
REPORT DIGEST

MEDICAL DISTRICT COMMISSION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended
June 30, 2005

Summary of Findings:

Total this audit	6
Total last audit	10
Repeated from last audit	3

Release Date:
March 8, 2006



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

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SYNOPSIS

- ◆ The Commission failed to record and report certain capital assets on its property records, its Agency Report of State Property, and on its year-end accounting reports.
- ◆ The Commission did not have adequate controls to ensure that accounts payable and other transactions related to capital assets were properly recorded.
- ◆ The Commission did not remit unexpended proceeds from the sale of Commission property to the State Treasury for deposit into the Medical Center Commission Income Fund.
- ◆ The Illinois Medical District Commission's property control records and its reporting of State property were inaccurate.

{Financial Information is summarized on the reverse page.}

MEDICAL DISTRICT COMMISSION
FINANCIAL AND COMPLIANCE AUDIT EXAMINATION
For The Year Ended June 30, 2005

EXPENDITURE STATISTICS	FY 2005	FY 2004
• Total Expenditures (All Appropriated Funds) ..	\$673,376	\$3,719,433
% of Total Expenditures	100%	100%
Personal Services	----	----
% of Total Expenditures		
Other Payroll Costs (FICA, Retirement)	----	----
% of Total Expenditures		
Contractual Services	----	----
% of Total Expenditures		
Operation/Development of Chicago Technology Park	----	----
% of Total Expenditures		
Ordinary and Contingent Expenses	\$192,000	\$494,732
% of Total Expenditures	28.5%	13.3%
Property Acquisition/Demolition/Improvements ..	\$481,376	\$3,224,701
% of Total Expenditures	71.5%	86.7%
• Cost of Property and Equipment	\$36,197,273	\$34,849,358
• Employees*	22	24
*Note: Includes contractual employees and employees paid from locally held funds.		
LOCALLY HELD FUND STATISTICS	FY 2005	FY 2004
• Revenues.....	\$3,297,181	\$14,386,310
• Expenditures	\$6,172,128	\$ 6,437,360
• Fund Balance as of June 30	\$8,790,979	\$11,665,926
EXECUTIVE DIRECTOR		
During Audit Period: Samuel Pruett Currently: Samuel Pruett		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

FAILURE TO RECORD AND REPORT CAPITAL ASSETS

The Illinois Medical District Commission failed to record and report certain capital assets on its property records, its Agency Report of State Property (Form C-15), and on its year-end accounting reports (GAAP package) to the State Comptroller.

Four expenditures for capital assets totaling \$61,349 were only partially recorded on property control records

We examined 22 equipment and permanent improvement expenditures totaling \$392,449 to determine if purchased items were recorded on the Commission's property control records. We noted 4 (18%) expenditures for capital assets totaling \$61,349 that were only partially recorded on the property control records. These items were also not reported on the Commission's Form C-15 or its GAAP accounting reports filed with the Office of the State Comptroller. (Finding 1, page 13) **This finding was first reported in 2002.**

We recommended the Commission develop procedures to ensure that all capital assets are promptly recorded and properly reported.

Commission officials responded that they concur with the finding and will implement procedures to strengthen the accounting for property and equipment. (For previous Commission response, see Digest Footnote #1)

INADEQUATE CONTROLS OVER FINANCIAL REPORTING

The Illinois Medical District Commission did not have adequate controls to ensure that accounts payable and other transactions related to capital assets were properly recorded.

Three payments totaling \$254,488 were not recorded as liabilities for Fiscal Year 2005

We reviewed a sample of payments made subsequent to year-end to determine if accounts payable had been properly recorded. Of the 17 payments reviewed for Fiscal Year 2005, 3 payments (18%) totaling \$254,488 were determined to be liabilities of Fiscal Year 2005, which had not been recorded.

Prior period adjustment of \$1,488,008 for Fiscal Year

We also noted that the Commission did not record certain transactions from prior years related to capital assets. The Commission has reported a prior period adjustment in the amount of \$1,488,008. (Finding 2, page 14) **This finding was**

We recommended the Commission improve procedures to ensure that accounting records are appropriately maintained in accordance with Generally Accepted Accounting Principles.

Commission officials responded that they concur with the finding and will take adequate steps to improve the controls over financial reporting and also to ensure the accounting records are maintained in accordance with General Accepted Accounting Principles. (For previous Commission response, see Digest Footnote #2.)

FAILURE TO REMIT UNEXPENDED PROCEEDS FROM THE SALE OF COMMISSION PROPERTY INTO THE INCOME FUND HELD IN THE STATE TREASURY

The Illinois Medical District Commission did not remit unexpended proceeds from the sale of Commission property to the State Treasury for deposit into the Medical Center Commission Income Fund.

The Illinois Medical District Act requires the Commission to remit to the State Treasury all moneys on hand (originating from the sale of Commission property) as of June 30 in excess of \$350,000 (70 ILCS 915/10).

Unexpended proceeds of \$8,152,049 were not remitted to the State Treasury

During Fiscal Year 2004, the Commission sold real property to the Federal Bureau of Investigation. The proceeds from the sale totaled \$10,688,767. As of June 30, 2005, an estimated \$8,152,049 of those proceeds has not been expended or obligated and the Commission did not remit these excess funds to the State Treasury. (Finding 3, pages 15-16)

We recommended the Commission remit the excess moneys to the State Treasury for deposit into the Income Fund.

Commission officials disagree

Commission officials responded that they disagree with the finding. The Commission noted that they received a legal opinion contrary to the opinion of the Auditor General and will seek clarification from the Attorney General’s office.

Auditor Comment

In an auditor comment, we noted that the Illinois Medical District Act states:

Beginning in 1993, not later than July 10 of each year, the Commission shall transmit to

the State Treasurer for deposit into the Medical Center Commission Income Fund all monies on hand at June 30 in excess of \$350,000 without deduction or offset of any kind, except that the Commission may retain such additional funds as are necessary to pay enforceable contractual obligations existing as of June 30 and which will be paid not later than September 30 of that year. All monies retained for the payment of these obligations and not paid out by September 30, shall be remitted in full to the State Treasury, without deduction or offset of any kind, not later than October 10 of the same year (emphasis added). 70 ILCS 915/10

Under the statute, by October 10th of each year money is either expended or it is on hand. Under common everyday usage, the term “expended” means paid out. This definition is also consistent with usage in State government. Under the plain meaning of the law, money on hand in excess of \$350,000 must be remitted to the State Treasury in the time frame set forth in Section 10. The auditors did not believe the statute allows the District to hold for an indefinite period of time an unlimited accumulation of money that has been “set aside” or “committed” but not paid out.

Should the Commission continue to disagree with the finding, we further recommend that it seek a formal written opinion from the Attorney General’s Office on this matter.

INACCURATE EQUIPMENT AND PROPERTY CONTROL RECORDS

The Illinois Medical District Commission’s property control records and its reporting of State property were inaccurate.

The Commission’s property control records and its reporting of state property were inaccurate

We selected 25 (10%) of approximately 246 equipment items from the Commission’s property control records for testing, with a total cost of \$40,660 (10% of the total \$416,514), and selected an additional 10 items of equipment located on the Commission’s premises and found:

- Three of 35 items selected (9%) did not have a proper identification / tag number attached.
- One of 35 items selected (3%) was obsolete or no longer used by the agency.
- Five of the additional 10 items selected (50%) were on the Commission’s property control records but did not have a

cost recorded for the items. Upon requesting a report of all the Commission's property control records, it was determined that a total of 143 items were on the property control records without an identified cost (all believed to be less than \$500 each).

In addition we noted that the inventory certification report submitted to the Department of Central Management Services was inaccurate because the items recorded without a cost were excluded from the submitted report. (Finding 4, pages 17-18) **This finding was first reported in 2000.**

We recommended the Commission implement procedures to ensure that the property and equipment records are properly maintained.

The Commission agreed with our finding and is seeking the input of the Comptroller's Office and CMS Property Control Office to properly record the value of the inventory items. (For previous agency response, see Digest Footnote #3.)

OTHER FINDINGS

Other findings dealt with improper contract disclosures and noncompliance with State publication laws. We will review the Commission's progress toward implementation of all our recommendations in our next audit.

AUDITORS' OPINION

Our auditors state that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended.

WILLIAM G. HOLLAND, Auditor General

WGH:KMC:drh

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were

DIGEST FOOTNOTES

**#1 – FAILURE TO RECORD AND REPORT CAPITAL ASSETS –
Previous Agency Response**

2004: The Commission agrees that it has been lax, under the prior administration, in the proper recording of fixed assets during the past. It has spent significant time and money with its staff and outside consultants since June 2004 to reflect the activities related to its fixed assets and to properly report such activities. The Commission has established procedures within its accounting, legal and operations departments to ensure that fixed assets are recorded promptly and accounted for at all times.

**#2 – INADEQUATE CONTROLS OVER FINANCIAL REPORTING –
Previous Agency Response**

2004: The Commission is aware of its responsibility with regards to financial reporting. It concurs with the Finding and, in conjunction with the actions addressing finding 04-2 above, has rectified the past omissions. Proper recording methods and instructions have been given to staff members responsible and/or involved in financial reporting.

**#3 – INACCURATE EQUIPMENT AND PROPERTY CONTROL
RECORDS – Previous Agency Response**

2004: The Commission agrees with these remarks. As stated in its response to finding 04-2, the Commission has put forth time and money to improve the condition of the fixed asset control records. A new fixed asset database, along with new reporting and reconciling procedures, will allow the Commission to maintain a current and accurate record of these assets.