

**CAPITAL DEVELOPMENT BOARD
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2020**

EXPENDITURE STATISTICS	2020	2019	2018
Total Expenditures	\$ 251,931,046	Note 1	Note 1
OPERATIONS TOTAL.....	\$ 20,471,792	Note 1	Note 1
% of Total Expenditures.....	8.1%	Note 1	Note 1
Personal Services.....	9,738,681	Note 1	Note 1
Other Payroll Costs (FICA, Retirement).....	8,291,524	Note 1	Note 1
All Other Operating Expenditures.....	2,441,587	Note 1	Note 1
AWARDS AND GRANTS.....	\$ 21,195,944	Note 1	Note 1
% of Total Expenditures.....	8.4%	Note 1	Note 1
REFUNDS.....	\$ 53,488	Note 1	Note 1
% of Total Expenditures.....	0.1%	Note 1	Note 1
PERMANENT IMPROVEMENTS.....	\$ 210,209,822	Note 1	Note 1
% of Total Expenditures.....	83.4%	Note 1	Note 1
Total Receipts	Note 1	Note 1	Note 1
Average Number of Employees	117	106	112

AGENCY DIRECTOR
During Examination Period: Jeff Heck (through 12/31/18), Amy Romano, Acting (1/1/19 through 5/13/19), Jim Underwood (effective 5/14/19)
Currently: Jim Underwood

Note 1: Certain key expenditure statistics for Fiscal Year 2019 and Fiscal Year 2018 and receipts processed for Fiscal Year 2020, Fiscal Year 2019, and Fiscal Year 2018 are not reported above. As described in Finding 2020-009 (pages 30-32), the Board did not have adequate internal controls to demonstrate the schedules and components (report components) were complete and accurate. As this part of the normal digest consists of data derived from various report components within the Board’s Compliance Examination Report, this information is unable to be provided.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO PROVIDE REQUESTED
DOCUMENTATION IN A TIMELY MANNER**

The Capital Development Board (CDB) did not provide all requested documentation to the auditors in a timely manner.

Requests for documentation were not provided timely

As is necessary in a compliance examination, we made numerous requests of the CDB during our fieldwork. Two hundred and fifty-seven (257) specific written requests for information were made to the CDB for documentation to perform our testing. Requests were routed through one employee designated as the audit liaison, as requested by the CDB. While the employee ensured requests were sent through to the appropriate personnel, and conducted follow-ups, one request was never returned to the auditors by various CDB personnel. Documents related to 122 (47%) requests were provided after the date they were requested as noted below:

122 requests provided from 11 to over 120 days late

Days Received After the Due Date of Request	Number of Items
11 to 30	63
31 to 60	28
61 to 90	17
90 to 120	3
Over 120	11
Total	122

The request for documentation never provided by the CDB was one request for affirmation of cause statements for potential findings. (Finding 3, pages 20-21)

We recommended the CDB submit requests to auditors in a timely manner and ensure that any requested documents are provided in their entirety.

CDB accepted our recommendation

CDB accepted our recommendation, and stated the conversion to a digital work environment due to the COVID-19 pandemic resulted in additional time needed to scan in paper documents. Additionally CDB stated its staff was working remotely using home office equipment and a virtual connection application which increased the difficulty of reviewing and completing all the information and statements required in a timely manner. CDB stated it communicated these issues to the external audit partners. Finally, CDB stated due to learning to work in a remote environment, there was an overall lack of communication between CDB and our external audit partners.

CDB attributed delays to conversion to digital work environment and lack of communication

Auditor comment

In an auditor's comment, we noted that during fieldwork, periodic status meetings were requested by the auditor,

however; the request was declined by CDB. Additionally, auditors were in daily contact with CDB during the critical audit testing periods, via email, phone, and virtual meetings.

FAILURE TO DEMONSTRATE THE COMPLETENESS AND ACCURACY OF THE REPORT COMPONENTS

The Capital Development Board (CDB) did not have adequate internal controls to demonstrate the schedules and components (report components) within the CDB's Compliance Examination Report were complete and accurate.

Due to changes in independence requirements effective June 30, 2020, the Office of the Auditor General (OAG) now requires auditees, without auditor assistance, to prepare the report components comprising the Supplementary Information for State Compliance Purposes usually found within the OAG's compliance reports. To help facilitate this change, the OAG published guidance on its website for auditees to follow in preparing these report components. While we do not express an opinion, a conclusion, or provide any assurance on these report components, we read them to identify potential errors based on our knowledge of the auditee and, where possible, compare or reconcile the information to the auditee's records examined during the compliance examination. If we identify any potential errors, we bring the matter to the attention of the auditee's management to, ideally, either correct the error or demonstrate why the disclosure is complete and accurate.

Report components not complete and accurate.

During the course of this examination, we noted the CDB's internal controls were inadequate to both (1) prepare the report components and (2) demonstrate the report components the CDB management prepared were complete and accurate. Specifically, we noted the following:

Satisfactory support for a difference noted not provided

- The Fiscal Year 2019 Schedule of Appropriations, Expenditures, and Lapsed Balances was unable to be properly completed by the CDB management due to its inability to provide the auditors with satisfactory supporting documentation for a difference noted. Consequently, the related Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances and Comparative Schedule of Net Expenditures by Major Activity were also not properly completed.

Variation explanations based on inaccurately prepared schedules

- The Analysis of Significant Variations in Expenditures and Analysis of Significant Variations in Lapse Period Spending were initially provided based upon inaccurately prepared schedules, and not subsequently corrected. As a result, the schedules were not included within the CDB's Compliance Examination Report.

Schedule could not be properly completed from CDB's records

- The CDB's Comparative Schedule of Cash Receipts and Deposits into the State Treasury was unable to be properly completed by the CDB management from their own records due to its inability to properly reconcile its cash receipts to deposits remitted to the Treasury, or provide the auditors with satisfactory explanations for differences noted. See also Finding No. 2020-007. The Analysis of Significant Variations in Receipts was provided based upon the inaccurately prepared schedule, thus not included within the CDB's Compliance Examination Report.

Report component appeared to omit disclosures

- The *Analysis of Operations (Functions and Planning)* prepared by the CDB appeared to omit disclosures, including (1) management's analysis of the meaning of certain key financial, program, and statistical elements, including the prioritized goals and priorities that were to have been reviewed and analyzed during each fiscal year and reported to the Office of Comptroller for preparation of the Public Accountability Report as required by the Civil Administrative Code of Illinois (State Budget Law) (15 ILCS 20/50-25), and (2) significant operational challenges that existed at the end of the examination period, including backlogs, and management's plan to address the problem.

Report components excluded from compliance examination report

As a result of these deficiencies, these report components were excluded from the CDB's Compliance Examination Report. (Finding 9, pages 30-32)

We recommended the CDB implement controls to ensure report components are complete and accurately prepared in future compliance examinations.

CDB accepted the recommendation

CDB accepted our recommendation and stated it made every effort to prepare the required report components according to the guidance provided by the Auditor Generals' office. CDB stated it was notified on August 5, 2020 that CDB would be responsible for preparing these report components without the assistance from the OAG or Special Assistant Auditors.

Auditors comment

In an auditor's comment, we noted the auditors made every attempt to provide guidance regarding report component preparation while still maintaining independence as required by the *Generally Accepted Governmental Auditing Standards* effective June 30, 2020. CDB's responsibilities regarding the report components were communicated during the entrance conference on May 7, 2020.

OTHER FINDINGS

The remaining findings pertain to financial reporting weaknesses, inadequate controls over census data, and weaknesses in filing required reports, employee evaluations, travel, reconciliations, and cybersecurity programs and practices. We will review the CDB's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Capital Development Board for the two years ended June 30, 2020, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2020-001, Finding 2020-002, and Finding 2020-009. Except for the noncompliance described in these findings, the accountants stated the Capital Development Board complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Sikich LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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