

**REPORT DIGEST**

**BUREAU OF THE BUDGET  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1993**

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

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

### **ASSETS AND LIABILITIES OF THE STATE'S PENSION SYSTEMS OMITTED FROM ANNUAL BUDGET**

The Statewide annual budget prepared by the Bureau of the Budget does not contain all of the information required by statute. The budgets prepared for fiscal years 1993 and 1994 did not contain estimates of, or actual values for, the assets and liabilities of the State's pension systems for any of the years specified by statute.

Per 15 ILCS 20/38.1, "For the budget year, the current year, and three prior fiscal years, the Governor shall also include in the budget estimates of or actual values for the assets and liabilities for the General Assembly Retirement System, State Employees' Retirement System, State Universities Retirement System, Teachers' Retirement System of the State of Illinois, and Judges Retirement System of Illinois."

Agency personnel omitted the valuations due to unfamiliarity with the requirements. (Finding 1, page 8)

The Bureau agreed with the finding and stated that the fiscal year 1995 and all future budgets will include this information.

### **NEED TO DETERMINE ARBITRAGE REBATE TAX LIABILITY**

The Agency did not make a determination of a possible liability for an arbitrage rebate tax resulting from Build Illinois Bonds issued since 1988, nor did the Agency record any liability for such taxes. The Agency has since estimated the liability at about \$497,000.

At the time of this bond issue, Federal tax law required bond proceeds to be spent within six months. If the proceeds were not spent within this period, the interest earnings on the unexpended bond proceeds must either be limited to the rate paid the bondholders or any excess earnings (considered arbitrage) must be rebated to the federal government. The Agency did not believe it was its responsibility to review the Treasurer's investment activity for Build Illinois Bond issues for a possible arbitrage rebate tax liability. (Finding 4, page 11)

The Bureau noted in their response that the State Treasurer has the statutory responsibility to invest general obligation bond fund proceeds, calculate arbitrage liabilities and make payment of arbitrage rebates. Without statutory authority, the Bureau does not have the authority to assume this responsibility for Build Illinois bonds. However, the Bureau agreed to propose legislation authorizing it to comply with our recommendation to compute, report and pay the arbitrage liability on all Build Illinois bonds issued since 1988.

## **OTHER FINDINGS**

The remaining two findings are less significant and have been given appropriate attention by the Bureau. We will review progress towards the implementation of our recommendations in our next audit.

Ms. Ellen Feldhausen, Administrative Officer, provided the Bureau's responses.

## **AUDITORS' OPINION**

The auditors report that the financial statements of the Bureau of the Budget at June 30, 1993 and 1992 are fairly stated.

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WILLIAM G. HOLLAND, Auditor General

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## **SUMMARY OF AUDIT FINDINGS**

Number of This Audit Prior Audit

Audit findings 42

Repeated findings 01

Recommendations implemented or  
not repeated 22

## **SPECIAL ASSISTANT AUDITORS**

Geo. S. Olive & Co. were our special assistant auditors for this audit.

**BUREAU OF THE BUDGET**  
**COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1993**

| <b>EXPENDITURE STATISTICS</b>          | <b>FY 1993</b>       | <b>FY 1992</b>       | <b>FY 1991</b>       |
|--|----------------------|----------------------|----------------------|
| <b>●Total Expenditures (All Funds)</b> | <b>\$593,925,665</b> | <b>\$312,234,752</b> | <b>\$138,709,625</b> |
| <u>OPERATIONS TOTAL</u>                | \$593,925,665        | \$312,234,752        | \$138,709,625        |
| % of <b>Total</b> Expenditures         | 100%                 | 100%                 | 100%                 |
| Personal Services                      | \$1,781,387          | \$1,986,729          | \$2,210,391          |
| % of Operations Expenditures           | .29%                 | .64%                 | 1.6%                 |
| Average No. of Employees               | 50                   | 56                   | 63                   |
| Other Payroll Costs (FICA, Retirement) |                      |                      |                      |
| % of Operations Expenditures           | \$270,322<br>.05%    | \$257,949<br>.08%    | \$248,612<br>.18%    |
| Contractual Services                   | \$783,073            | \$950,684            | \$625,899            |
| % of Operations Expenditures           | .13%                 | .30%                 | .45%                 |
| Build Illinois Bond Act                |                      |                      |                      |
| Payments to trustees                   | \$190,763,176        | \$166,353,078        | \$135,311,491        |
| % of Operations Expenditures           | 32.12%               | 53.28%               | 97.54%               |
| Payments to refunded bond escrow agent | \$400,041,440        | \$142,288,729        | -0-                  |
| % of Operations Expenditures           | 67.36%               | 45.60%               | -0-                  |
| All Other Operations Items             | \$286,267            | \$297,583            | \$313,232            |
| % of Operations Expenditures           | .05%                 | .10%                 | .23%                 |
| <u>GRANTS TOTAL</u>                    | -0-                  | -0-                  | -0-                  |
| % of <b>Total</b> Expenditures         | -0-                  | -0-                  | -0-                  |
| <b>●Cost of Property and Equipment</b> | <b>\$570,064</b>     | <b>\$625,036</b>     | <b>\$702,633</b>     |

| <b>AGENCY DIRECTOR(S)</b>                                    |
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| During Audit Period: Joan Walters<br>Currently: Joan Walters |