATTESTATION EXAMINATION
For the Two Years Ended: June 30, 2013**

Release Date: March 20, 2014

Summary of Findings:

Total this audit:	3
Total last audit:	8
Repeated from last audit:	3

SYNOPSIS

- The Office submitted inaccurate "Reports of Receipts and Disbursements for Locally Held Funds" to the Office of the Comptroller.
- The Office did not exercise adequate controls over interagency agreements.

{Expenditures and Activity Measures are summarized on the reverse page.}

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

EXPENDITURE STATISTICS	2013	2012	2011
Total Expenditures.....	\$ 1,045,459,362	\$ 317,398,289	\$ 316,810,524
OPERATIONS TOTAL.....	\$ 3,342,176	\$ 3,870,592	\$ 3,677,015
% of Total Expenditures.....	0.3%	1.2%	1.2%
Personal Services.....	1,363,491	1,456,417	1,607,588
Other Payroll Costs (FICA, Retirement).....	100,989	107,702	118,074
All Other Operating Expenditures.....	1,877,696	2,306,473	1,951,353
DEBT SERVICE.....	\$ 1,042,117,186	\$ 313,527,697	\$ 313,133,509
% of Total Expenditures.....	99.7%	98.8%	98.8%
Total Receipts.....	\$ 59,199,338	\$ 63,921,784	\$ 62,353,696
Average Number of Employees.....	45	44	49

SELECTED ACTIVITY MEASURES (Not Examined)	2013	2012	2011
General Obligation Bonds Issued	\$ 850,000,000	\$ 3,172,740,000	\$ 4,900,000,000
General Obligation Certificates Issued	\$ -	\$ -	\$ 1,300,000,000
Build Illinois Bonds Issued	\$ 904,110,000	\$ 725,040,000	\$ -
Tobacco Settlement Revenue Bonds Issued	\$ -	\$ -	\$ 1,503,460,000
Total Bonds and Certificates Issued	\$ 1,754,110,000	\$ 3,897,780,000	\$ 7,703,460,000

AGENCY DIRECTOR	
During Examination Period:	Mr. David Vaught (10/09 - 3/12) Mr. Jerome Stermer (4/12 - Present)
Currently:	Mr. Jerome Stermer

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INACCURATE LOCALLY HELD FUND REPORTS

Discrepancies noted on locally held fund reports

The Governor’s Office of Management and Budget (Office) did not submit accurate “Reports of Receipts and Disbursements for Locally Held Funds” to the Office of the State Comptroller. We noted discrepancies between the Locally Held Fund Reports and related bank statements for 5 of 56 (9%) reports filed during the examination period. The net misstatements totaled \$36,945,465. (Finding 1, pages 11-12)

We recommended the Office implement procedures to review all C-17 reports prepared for accuracy prior to submission to the Office of the Comptroller.

Agency officials agree with auditors

Office officials concurred with our recommendation and noted they are taking corrective action.

INADEQUATE CONTROL OVER INTERAGENCY AGREEMENTS

Interagency agreements not signed timely

The Office did not exercise adequate control over interagency agreements. Testing of 12 of 44 (27%) of the Office’s interagency agreements disclosed the following:

- 4 of 12 (33%) were signed by the Office 4 to 6 days after the effective date of the agreement.
- 1 of 12 (8%) contained a termination agreement which was signed by the Office 26 days after the date of termination.
- 5 of 12 (42%) were not signed by all of the required parties by the effective date of the agreement. The signatures were obtained from the other parties to the agreements 4 to 12 days late. (Finding 3, pages 15-16) **This finding was first reported in 2007.**

We recommended the Office ensure interagency agreements are signed by all parties before the effective date of the agreement. Further, the Office should ensure termination agreements are signed by all parties before the effective date of the termination.

Agency officials agree with auditors


Office officials concurred with our recommendation. **(For previous agency response, see Digest Footnote #1)**

OTHER FINDINGS

The remaining finding pertains to inadequate controls over cash receipts and is reportedly being given attention by the Office. We will review the Office's progress towards implementation of our recommendations in our next examination.

AUDITOR'S OPINION

We conducted a compliance examination of the Governor's Office of Management and Budget as required by the Illinois State Auditing Act. The Governor's Office of Management and Budget has no funds that require an audit leading to an opinion on financial statements.



_____ WILLIAM G. HOLLAND _____
Auditor General²

WGH:cmd

SPECIAL ASSISTANT AUDITORS

West & Company, LLC were our special assistant auditors on this engagement.

DIGEST FOOTNOTE

#1 - Inadequate control over interagency agreements - Previous Agency Response

2011 - We concur with the auditor's recommendation. The Office's policy is to execute interagency agreements prior to their respective dates. The majority of the IGAs that were the subject of this finding were due to other agencies not signing appropriately or timely. The Office continues to maintain its policy to obtain fully executed and dated agreements prior to their effective dates to the greatest extent practicable and within its control. The Office has an internal protocol for executing interagency agreements and has added a step to improve follow-up with other parties.