
REPORT DIGEST

CAPITAL DEVELOPMENT BOARD

FINANCIAL AUDIT

For the Year Ended:
June 30, 2009

Summary of Findings- Government Auditing Standards:

Total this report: 2
Total last report: 1
Repeated findings: 1

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

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SYNOPSIS

- The Capital Development Board's process for the estimation of reappropriated projects' accounts payable underestimated the amounts to be reported in their June 30, 2009 and 2008 financial statements.

{Selected financial information is summarized on the reverse page.}

**CAPITAL DEVELOPMENT BOARD
FINANCIAL AUDIT
For the Year Ended June 30, 2009**

FINANCIAL INFORMATION – (In thousands)	FY 2009	FY 2008
REVENUES		
Federal capital grants	\$ 33,811	\$ 19,038
Licenses and fees	3,450	3,641
Other charges for services	8,372	7,079
Miscellaneous	<u>0</u>	<u>1</u>
Total revenues	\$ <u>45,633</u>	\$ <u>29,759</u>
EXPENDITURES		
Education	\$ 48,133	\$ 98,592
General government	18,984	25,792
Environment and business regulation	(604)	0
Capital outlays	<u>70,868</u>	<u>77,086</u>
Total expenditures	\$ <u>137,381</u>	\$ <u>201,470</u>
OTHER SOURCES (USES)		
Appropriations from State resources	\$ 1,173,934	\$ 1,296,496
Reappropriations to future year(s)	(1,078,892)	(1,106,997)
Lapsed appropriations	(855)	(581)
Receipts collected and transmitted to State Treasury	(6)	(4,526)
Net change in liabilities for reappropriated accounts	3,852	(13,706)
Operating transfers in	0	4,383
Operating transfers out	<u>(9,374)</u>	<u>(5,174)</u>
Total other sources (uses)	\$ <u>88,659</u>	\$ <u>169,895</u>
Deficiency of Revenue Over Expenditures and Other		
Sources (Uses)	\$ (3,089)	\$ (1,816)
Fund balance, July 1	5,423	7,239
Restatement for understatement of accounts payable	<u>(1,082)</u>	<u>0</u>
Fund balance, June 30	<u>\$ 1,252</u>	<u>\$ 5,423</u>
SELECTED ACCOUNT BALANCES – (In thousands)	June 30, 2009	June 30, 2008
Cash equity with State Treasurer	\$ 3,983	\$14,060
Cash and cash equivalents	\$ 3,513	\$ 5,820
Intergovernmental receivables	\$ 285	\$ 432
Due from other State funds	\$ 3,948	\$ 2,292
Capital assets not being depreciated	\$47,936	\$30,023
Accounts payable and accrued expenses	\$31,776	\$29,408
Deferred revenue	\$ 1,050	\$ 9,907
EXECUTIVE DIRECTOR		
During Audit Period: James Riemer		
Currently: James Riemer		

INTRODUCTION

The Capital Development Board (Board) serves as the non-road, construction management agency of the State of Illinois. The auditor performed a financial audit of the Board for the year ended June 30, 2009. A two-year compliance examination and a one-year financial audit will be performed for the period ended June 30, 2010.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

REAPPROPRIATED PROJECTS' ACCOUNTS PAYABLE UNDERSTATED

The Board's process for the estimation of reappropriated projects' accounts payable underestimated the amounts to be reported in their June 30, 2009 and 2008 financial statements.

**June 30, 2009 accounts
payable underestimated by
\$1.755 million**

The Board records reappropriated projects accounts payable in its financial statements based on estimates derived from methodologies and historical analyses. Based on reviewing subsequent payments for expenditures incurred for fiscal year 2009 through November 2009, and using a multiplier for future payments to be made applicable to fiscal year 2009 liabilities, the auditors projected, and CDB agreed, the reappropriated projects accounts payable were understated by \$1.755 million.

**June 30, 2008 accounts
payable underestimated by
\$1.082 million**

In addition, based on reviewing subsequent payments for expenditures incurred for fiscal year 2008, the reappropriated projects accounts payable were also determined to be understated by \$1.082 million.

**Auditor proposed
adjustments to correct
misstatements**

The misstatements in estimating accounts payable balances for both June 30, 2009 and 2008 necessitated the auditor to propose adjustments to the Board's June 30, 2009 financial statements.

**Understatement in accounts
payable considered a
material weakness in internal
control**

Because of the Board's methodologies and analysis not adequately estimating reappropriated projects accounts payable and the associated misstatement in the Board's financial statements, this is considered a material weakness in the Board's internal control. A material weakness is a

deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We recommended the Board evaluate the effectiveness of its internal control related to accounting estimates on reappropriated projects accounts. (Finding 09-1, pages 35-37)

Board officials agreed with the finding.

OTHER FINDING

The remaining finding is reportedly being given attention by the Board. We will review the Board's progress toward the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

Our special assistant auditors stated the Capital Development Board financial statements as of and for the year ended June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

SPECIAL ASSISTANT AUDITORS

E. C. Ortiz & Co., LLP were our special assistant auditors on this engagement.