STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2009

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AGENCY OFFICIALS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

Director (10/09 – Present)	Mr. David Vaught
Director (01/07 – 09/09)	Ms. Ginger Ostro
Deputy Director (01/10 – Present)	Vacant
Deputy Director (05/08 – 01/10)	Ms. Gladyse Taylor
Associate Director of Operations (12/07 – Present)	Mr. Michael Wortham
Communications Director (10/09 – Present)	Ms. Kelly Kraft
Communications Director (06/09 – 09/09)	Ms. Elizabeth Austin
Communications Director (09/08 – 11/08)	Mr. Louis Pukelis
Communications Director (01/08 – 08/08)	Ms. Kelley Quinn
Communications Director (07/05 – 09/07)	Ms. Becky Carroll
General Counsel (03/08 – Present)	Mr. Kevin Hovis
General Counsel (04/05 – 03/08)	Mr. Kevin Connor
Fiscal Director (01/10 – Present)	Vacant
Fiscal Director (06/08 – 01/10)	Ms. Gladyse Taylor
Fiscal Director (06/06 – 06/08)	Ms. Erin Von Holten

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STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

PAT QUINN
GOVERNOR

MANAGEMENT ASSERTION LETTER

September 2, 2010

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Governor's Office of Management and Budget (Office). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Office's compliance with the following assertions during the two-year period ended June 30, 2009. Based on this evaluation, we assert that during the years ended June 30, 2009 and June 30, 2008, the Office has materially complied with the assertions below.

A. The Office has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Office has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. Any State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. The money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Governor's Office of Management and Budget

David Vaught, Director

Kevin S. Hovis, General Counsel

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Current Report	Prior Report
Findings	10	12
Repeated findings	7	6
Prior recommendations implemented or not repeated	5	1

Details of findings are presented in a separately tabbed report section of this report.

SCHEDULE OF FINDINGS

Item No.	Page	Description	Finding Type
		FINDINGS (STATE COMPLIANCE)	
09-1	10	Inadequate control over contractual agreements	Material Weakness and Material Noncompliance
09-2	16	Inaccurate accounting records	Significant Deficiency and Noncompliance
09-3	18	Inadequate control over travel functions	Significant Deficiency and Noncompliance
09-4	21	Inadequate control over interagency agreements	Significant Deficiency and Noncompliance
09-5	23	Required reports not filed timely	Significant Deficiency and Noncompliance

09-6	25	Incomplete personnel files	Significant Deficiency and Noncompliance
09-7	28	Inadequate control over employee attendance reporting	Significant Deficiency and Noncompliance
09-8	30	Inadequate control over voucher processing	Significant Deficiency and Noncompliance
09-9	33	Inadequate control over the recording and reporting of State property	Significant Deficiency and Noncompliance
09-10	36	Noncompliance with General Obligation Bond Act and Build Illinois Bond Act	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	39	Noncompliance with the Regional Transportation Authority Act
B	39	Inadequate documentation for Regulatory Sunset Act
C	39	Noncompliance with continuing disclosure undertaking
D	40	Information regarding the investment of public funds was not made available online
E	40	Cash Management Improvement Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Office personnel at an exit conference on August 12, 2010. Attending were:

Governor's Office of Management and Budget	Office of the Auditor General
Mr. David Vaught, Director	Ms. Courtney Dzierwa, Audit Manager
Mr. Kevin Hovis, Legal Counsel	Ms. Christina Baker, Audit Supervisor
Ms. Julie O'Brien, Associate Director	Ms. Lauren Russell, Audit Staff

Responses to the recommendations were provided by Mr. David Vaught in a letter dated August 25, 2010.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Governor's Office of Management and Budget's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2009. The management of the State of Illinois, Governor's Office of Management and Budget is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Governor's Office of Management and Budget's compliance based on our examination.

A. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Governor's Office of Management and Budget has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use

C. The State of Illinois, Governor's Office of Management and Budget has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Governor's Office of Management and Budget are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

E. Money or negotiable securities or similar assets handled by the State of Illinois, Governor's Office of Management and Budget on behalf of the State or held in trust by the State of Illinois, Governor's Office of Management and Budget have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Governor's Office of Management and Budget's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Governor's Office of Management and Budget's compliance with specified requirements.

As described in finding 09-1 in the accompanying schedule of findings, the State of Illinois, Governor's Office of Management and Budget did not comply with requirements regarding laws and regulations, including the State Records Act, the State Finance Act, the Illinois Administrative Code and the Fiscal Control and Internal Auditing Act in its fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Governor's Office of Management and Budget to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Governor's Office of Management and Budget complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2009. However, the results of our procedures disclosed other instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 09-2, 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, and 09-10.

Internal Control

The management of the State of Illinois, Governor's Office of Management and Budget is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Governor's Office of Management and Budget's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Governor's Office of Management and Budget's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Governor's Office of Management and Budget's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as finding 09-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in findings 09-2, 09-3, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, and 09-10 in the accompanying schedule of findings, to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Governor's Office of Management and Budget's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois, Governor's Office of Management and Budget's responses and, accordingly, we express no opinion on them.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2009 and 2008 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2007 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce L. Bullard

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

September 2, 2010

09-1. **FINDING** (Inadequate control over contractual agreements)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over contractual agreements. We tested 15 contracts totaling about $1,093,925 and one contract which was awarded at the rate of $295 per hour without a contract maximum specified, and noted the following:

- We were unable to determine if 5 of 16 (31%) contracts tested, totaling $616,925, were approved prior to the performance of services under the contract. While the contracts were signed by all parties, the signature dates were absent and timeliness could not be determined.

  The State Comptroller's Accounting Bulletin 124 requires every contract signature to be dated below the actual signature.

- One of 16 (6%) contractual agreements, totaling $300,000, was not signed by all parties prior to the beginning of the contract terms. The contract's final required signature was dated 25 days after the beginning of the contract terms.

  The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. In addition, good business practices require contracts to be reduced to writing and signed by all parties prior to the beginning of the contract term.

- One of 16 (6%) contractual agreements, totaling $300,000, was not signed by the chief executive officer, the chief legal counsel and the chief fiscal officer or other senior executives.

  The State Finance Act (30 ILCS 105/9.02) requires contracts exceeding $250,000 for the fiscal year to be signed by or approved in writing by the chief executive office, the chief legal counsel, and the chief fiscal officer or other senior executives.

- One of 16 (6%) contractual agreements, totaling $22,000, contained conflicting terms. The contract had deliverable due dates of January 14, 2007, January 18, 2007 and January 25, 2007. However, the term of the contract was from January 9, 2008 through December 31, 2008, making it impossible for the vendor to be able to achieve the deliverable dates.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Furthermore, good business practices require agencies to carefully review contract documentation to ensure proper expenditures.

We also noted the Contract Obligation Documents (COD) were not properly completed for 4 of 16 (25%) contracts tested as follows:

- Three CODs included inaccurate award code information. One instance, totaling $300,000, was noted where the COD was marked as "exempt from bid" when the contract stated it as a "sole source" contract. For the other two instances, the CODs were marked as "exempt from bid" when the contracts were subject to competitive bidding. The contracts in these instances were awarded for $22,000 and $295 per hour without a contract maximum specified, respectively.

  The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

- One COD did not state the maximum or estimated amounts.

  The Illinois Administrative Code (74 Ill. Adm. Code 290.1203) requires all contracts set forth either an estimated or maximum amount.

The Office did not maintain adequate or accurate documentation of its request for proposal (RFP) and contract award processes. Seven of the 16 contracts we tested were awarded through competitive bid process, and we noted the following:

- The Office awarded 3 contracts, totaling $385,625, to vendors other than those with the highest overall scores as evaluated in the Request for Proposal (RFP) process. In these instances, we noted the Office evaluated the proposals received in response to the RFP and determined several of the prospective vendors to be adequately qualified to provide the services described in the RFP with the intent of contracting with vendors with specific skill sets, depending on the exact services needed for a particular transaction. However, we noted the RFP did not specify a minimum score necessary for vendors to be deemed adequately qualified. In addition, we noted the minimum score needed to be deemed adequately qualified differed between the types of expertise the RFP sought.

- Contract inception dates published in the Illinois Procurement Bulletin (IPB) did not agree to the inception dates stated on the corresponding contracts for 3 of 16 (19%) contracts tested. Two of these contracts totaled $400,000, and the other contract was awarded for $295 per hour without a maximum amount specified.

  The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. Furthermore, good business practices require the Office to document how taxpayer funds are to be utilized.

In addition, we noted the following discrepancies in our testing of interagency agreements:

- Five of 7 (71%) interagency agreements were not signed by all parties prior to the performance of services under the associated contract. Signatures were obtained ranging from 9 to 360 days after the inception of the associated contract.

- One of 7 (14%) interagency agreements did not contain pertinent information including the inception date of the agreement.

  The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to ensure funds and resources are safeguarded against waste, loss, unauthorized use, and misappropriation. Good business practices require terms of all contracts and interagency agreements to be properly complied with and to be approved prior to the beginning of services. Good internal controls require State agencies to review interagency agreements for consistency with the associated contracts.

Office personnel stated that many of the instances cited by the OAG were the product of staff attrition, and clerical errors, and that many of the instances occurred prior to the completion of the prior audit examination process, wherein GOMB instituted various procedures and protocols which have improved GOMB's control over its contractual agreements, procurements, and interagency agreements.

Failure to exercise adequate control over contractual agreements, procurement, and related interagency agreements may result in the loss or misuse of State funds and may subject the State to unnecessary legal risks. (Finding Code No. 09-1, 07-1, 05-2, 05-3)

RECOMMENDATION

We recommend the Office strengthen controls to ensure contractual agreements are signed and dated prior to the beginning of services and filed with the State Comptroller's Office in a timely manner. We also recommend the Office bid out contracts in accordance with the Illinois Procurement Code and publish complete and accurate information in the Illinois Procurement Bulletin. In addition, we recommend the Office review their procurement documentation policies to ensure proper documentation is retained to support contract award decisions.

OFFICE RESPONSE

GOMB agrees that some of its past contracts were not dated at the time they were executed. The contracts in question, however, pre-date the completion of the prior audit examination process wherein GOMB instituted procedures which have significantly improved GOMB's compliance with this requirement.

GOMB acknowledges that its prior Director failed to timely execute one of the sixteen contracts tested by the OAG prior to the beginning of the contract's terms. GOMB's current Director understands and will comply with the requirement to timely execute contracts.

GOMB acknowledges that in an oversight, its chief fiscal officer and chief legal counsel failed to execute one of the sixteen contracts tested by the OAG. GOMB further states, however, that both senior staffers had approved of the contract prior to its execution. GOMB has since taken the specific step of adding the statutory requirement that senior staffers execute contracts of $250,000 or more to the legal requirements section of GOMB's intranet page.

GOMB agrees that there was a scrivener's error in one of the sixteen contracts tested by the OAG which without correction, would have resulted in conflicting terms. GOMB further states, however, that the error was recognized by GOMB staff, corrected in the agreement, and acknowledged by both GOMB and the other party of the contract.

GOMB acknowledges that four of the sixteen CODs tested by the OAG included clerical errors. GOMB further states that while the first COD referenced was not properly marked as a "sole source" contract, the contract was indeed exempt from bid, which is the likely source of confusion for it having been marked as "exempt from bid." GOMB agrees that in the two other instances where the CODs were improperly marked as "exempt from bid," the contracts were competitively bid in accordance with the Illinois Procurement Code. GOMB has instructed its staff on the importance of reviewing CODs prior to their submission to the Office of the Comptroller.

GOMB acknowledges that the COD at issue did not state a maximum or estimated amount. The COD in question, however, pre-dates the completion of the prior audit examination process. GOMB believes that the procedures instituted following the prior audit process have resulted in consistent compliance with this requirement.

GOMB agrees that in accordance with the Illinois Procurement Code, the RFP identified by the OAG resulted in the determination that a pool of vendors were qualified to provide the services sought in the RFP, and that as a result, contracts were awarded to a number of vendors in the qualified pool. Contracts were awarded, for example, to all vendors with the highest overall scores, as well as to three other vendors that had qualified scores but not the highest overall scores. GOMB acknowledges that the RFP did not specify a minimum score necessary for vendors to be adequately qualified, but notes that the minimum score was properly established prior to the scoring of the RFP responses, and that in all subsequent RFPs where GOMB established a qualified pool, the RFPs specifically identified the minimum score necessary to be a member of the qualified pool. GOMB further agrees that the minimum score needed to be adequately qualified differed between the types of expertise the RFP sought but notes that because the type of expertise sought differed, the standards for determining the qualified pool necessarily differed as well.

GOMB acknowledges that as a result of clerical errors or brief delays in reducing agreements to writing, there is a discrepancy between the inception date in the Illinois Procurement Bulletin and three of the 16 contracts tested by the OAG. GOMB has instructed its staff on the importance of reviewing procurement bulletin notices prior to their posting, and on the timely execution of all contracts.

GOMB acknowledges that some interagency agreements were not signed in a timely manner by some of the parties contracting with GOMB, or in some cases GOMB. The majority of the agreements, however, pre-date the completion of the prior audit examination process wherein GOMB instituted procedures which have improved GOMB's compliance with this requirement. At the conclusion of the prior audit examination process, GOMB specifically created an Interagency Agreement Process Checklist, which provides the accepted and required procedures for timely negotiation, preparation and execution of all interagency agreements. GOMB employees involved in drafting, negotiation and executing interagency agreements were involved in creating the checklist or were otherwise made aware of the approved procedures. The process for the preparation and execution of all interagency agreements is reviewed and supervised by GOMB's General Counsel in accordance with the checklist.

AUDITOR'S COMMENT

The auditors were not provided documentation to support the statement in the Office's response that senior staffers had approved a contractual agreement, totaling $300,000, prior to its execution. Please see the 2nd bullet in our finding and the 3rd paragraph of the Office's response.

In addition, the copy of another contract, totaling $22,000, provided to the auditors for testing did not contain documentation illustrating that the conflicting terms had been recognized by Office and vendor personnel and corrected. Please see the 4th bullet in our finding and the 4th paragraph of the Office's response.

09-2. **FINDING** (Inaccurate accounting records)

The Governor's Office of Management and Budget (Office) did not correct errors in expenditure records detected during the reconciliation process.

We noted the Office maintained expenditure records during the examination period and performed reconciliations of their expenditures records to reports generated by the Office of the Comptroller (Comptroller) as required. However, the Office's expenditure records were not subsequently corrected or adjusted with respect to the discrepancies detected during the reconciliation process. We noted reconciling items, ranging from $40 to $31,023, should have been posted to 10 of the Office's 16 (63%) expenditure line items for Fiscal Year 2008, and reconciling items, ranging from $130 to $13,800, should have been posted to 9 of the Office's 16 (56%) expenditure line items for Fiscal Year 2009.

The Office expended a total of $311,605,077 from 7 appropriated and non-appropriated funds during Fiscal Year 2008 and a total of $293,357,448 from 7 appropriated and non-appropriated funds during Fiscal Year 2009.

Statewide Accounting Management System (SAMS) (Procedure 11.40.20) requires each agency to reconcile expenditures monthly and notify the Comptroller of irreconcilable differences noted. In addition, good business controls require sufficient and properly designed accounting records be maintained to adequately control fiscal operations and provide reliable data for necessary management reports.

Office personnel stated a computer programming issue prevented them from making the necessary corrections to the expenditure records.

Failure to correct differences noted during the reconciliation process results in incorrect records being maintained and could result in the Office over-expending appropriated funds. (Finding Code No. 09-2)

RECOMMENDATION

We recommend the Office investigate and make corrections to their expenditure records as necessary to resolve all discrepancies noted during the reconciliation process. We also recommend the Office properly notify the Comptroller of any irreconcilable differences noted.

OFFICE RESPONSE

GOMB does not agree with this draft finding. GOMB did not perform its own voucher processing during the audit period so it was not using any of the states financial programs. To assist in monitoring the spending, two GOMB staff members created a supplementary program which was not intended to be a financial reporting program. This internal program did not have the ability to void transactions. The Comptroller's records were accurate and readily available for financial reporting. GOMB is now managing its voucher processing directly and is not in need of an internal tracking system.

AUDITOR'S COMMENT

We find it troubling that the Office sees nothing wrong with monitoring their spending by using a program that lacked the ability to post corrections or void transactions. As noted in the significance above, this could result in the Office over-expending appropriated funds.

In addition, the Office's response states the Comptroller's records were accurate and readily available for financial reporting. We question how the Office determined the Comptroller's records to be accurate, when the Office itself did not have accurate expenditure records to compare to the Comptroller's records. Lastly, SAMS (Procedure 27.10.10) explains the preparation of the Generally Accepted Accounting Principles (GAAP) reporting packages and explains that financial data, including agency expenditure records, must be carefully examined in the preparation of an agency's GAAP reporting package. SAMS (Procedure 27.10.10) does not direct the preparers of GAAP reporting packages to rely on Comptroller records.

09-3. **FINDING** (Inadequate control over travel functions)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over its travel functions. Our testing of the Office's travel expenditures included a sample of 25 vouchers and all of the travel vouchers for the top ten traveling employees for each year in the examination period. We noted the following:

- Five of 25 (20%) travel vouchers tested, totaling $6,342, were submitted between 4 and 170 days late.

  Office policies state employee travel vouchers should be completed on a monthly basis and submitted for reimbursement no later than the 15th of the following month. Further, according to IRS Publication 535, employee travel expense reimbursements should be considered taxable wages if the travel expenses are not submitted within a reasonable period of time, usually within 60 days of the expenses being incurred.

- One of 25 (4%) travel vouchers tested, totaling $1,010, contained errors totaling $106.

  Good internal controls require a thorough review of all travel vouchers and comparison to support to ensure accuracy prior to approving the vouchers for payment.

- Two instances noted, totaling $1,927, included charges of $155 for unused hotel rooms for employees who returned to Chicago from Springfield ahead of schedule.

  The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system of internal fiscal and administrative controls to ensure funds are safeguarded against waste, loss, unauthorized use, and misappropriation.

- One instance noted, totaling $875, did not include proper support for the reimbursement of a hotel stay totaling $148. The support provided was a pre-stay confirmation instead of a paid invoice.

  Statewide Accounting Management System (SAMS) (Procedure 17.10.20) requires each State agency to maintain all supporting documentation necessary to substantiate their expenditures.

Office personnel stated that the issues resulting in the finding happened because of GOMB's failure to update its policies to meet the needs of the department and to have adequate staff that can review records submitted. GOMB has subsequently hired an additional staffer to help provide greater attention to its travel functions.

Failure to submit travel vouchers in a timely manner could distort travel expenditures from month to month. Additionally, according to IRS Publication 535, employee travel expense reimbursements will be considered taxable wages if the travel expenses are not submitted within a reasonable period of time. Failure to exercise adequate internal controls over payments of travel expenditures and inadequate reviews of travel vouchers increases the risk that errors, double billing, and irregularities will occur and not be detected. Unnecessary expenditures of State funds reduces the amount of funds available for purposes that further the goals and mission of the Office. In addition, payment of vouchers without proper supporting documentation could result in improper expenditures. (Finding Code No. 09-3, 07-5, 05-6)

RECOMMENDATION

We recommend the Office exercise adequate control over travel expenditures and require employees to submit travel vouchers in accordance with Office policies. Further, we recommend the Office carefully review travel vouchers to ensure consistency with travel support, reasonableness, and mathematical accuracy prior to payment. We recommend the Office ensure all expenditures from Office funds are necessary for the Office's operations. In addition, we recommend the Office strengthen controls over voucher processing procedures including maintaining proper documentation.

OFFICE RESPONSE

GOMB acknowledges that five of the 25 vouchers tested by the OAG were not submitted timely. In limited instances, some GOMB employees did not submit travel vouchers in accordance with the time prescribed. Under its new leadership, GOMB is thoroughly reviewing all of its internal policies and procedures and has emphasized to all staff the need to comply with office deadlines for submission of travel vouchers.

GOMB acknowledges that in one isolated instance, an employee's travel voucher was miscalculated, resulting in the traveler receiving $106 less in reimbursement than the traveler was entitled to. GOMB discovered the miscalculation; notified the traveler and instructed the traveler to seek reimbursement through the court of claims. As of this date, the traveler has not pursued the claim. GOMB travel vouchers receive various levels of review prior to submission for reimbursement. In this instance, the miscalculation was not detected during the initial internal review process. GOMB considers this as an isolated incident.

GOMB acknowledges that in two instances employees vacated Springfield hotel rooms prior to the scheduled date but views these instances as unavoidable circumstances and not the result of a failure to follow procedure.

In one instance, the GOMB employee was required to return to Chicago on the evening of March 11, 2009 for medical purposes. The employee attempted to cancel the reservation, however, due to the timing of the medical emergency and the resulting cancellation, the hotel indicated that its internal policy would not allow cancellation without penalty.

In a separate instance, the traveler returned to Chicago the evening of Friday, November 15, 2008. The traveler had expected to remain in Springfield over the weekend for additional work related responsibilities. Upon learning that this was no longer necessary, the traveler attempted to cancel the reservation, however, under the hotel's cancellation policy, a penalty was levied against the traveler. GOMB has instructed all staff that travel that in any instances where there are unavoidable circumstances that lead to a late cancellation, to properly document the relevant circumstances at the time of the submission of the corresponding travel voucher.

GOMB acknowledges that the documentation provided to support the traveler's reimbursement was a pre-stay confirmation. GOMB considers this an isolated instance. GOMB currently requires travelers to maintain and submit all supporting documentation necessary to substantiate their request for reimbursement.

09-4. **FINDING** (Inadequate control over interagency agreements)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over its interagency agreements.

We noted 13 of 18 (72%) interagency agreements tested were not signed or were not signed timely. We noted twelve interagency agreements were signed after the effective date of the agreements. The signatures ranged from 2 to 130 days late. We also noted one interagency agreement was not signed by all of the required individuals.

Good internal controls require the approval of agreements prior to the effective date and services should be performed only after the agreement is approved by all parties. In addition, the Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) requires agencies to establish internal fiscal and administrative controls to provide assurance that resources, obligations and costs are in compliance with applicable laws, rules and agreements.

Office personnel stated that many of the instances cited were the product of staff attrition, and that many of the agreements identified were executed prior to the completion of the prior audit examination process, wherein GOMB instituted various procedures and protocols which have improved GOMB's control over the execution of interagency agreements.

In order to assess whether the agreement sufficiently documents the responsibilities of the appropriate parties, the agreement needs to approved prior to the effective date.

In addition, during the prior examination, we noted the Office reimbursed two employees for travel expenses during the effective periods of their interagency agreements; however, these agreements specifically stated other agencies retained responsibility for such travel expenses. During the current examination, we noted no improper reimbursements of travel expenses for the sample of interagency agreements and transactions tested. (Finding Code No. 09-4, 07-2)

RECOMMENDATION

We recommend the Office ensure interagency agreements are approved prior to the effective date of the agreement and prior to services being rendered.

OFFICE RESPONSE

GOMB acknowledges that some interagency agreements were not signed in a timely manner by some of the parties contracting with GOMB, and in some cases by GOMB. The majority of the agreements, however, pre-date the completion of the prior audit examination process wherein GOMB instituted procedures which have improved GOMB's compliance with this requirement. At the conclusion of the prior audit examination process, GOMB specifically created an Interagency Agreement Process Checklist, which provides the accepted and required procedures for timely negotiation, preparation and execution of all interagency agreements. GOMB employees involved in drafting, negotiation and executing interagency agreements were involved in creating the checklist or were otherwise made aware of the approved procedures. The process for the preparation and execution of all interagency agreements is reviewed and supervised by GOMB's General Counsel in accordance with the checklist.

09-5. **FINDING** (Required reports not filed timely)

The Governor's Office of Management and Budget (Office) did not file required reports timely. We noted the following:

- The Office submitted 2 of 4 (50%) Travel Headquarters (TA-2) reports to the Legislative Audit Commission 6 and 7 days late, respectively.

  The State Finance Act (30 ILCS 105/12-3) requires State agencies to file semi-annual TA-2 reports with the Legislative Audit Commission for all officers and employees where official headquarters are located other than where their official duties require them to spend the largest part of their working time by January 15th and July 15th each year.

- The Office submitted 1 of 2 (50%) Annual Real Property Utilization reports to the Department of Central Management Services (Department) 49 days late.

  The State Property Control Act (30 ILCS 605/7.1) requires all responsible officers to submit an Annual Real Property Utilization Report to the Department, or annual update of such report, on forms required by the Department, by October 30th of each year.

- The Office submitted 1 of 2 (50%) Fiscal Control and Internal Auditing Act (FCIAA) certifications to the Auditor General 5 days late.

  FCIAA (30 ILCS 10/3003) requires each chief executive officer of each State agency to conduct an evaluation of their systems of internal fiscal and administrative controls and file a certification regarding the evaluation with the Auditor General by May 1st of each year.

Office personnel stated the reports were filed late due to oversight, competing priorities for responsible personnel, and, in one instance, a misunderstanding of the filing requirement.

Failure to file reports in a timely manner reduces effective government oversight and is noncompliance with a statutory mandate. Failure to submit Annual Real Property Utilization Reports reduces the amount of information available to government leaders for analysis regarding the utilization and need for additional space. Timely evaluations of internal controls are necessary to determine whether existing controls are adequate to prevent or detect potential risks.

In addition, during the prior examination, the Office did not submit its Annual Petty Cash Fund Usage Reports and its Agency Workforce Reports timely. During the current examination, the Office submitted its Agency Workforce Reports timely. The Office's only Petty Cash Fund was dissolved at the beginning of FY08, and therefore the filing of the Annual Petty Cash Fund is not considered necessary during the examination period. (Finding Code No. 09-5, 07-7)

RECOMMENDATION

We recommend the Office implement procedures to ensure the TA-2 reports, Annual Real Property Utilization reports, and FCIAA certifications are filed timely as required.

OFFICE RESPONSE

GOMB agrees that in limited circumstances, and as a result of staff turnover and the reassignment of duties within GOMB's operations unit, it did not file certain reports on a timely basis.

GOMB acknowledges that 2 of 4 Travel Headquarters reports were submitted to the Legislative Audit Commission 6 and 7 days late. The July 2008 report was submitted late due to staff turnover and the reassignment of duties within GOMB's operations unit. Because GOMB has primary responsibility for developing the State's annual operating budget, the months of January, February and March are particularly demanding for the agency and its staff. In GOMB's efforts to complete its responsibilities towards completion and presentation of the State operating budget GOMB was late in submitting its travel headquarters report to the Legislative Audit Commission.

GOMB acknowledges that due to an administrative error, staff submitted an Annual Real Property Utilization report 49 days late. Staff believed the Annual Real Property Utilization report and the Annual Template for Leased and Real Property report to be the same report and did not fill it by the mandated deadline. GOMB was notified of the filing deadline and error on December 18, 2008 and immediately filed the report with the Department of Central Management Services.

GOMB conducted an evaluation of its systems of internal fiscal and administrative controls and filed the FCIAA Internal Control Checklist with the Auditor General's office on May 1, 2008 as required. However, due to an administrative oversight, the certification page was not attached to the initial filing. A May 6, 2008 email from an employee of the OAG notified GOMB that the checklist was received but the certification was not attached. Upon receipt of the notification GOMB filed the signed certification on May 6, 2008.

09-6. **FINDING** (Incomplete personnel files)

The Governor's Office of Management and Budget (Office) did not document employee performance evaluations, did not ensure employee performance evaluations were signed timely, and did not document authorization for salary adjustments. We noted the following:

- Probationary and/or annual performance evaluations were not documented for 12 of 16 (75%) employees tested.

- For 3 of 16 (19%) employees tested, employee performance evaluations were prepared and signed timely by the respective employee's supervisors. However, employee signatures, signifying review of the evaluations and completion of the evaluation process, were not obtained and documented on the evaluations forms until 271 to 300 days after the period under evaluation ended.

- Proper documentation of the authorization for salary adjustments was not made available to the auditors timely. We noted the authorization for salary adjustments for 6 of 16 (38%) employees tested was not documented in the employees' respective personnel files at the time of testing. The authorization for these salary adjustments was subsequently provided to the auditors on August 12, 2010.

The Office's Rules and Policies Manual state each employee shall be evaluated after six months of probationary employment and at least on an annual basis thereafter. The Office's Rules and Policies Manual also states the employee must sign the employee's annual evaluation form. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. Good internal controls require the Office to complete the employee performance evaluation process timely to ensure prompt communication of performance concerns to affected employees. Additionally, good business practices require authorization of all salary adjustments to be properly documented.

Office personnel stated that staff turnover was the primary reason for the limited circumstances where evaluations were not properly documented.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, recall, and reinstatement decisions. Timely communication of performance evaluation results is necessary to facilitate improvement in employee performance. Failure to properly document approval of salary adjustment amounts increases the risk of incorrect payments to employees. (Finding Code No. 09-6, 07-6, 05-5)

RECOMMENDATION

We recommend the Office retain documentation of all probationary and annual performance evaluations performed. We also recommend the Office implement procedures to ensure the evaluation process is completed timely and evaluations are signed promptly by all employees. Further, we recommend the Office properly document approval of salary adjustments.

OFFICE RESPONSE

GOMB acknowledges that in limited circumstances, and as a result of staff turnover, it did not properly document certain employee evaluations. GOMB has since appointed a new Operations Manager who has the responsibility to ensure all employee evaluations are completed and properly documented. GOMB agrees that it did not document probationary employee evaluations, but states that this omission is a conscious result of a change in office policy. GOMB disagrees with the finding that it did not document authorization for salary adjustments. Salary adjustments are documented for all GOMB employees and can be found in each employee's personnel file.

GOMB disagrees with this finding and states that the documentation required was made available to the OAG during the audit process and again at the exit interview.

AUDITOR'S COMMENT

The auditors do not dispute that the salary adjustments for the instances described above were documented in the respective employee personnel files. In these instances, we did note documentation in each personnel file indicating a change had been made to the employee salary amounts. The bullet in the finding emphasizes the lack of documentation for the authorization of the salary adjustments. The limited documentation we noted in the personnel files in these instances consisted simply of a new salary amount and an effective date for the change. We did not note any signatures associated with these transactions. More specifically, the person documenting the change in the personnel file did not sign his or her name, the person authorizing the change did not sign his or her name, and the employee him/herself did not even sign his or her own name. The absence of authorization documented in the personnel files creates an opportunity for unauthorized transactions to be consummated, potentially resulting in the misappropriation of funds of the State of Illinois.

Information documenting the authorization of these salary adjustments was provided to the auditors on August 12, 2010. It is important to note the auditors communicated the noted lack of authorization problem to the Office in the form of an exception listing on October 28, 2009, and a preliminary exception response received from Office personnel on November 23, 2009 indicated the Office agreed with this exception. It was only on August 12, 2010 (288 calendar days after this concern was initially communicated to the Office and 262 calendar days after Office personnel had preliminarily agreed with the exception) that the authorization documents were provided to the auditors.

09-7. **FINDING** (Inadequate control over employee attendance reporting)

The Governor's Office of Management and Budget (Office) did not exercise adequate control over employee attendance and related reporting. We noted the following:

- Timesheets submitted by 4 of 16 (25%) employees tested indicated the employees did not work during the regularly scheduled work hours. For two of these employees, we noted five instances where the time reported as spent on official State business was less than the required 7.5 hour work day as specified in the Office's policies. In addition, leave time used by these employees for the absent periods was not documented on the timesheet.
- Timesheets submitted by 2 of 16 (13%) employees tested indicated sick and personal time were not taken in increments allowed by Office policies.
- Timesheets submitted by 4 of 16 (25%) employees tested indicated the employees worked on an official State holiday; however no compensatory time, or the incorrect amount of compensatory time, was earned for these instances.

The Office's Rules and Policies Manual (Manual) states the Office's regular work schedule is 8:30 to 5:00, which is a 7.5 hour work day. The Illinois Administrative Code (80 Ill. Adm. Code 303.340) states each operating agency shall maintain accurate, daily attendance records. Also, the Manual requires employees to take sick and personal time in 30 minute increments.

Office personnel stated instances of non-compliance in timekeeping identified by the OAG were primarily the result of clerical errors or a reflection of non-compliance with GOMB's prior timekeeping policy.

Failure to maintain accurate attendance records increases the risk of the Office paying for services not rendered by its employees. (Finding Code No. 09-7)

RECOMMENDATION

We recommend the Office review timesheets prepared by employees to ensure compliance with the Office's standard work schedule and leave time policies.

OFFICE RESPONSE

GOMB agrees that it didn't fully comply with its former internal policy regarding employee attendance and timekeeping which GOMB believes to be outdated and unrealistic given the demands placed on GOMB during the budget process. GOMB has changed its internal policy, and is revising its employee manual, to better reflect the demands on office personnel. In addition, GOMB has adopted a computerized timekeeping system which will help ensure compliance with GOMB's internal timekeeping policies.

GOMB is aware that the OAG based its review on policies and procedures cited in GOMB's February 1, 2004 employee manual which indicates the standard work schedule as 8:30 am until 5 pm (Monday through Friday), totaling 37.5 hours per week. Following the FY06/FY07 audit period, GOMB adopted a 37.5 hour work week policy to reflect the significant demands placed upon the agency and its employees during the preparation of the governor's annual budget presentation and during the Spring and Fall legislative sessions. GOMB's work week policy was designed to address the common occurrence where an employee is expected to work a 13 to 15 hour work day, and as a result does not begin work the following morning until sometime after 8:30 am. In these circumstances, the employee is not violating GOMB policy by starting the work day an hour or so after the standard starting time because that employee has worked any number of hours in excess of the 37.5 hour work week, due to the demands GOMB placed on its employees.

In addition, following the FY 06/07 audit review, in an effort to better adhere to timekeeping policies, GOMB agreed to serve as a test agency for the state-wide implementation of the Kronos timekeeping system. Though there have been some technical and other operational difficulties, GOMB believes that when the system is fully implemented and GOMB's revised and updated policy manual is updated and approved, the agency will be in-line with its timekeeping policies and the actual time demands of its employees.

AUDITOR'S COMMENT

Our records indicate the audit team requested a copy of the Office's policies and procedures manual, and the Office-designated audit liaison provided us with a copy of the Office's Rules and Policies document, which has a February 1, 2004 effective date. The revised policy referenced in the Office's response above was not provided to the auditors for consideration.

09-8. **FINDING** (Inadequate control over voucher processing)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over voucher processing. We noted the following:

- Forty-one of 146 (28%) vouchers tested, totaling $25,060,427, were not properly approved by the agency head or an authorized designee. The vouchers were not dated by the Office's Director, and therefore we were not able to determine whether these vouchers were approved timely.

  Statewide Accounting Management System (SAMS) (Procedure 17.20.20) states the agency head signature must be dated on vouchers. The State Records Act (5 ILCS 160/8) requires the head of each agency to cause to be made and preserved records containing adequate and proper documentation of the decisions, procedures, and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities.

- Thirty-nine of 146 (27%) vouchers tested, totaling $152,633, were approved for payment from 1 to 152 days late.

  The Illinois Administrative Code (74 Ill. Adm. Code Section 900.70) requires an agency to review a bill and either deny the bill in whole or part, ask for more information necessary to review the bill, or approve the bill in whole or in part, within 30 days after physical receipt of bill.

- Eight of 146 (5%) vouchers tested, totaling $73,142, were paid from 41 to 140 days late and resulted in interest due to vendors totaling $1,946. However, the Office did not pay vendors the interest owed in these instances.

  The State Prompt Payment Act (Act) (30 ILCS 540/3-2) states any bill approved for payment must be paid or the payment issued to the payee within 60 days of receipt of a proper bill or invoice. The Act further requires State agencies to determine whether interest is due and automatically pay interest penalties amounting to $50 or more to the appropriate vendor when payment is not issued within 60 days after receipt of a proper bill.

- Four of 146 (3%) vouchers tested, totaling $4,052, were not signed and dated by the receiving officer.

  SAMS (Procedure 17.20.20) states each invoice-voucher, upon receipt of goods or services must be signed by the receiving officer verifying goods or services meet the stated specifications.

Office personnel stated the deficiencies were due to employee oversight. They further stated that the deficiencies were also due to limited fiscal staff and competing priorities for responsible personnel.

The failure to approve vouchers properly could result in incorrect accounting information and could cause unnecessary expenditures. Failure to pay required interest on vouchers is noncompliance with the State Prompt Payment Act. The lack of a receiving officer's signature reduces the overall control over expenditures and may lead to inappropriate expenditures. Failure to approve vouchers timely could subject the State to unnecessary interest charges. (Finding Code No. 09-8)

RECOMMENDATION

We recommend the Office implement procedures to ensure all vouchers are approved timely in accordance with the Illinois Administrative Code and develop and implement procedures to identify all vouchers not paid within 60 days to ensure the proper amount of interest is paid in accordance with the State Prompt Payment Act. We also recommend the Office comply with SAMS procedures and the State Records Act by having a receiving officer sign each voucher to indicate goods were received according to stated specifications and by ensuring the agency head or an authorized designee's signature is dated.

OFFICE RESPONSE

GOMB agrees that some of its vouchers were signed but not dated by its previous Director. GOMB also acknowledges that because the vouchers in question were not dated, the OAG was limited in its efforts to determine whether these vouchers were approved timely. GOMB's current Director has been made aware of the relevant SAMS requirements and will (as agency head) sign and date all vouchers. In addition, GOMB's operations' personnel have also been instructed to review all vouchers for completeness prior to processing.

GOMB acknowledges that a portion of the tested vouchers were not processed timely. GOMB has made significant progress addressing this deficiency by hiring additional administrative support staff. With the additional staff support, GOMB's voucher processing functions can now be completed in-house which will reduce the time in which vouchers are processed. GOMB further notes that some of the vouchers were in fact approved by GOMB in a timely manner, however, due to extended processing time, a portion of the vouchers in question were paid late. GOMB agrees that some amount of interest accumulated as a result of the delayed vouchers, but believes the amount to be significantly less than the amount identified by the OAG.

GOMB acknowledges that 3% of the vouchers tested by the OAG were not signed and dated by the receiving officer. Under the leadership of its current Director, GOMB has hired additional personnel to support its overall business operations and has appointed a new Operations Manager. GOMB's newly appointed Operations Manager and all relevant support staff have been instructed on the necessary levels of review for voucher processing as well as on the directives set forth in SAMS.

AUDITOR'S COMMENT

In their response above, the Office stated they believe the amount of interest owed to vendors to be significantly less than the amount identified by the OAG; however, the Office provided no calculations or support for this statement. Our testing identified the following vouchers as paid late, with interest amounts owed but not paid as follows:

Voucher Number	Voucher Amount	Days Late	Interest Amount Owed but not Paid
800000053	$ 9,566.67	41	$ 129.44
800000052	19,133.33	49	309.39
900000242	2,665.60	60	52.78
900000164	9,854.00	65	211.37
900000004	3,363.50	67	74.37
900000098	7,068.33	80	186.60
900000120	1,783.97	122	71.82
900000147	19,707.00	140	910.46
Total Interest Amount Owed but not Paid			$1,946.23

This information was provided to the Office in the form of exceptions submitted throughout our fieldwork.

09-9. **FINDING** (Inadequate control over the recording and reporting of State property)

The Governor's Office of Management and Budget (Office) did not exercise adequate controls over the recording and reporting of State property.

The Office utilized the Common Systems Inventory Control Listing, which is maintained by the Department of Central Management Services (DCMS). Additionally, the Office prepared quarterly transaction spreadsheets. The results of our testing indicated the two sets differed in content. We noted the following differences:

- Three of eight (38%) Quarterly Reports of State Property (C-15's) prepared by the Office and submitted to the State Comptroller's Office did not accurately reflect Office equipment transactions. We noted differences between the addition, deletion, and ending balance amounts reported on the C-15's and the Office's quarterly transaction spreadsheets.

Quarter Ended	Asset Class	Amount Reported to Comptroller	Amount Per Quarterly Transaction Spreadsheet	Difference
12/31/2007	Total Amount reported by Agency	$374,427	$300,558	$73,869
6/30/2008	GAAP Reportable Amount	$300,559	$316,934	$(16,375)

Quarter Ended	Amount Reported to Comptroller	Amount that should have been reported
12/31/2007	$36,935 Deletions	$36,935 Net Transfers
6/30/2009	$11,920 Additions	$3,987 Additions $7,933 Net Transfers

- In addition, we noted noncompliance with the Statewide Accounting Management System (SAMS) procedures. Specifically, we noted 6 equipment items acquired during the examination period, totaling $7,256, were not reported on the Office's C-15's. One item tested, totaling $1,109, was not recorded on the C-15 timely. It was purchased in June of

2007 but wasn't reported on the C-15 until the second quarter of Fiscal Year 2008. In addition, the voucher could not be located for testing.

SAMS (Procedure 29.20.10) requires an agency to report all additions, deletions, and net transfers affecting each asset class that occurred during the quarter being reported. SAMS (Procedure 29.10.30) also states the C-15 should present the total cost of State property, by category, reflected on the agency's records as of the reporting date. SAMS (Procedure 29.10.10) states that the objective of fixed asset reporting is to ensure that agencies are updating property records to reflect the current balance of fixed assets and to enhance the accuracy of information reported.

Further, we noted noncompliance with statutory requirements and the Illinois Administrative Code (Code) as follows:

- The Office did not timely record 3 of 4 (75%) items, totaling $3,055, on its property control listing. These items were recorded from 116 to 364 days late. Two of 50 (4%) items tested did not have a physical property tag. One of 25 (4%) items tested, totaling $334, appeared on the Office's property inventory register but could not be located within the Office.

  The Code (44 Ill. Adm. Code 5010.400) states that agencies shall adjust property records within 30 days of acquisition, change or deletion of equipment items. The Code (44 Ill. Adm. Code 5010.210) requires agencies to be responsible for marking each piece of State-owned equipment with a unique six-digit identification number to be assigned by the agency holding the property.

- One of 25 (4%) items tested, totaling $623, could not be traced to the annual report submitted to DCMS. Two of 26 (8%) items tested were not added to the property control listing.

  The State Property Control Act (Act) (30 ILCS 605/6.04) requires each agency to annually certify its inventory to DCMS with a full accounting of all errors or exceptions reported therein. The Act (30 ILCS 605/4) requires the Office to be accountable for the supervision, control and inventory of all property under its jurisdiction and control.

Office personnel stated that it was the result of staff turnover and a failure to hire, or properly train replacement or backup staff.

Failure to exercise adequate control over property and maintain accurate property control records increases the potential for fraud and possible loss or theft of State property. (Finding Code No. 09-9, 07-8, 05-4)

RECOMMENDATION

We recommend the Office strengthen controls over the recording and reporting of State property by reviewing their inventory and recordkeeping practices to ensure compliance with statutory and regulatory requirements. We also recommend the Office ensure all equipment is accurately and timely recorded on the Office's property records. In addition, we recommend the Office thoroughly review all reports prepared from internal records for accuracy before submission to the State Comptroller and the Department of Central Management Services.

OFFICE RESPONSE

GOMB agrees that certain items were incorrectly recorded, accounting for the differences identified. These reports have since been corrected. GOMB disagrees with the item totaling $36,935 that was listed as a deletion and which the OAG indicates should have been transferred. This item was moved to surplus and GOMB was instructed that surplus items should be deleted.

GOMB agrees that its inventory system did not timely or accurately record certain items as required by SAMS and the Administrative Code. GOMB believes these oversights are the result of staff attrition and the failure to properly assign the relevant responsibilities to GOMB staff. Previously, one GOMB staffer had the responsibility for performing all the inventory tasks. GOMB has since hired additional personnel to ensure that there are multiple individuals responsible for performing the relevant administrative tasks. In addition, GOMB has appointed a new Operations Manager, who has the responsibility to supervise the relevant administrative tasks.

AUDITOR'S COMMENT

As described in the finding above, we noted items totaling $36,935 were reported by the Office as deletions for the quarter ended December 31, 2007. We noted, and the Office confirmed in their response above, that these items were in fact transferred to the Department of Central Management Services surplus property division. SAMS (Procedure 29.20.10) explains the types of transactions that should be recorded as transfers and deletions on the C-15 report and specifically states that transfers refer to items that have been moved between agencies, such as items sent to the Department of Central Management Services surplus property division.

09-10. **FINDING** (Noncompliance with General Obligation Bond Act and Build Illinois Bond Act)

The Governor's Office of Management and Budget (Office) did not comply with provisions of the General Obligation Bond Act (30 ILCS 330 et seq.) and Build Illinois Bond Act (30 ILCS 425 et seq.) as required.

During the examination period, the Office provided for the issuance of three separate bond series. Two series, totaling $275,000,000, were issued according to provisions of the General Obligation Bond Act during Fiscal Years 2008 and 2009. One series, totaling $50,000,000, was issued according to provisions of the Build Illinois Bond Act during Fiscal Year 2008. There were no bonds issued pursuant to the Build Illinois Bond Act during Fiscal Year 2009.

We noted the following:

- The Office did not timely provide auditors with documentation to provide evidence that one of three (33%) bond issues was advertised in two newspapers as required. The bond issues, totaling $50,000,000, were sold pursuant to notice of sale and public bid. Documentation showing the bonds were advertised as required was provided to the auditors on August 12, 2010.

  The Build Illinois Bond Act (30 ILCS 425/8) requires the Office to advertise the sale of the bonds in at least two daily newspapers, one of which is published in the City of Springfield and one in the City of Chicago, once at least 10 days prior to the date fixed for the opening of the bids.

- The summary of costs of issuance for one of three (33%) bond issues was not posted to the Office's website timely. We noted the summary of costs of issuance in this instance was posted 4 days late. In addition, the auditors could not determine if the costs of issuance for one of three (33%) bonds tested was posted on the Office's website timely as required.

  The General Obligation Bond Act (30 ILCS 330/8(a)) and the Build Illinois Bond Act (30 ILCS 425/5(a)) require the Office to post a summary of all costs of issuance on each bond sale on the Office's website within 20 business days after the issuance of the bonds.

- The auditors could not determine if the truth in borrowing disclosure for one of three (33%) bond issues was posted on the Office's website timely as required.

> The Build Illinois Bond Act (30 ILCS 425/8.5(a)) requires the Office to post a truth in borrowing disclosure, including the total principal and interest payments to be paid on bonds issued over the full stated term of the bonds, on the Office's website within 20 business days after the issuance of the bonds.

Office personnel stated that they take very seriously their obligations under the General Obligation Bond Act (30 ILCS 330 et seq.) and the Build Illinois Bond Act (30 ILCS 425 et seq.) and that they believe they have complied with those acts in all respects.

Failure to timely post costs of issuance information and truth in borrowing disclosures reduces and/or delays the amount of bond-related information available to government leaders and the general public and is noncompliance with statutory mandates. Failure to advertise the upcoming sale of bonds decreases the pool of potential bond buyers and may result in a reduction of the selling price and related premium obtained from the sale due to a lack of competition amongst buyers. (Finding Code No. 09-10)

RECOMMENDATION

We recommend the Office comply with the General Obligation Bond Act and Build Illinois Bond Act by making all necessary costs of issuance and truth in borrowing disclosures available on their website timely. In addition, we recommend the Office implement controls necessary to ensure all upcoming bond sales are advertised in newspapers in advance as required.

OFFICE RESPONSE

GOMB fully complied with the General Obligation Bond Act and the Build Illinois Bond Act in all respects. Due to staff turnover, GOMB cannot verify whether the documents identified by the OAG were timely provided to the OAG. GOMB agrees with the OAG that copies of the certifications of advertisements in the Chicago Sun Times and the State Journal-Register were provided to the OAG on August 12, 2010 and that those documents were in full compliance with the Build Illinois Bond Act.

GOMB disagrees with the finding that a summary of costs of issuance was not timely posted on GOMB's website. The cost of issuance summary identified by the OAG was posted in a timely manner, but after an error was identified, GOMB properly removed the posting. As soon as the error was corrected, the cost of issuance summary was re-posted on GOMB's website (four days after the initial due date). GOMB further notes that all cost of issuance summaries are currently available on its website in accordance with GOMB's statutory obligations.

GOMB believes that the truth in borrowing disclosure was timely posted on GOMB's website and noted that it can be found at http://www.state.il.us/budget/Statement%20of%20Total%20Sales%20Tax%20Rev%20CI%202007.pdf

AUDITOR'S COMMENT

We acknowledge the summaries of costs of issuance for each of the bond issues noted in the finding above are currently available on the Office's website. However, documentation does not exist or was not provided to the auditors to provide evidence the summaries were posted on the Office's website within 20 business days after the issuance of the bonds as required.

We acknowledge the truth in borrowing disclosure for the bond issue noted in the finding above is currently available on the Office's website. However, documentation does not exist or was not provided to the auditors to provide evidence the disclosure was posted on the Office's website within 20 business days after the issuance of the bonds as required.

Prior Findings Not Repeated

A. **FINDING** (Noncompliance with the Regional Transportation Authority Act)

During the prior examination, the Governor's Office of Management and Budget (Office) did not submit, by July 1st of each year, an estimate of revenues for the next fiscal year to the Regional Transportation Authority.

During the current examination, we noted the Office implemented the auditors' recommendation and sent the required estimate of revenues to the Regional Transportation Authority. (Finding Code No. 07-3)

B. **FINDING** (Inadequate documentation for Regulatory Sunset Act)

During the prior examination, the Office did not fully document their consideration of all required study factors of acts scheduled to be repealed.

During the current examination, we noted the Office fully documented their consideration of all required study factors for the tested sample of acts scheduled to be repealed. (Finding Code No. 07-4)

C. **FINDING** (Noncompliance with continuing disclosure undertaking)

During the prior examination, the Governor's Office of Management and Budget (Office) did not fully comply with annual financial reporting requirements set forth by continuing disclosure undertakings (CDU). For the instances tested, the Office did not submit audited or unaudited financial statements as required.

During the current examination, our test results noted that the Office complied with the CDU requirements by timely filing notices of failure to comply and filing audited financial statements within required timeframes once the statements were made available. (Finding Code No. 07-10)

Prior Findings Not Repeated, Continued

D. **FINDING** (Information regarding the investment of public funds was not made available online)

During the prior examination, the Office did not comply with the provisions of the Accountability for the Investment of Public Funds Act by making information about public funds available on the internet.

During the current examination, the Office did comply with the provisions of the Accountability for the Investment of Public Funds Act by making information about public funds available on the internet. (Finding Code No. 07-11)

E. **FINDING** (Cash Management Improvement Act)

During the prior examination, the Office did not exercise adequate control over its Cash Management Improvement Act (CMIA) Annual Report (Report). The Office failed to maintain documentation pertinent to the implementation and administration of the CMIA and failed to include or exclude programs from the CMIA Annual Report according to the Agreement between the U.S. Department of Treasury and the State of Illinois (TSA). In addition, the Fiscal Year 2005 Report was not filed with the Financial Management Service (FMS) timely.

During the current examination, the Office implemented procedures to ensure that the documentation pertinent to the implementation and administration of the CMIA was properly maintained, that all programs were appropriately included or excluded from the CMIA Annual Report, and that the Report was submitted to the FMS timely. (Finding Code No. 07-12)

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

  Schedule of Appropriations, Expenditures and Lapsed Balances
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
  Schedule of Changes in State Property
  Comparative Schedule of Cash Receipts (Not Examined)
  Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller (Not Examined)
  Analysis of Significant Variations in Expenditures
  Analysis of Significant Variations in Receipts
  Analysis of Significant Lapse Period Spending

- Analysis of Operations:

  Agency Functions and Planning Program
  Average Number of Employees
  Cash Management Improvement Act
  Service Efforts and Accomplishments (Not Examined)
  General Obligation Bond Indebtedness Summary
  Build Illinois Bond Indebtedness Summary

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Comparative Schedule of Cash Receipts, Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller and Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31,2009

P.A. 95-0732 FISCAL YEAR 2009	Appropriations (Net of Transfers)	Expenditures Through 6/30/2009	Lapse Period Expenditures 7/01-8/31/09	Total Expenditures	Balances Lapsed
Appropriated Funds					
General Revenue Fund - 001					
Personal Services	$ 2,022,000	$ 1,804,399	$ 0	$ 1,804,399	$ 217,601
State Contribution to State Employees' Retirement System	400,600	379,925	0	379,925	20,675
State Contributions to Social Security	154,100	138,361	303	138,664	15,436
Contractual Services	165,000	134,530	10,340	144,870	20,130
Travel	90,900	61,886	26,234	88,120	2,780
Commodities	5,000	2,681	245	2,926	2,074
Printing	15,000	6,542	1,164	7,706	7,294
Equipment	6,000	0	0	0	6,000
Electronic Data Processing	55,500	20,130	5,732	25,862	29,638
Telecommunications	81,600	33,089	22,244	55,333	26,267
Total General Revenue Fund	$ 2,995,700	$ 2,581,543	$ 66,262	$ 2,647,805	$ 347,895
IL Civic Center Bond Retirement and Interest Fund - 105					
Principal and Interest and Premium	$ 14,000,000	$ 13,849,853	$ 0	$ 13,849,853	$ 150,147
Capital Development Fund - 141					
Expenses for the Sale of State Bonds	$ 1,384,600	$ 869,757	$ 0	$ 869,757	$ 514,843

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
Appropriations for Fiscal Year 2009

Fourteen Months Ended August 31,2009

P.A. 95-0732 FISCAL YEAR 2009	Appropriations (Net of Transfers)	Expenditures Through 6/30/2009	Lapse Period Expenditures 7/01-8/31/09	Total Expenditures	Balances Lapsed
School Infrastructure Fund - 568					
Operational expenses	$ 113,400	$ 112,678	$ 0	$ 112,678	$ 722
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	$ 304,000,000	$ 274,176,168	$ 0	$ 274,176,168	$ 29,823,832
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	$ 425,000	$ 193	$ 6,359	$ 6,552	$ 418,448
Total All Appropriated Funds	$ 322,918,700	$ 291,590,192	$ 72,621	$ 291,662,813	$ 31,255,887
<u>Non-Appropriated Funds</u>					
Federal Financing Cost Reimbursement Fund - 212					
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act		$ 1,694,635	$ 0	$ 1,694,635	
Total All Non-Appropriated Funds		$ 1,694,635	$ 0	$ 1,694,635	
GRAND TOTAL ALL FUNDS		$ 293,284,827	$ 72,621	$ 293,357,448	

Note: Appropriations, expenditures and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

P.A. 95-0348 FISCAL YEAR 2008	Appropriations (Net After Transfers)	Expenditures Through 6/30/2008	Lapse Period Expenditures 7/01 - 8/31/08	Total Expenditures	Balances Lapsed
Appropriated Funds					
General Revenue Fund - 001					
Personal Services	$ 2,022,000	$ 1,655,763	$ 15,522	$ 1,671,285	$ 350,715
State Contribution to State Employees' Retirement System	335,600	274,290	2,571	276,861	58,739
State Contributions to Social Security	154,100	127,759	1,453	129,212	24,888
Contractual Services	165,000	148,041	10,808	158,849	6,151
Travel	86,400	58,907	20,483	79,390	7,010
Commodities	5,000	2,487	290	2,777	2,223
Printing	15,000	3,792	4,704	8,496	6,504
Equipment	6,000	0	0	0	6,000
Electronic Data Processing	60,000	10,766	23,314	34,080	25,920
Telecommunications	81,600	43,218	15,245	58,463	23,137
Total General Revenue Fund	$ 2,930,700	$ 2,325,023	$ 94,390	$ 2,419,413	$ 511,287
IL Civic Center BR&I Fund - 105					
For the principle, interest and premium	$ 14,000,000	$ 13,870,904	$ 0	$ 13,870,904	$ 129,096
Capital Development Fund - 141					
Expenses for the Sale of State Bonds	$ 1,384,600	$ 767,794	$ 0	$ 767,794	$ 616,806

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

Appropriations for Fiscal Year 2008

Fourteen Months Ended August 31, 2008

P.A. 95-0348 FISCAL YEAR 2008	Appropriations (Net After Transfers)	Expenditures Through 6/30/2008	Lapse Period Expenditures 7/01 - 8/31/08	Total Expenditures	Balances Lapsed
School Infrastructure Fund - 568					
Operational Expenses	$ 113,400	$ 109,722	$ 0	$ 109,722	$ 3,678
Build Illinois Bond Retirement & Interest Fund - 970					
Trustee Payments Under Master Indenture as Defined by the Build Illinois Bond Act	$ 306,943,500	$ 291,326,750	$ 0	$ 291,326,750	$ 15,616,750
Build Illinois Bond Fund - 971					
Expenses for the Sale of State Bonds	$ 425,000	$ 7,579	$ 0	$ 7,579	$ 417,421
Total All Appropriated Funds	$ 325,797,200	$ 308,407,772	$ 94,390	$ 308,502,162	$ 17,295,038
<u>Non-Appropriated Funds</u>					
Federal Financing Cost Reimbursement Fund - 212					
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act		$ 3,102,915	$ 0	$ 3,102,915	
Total All Non-appropriated Funds		$ 3,102,915	$ 0	$ 3,102,915	
GRAND TOTAL ALL FUNDS		$ 311,510,687	$ 94,390	$ 311,605,077	

Note: Appropriations, expenditures and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30,

	Fiscal Year		
	2009	2008	2007
	P.A. 95-0732	P.A. 95-0348	P.A. 94-0798
General Revenue Fund - 001			
Appropriations (Net of Transfers)	$ 2,995,700	$ 2,930,700	$ 2,821,400
Expenditures			
Personal Services	$ 1,804,399	$ 1,671,285	$ 1,956,711
State Contribution to State Employees' Retirement System	379,925	276,861	225,602
State Contributions to Social Security	138,664	129,212	151,671
Contractual Services	144,870	158,849	190,339
Travel	88,120	79,390	89,491
Commodities	2,926	2,777	5,020
Printing	7,706	8,496	11,133
Equipment	0	0	1,691
Electronic Data Processing	25,862	34,080	49,409
Telecommunications	55,333	58,463	62,628
Total Expenditures	$ 2,647,805	$ 2,419,413	$ 2,743,695
Lapsed Balances	$ 347,895	$ 511,287	$ 77,705
Illinos Civic Center Bond Retirement & Interest Fund - 105			
Appropriations (Net of Transfers)	$ 14,000,000	$ 14,000,000	$ 14,000,000
Principal, Interest and Premium on Limited Obligation Revenue Bonds	$ 13,849,853	$ 13,870,904	$ 13,851,826
Lapsed Balances	$ 150,147	$ 129,096	$ 148,174
Capital Development Fund - 141			
Appropriations (Net of Transfers)	$ 1,384,600	$ 1,384,600	$ 1,384,600
Expenses for the Sale of State Bonds	$ 869,757	$ 767,794	$ 859,796
Lapsed Balances	$ 514,843	$ 616,806	$ 524,804

STATE OF ILLINOIS

GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Years Ended June 30,

	Fiscal Year		
	2009	2008	2007
	P.A. 95-0732	P.A. 95-0348	P.A. 94-0798
School Infrastructure Fund - 568			
Appropriations (Net of Transfers)	$ 113,400	$ 113,400	$ 113,400
Operational Expenses	$ 112,678	$ 109,722	$ 111,322
Lapsed Balances	$ 722	$ 3,678	$ 2,078
Build Illinois Retirement & Interest Fund - 970			
Appropriations (Net of Transfers)	$ 304,000,000	$ 306,943,500	$ 298,160,000
Trustee Payments Under Master Indenture as Defined by Build Illinois Bond Act	$ 274,176,168	$ 291,326,750	$ 287,871,318
Lapsed Balances	$ 29,823,832	$ 15,616,750	$ 10,288,682
Build Illinois Bond Fund - 971			
Appropriations (Net of Transfers)	$ 425,000	$ 425,000	$ 425,000
Expenses for the Sale of State Bonds	$ 6,552	$ 7,579	$ 49,992
Lapsed Balances	$ 418,448	$ 417,421	$ 375,008
GRAND TOTAL - ALL APPROPRIATED FUNDS			
Appropriations (Net of Transfers)	$ 322,918,700	$ 325,797,200	$ 316,904,400
Total Expenditures	$ 291,662,813	$ 308,502,162	$ 305,487,949
Lapsed Balances	$ 31,255,887	$ 17,295,038	$ 11,416,451

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Fiscal Years Ended June 30,

	Fiscal Year		
	2009	2008	2007
	P.A. 95-0732	P.A. 95-0348	P.A. 94-0798
NON-APPROPRIATED FUND			
Federal Financing Cost Reimbursement Fund - 212			
Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act	$ 1,694,635	$ 3,102,915	$ 2,977,111

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS) - LOCALLY HELD FUNDS

For the Two Years Ended June 30, 2009

	Fiscal Year	
1995A COP Capital Projects Fund - 1319	2009	2008
Beginning Cash Balance	$ 10,543	$ 6,217
Cash Receipts:		
Interest Income	62	4,326
Transfers from Other Funds		3,288,746
Cash Disbursements:		
Transfers to Other Funds		3,288,746
Ending Cash Balance	$ 10,605	$ 10,543

1995A COP Debt Service Fund - 1320	2009	2008
Beginning Cash Balance	$ 1,406,709	$ 1,364,137
Cash Receipts:		
Interest Income	2,266	17,615
Transfers from Other Funds	1,727,115	1,730,845
Cash Disbursements:		
Debt Service Payments	1,703,980	1,705,888
Transfers to Other Funds		
Contractual Services		
Ending Cash Balance	$ 1,432,110	$ 1,406,709

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2009

	Fiscal Year	
1996A COP Capital Projects Fund - 1323	2009	2008
Beginning Cash Balance	$ 1,131	$ 1,094
Cash Receipts:		
Interest Income	7	37
Transfers from Other Funds		
Cash Disbursements:		
Debt Service Payments		
Contractual Services		
Ending Cash Balance	$ 1,138	$ 1,131

1996A COP Debt Service Fund - 1324	2009	2008
Beginning Cash Balance	$ 1,254,087	$ 1,211,770
Cash Receipts:		
Interest Income	2,055	15,864
Transfers from Other Funds	1,552,029	1,557,901
Cash Disbursements:		
Debt Service Payments	1,532,465	1,531,448
Transfers to Other Funds		
Contractual Services		
Ending Cash Balance	$ 1,275,706	$ 1,254,087

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2009

	Fiscal Year	
Build Illinois Fund - 1231 *	2009	2008
Beginning Cash Balance	$ 111,540,348	$ 109,369,265
Cash Receipts:		
Interest Income	4,939,121	11,425,423
Transfers from Other Funds	274,176,180	291,326,750
Cash Disbursements:		
Debt Service Payments	265,263,963	265,921,677
Transfers to Other Funds	31,157,565	34,535,442
Contractual Services	60,000	67,000
Other	-	56,971
Ending Cash Balance	$ 94,174,121	$ 111,540,348

Civic Center 1985 & 2000 Fund - 1230 *	2009	2008
Beginning Cash Balance	$ 16,698,881	$ 16,054,389
Cash Receipts:		
Interest Income	176,747	645,906
Transfers from Other Funds	13,849,853	13,870,904
Cash Disbursements:		
Debt Service Payments	13,849,853	13,845,904
Contractual Services	21,010	26,414
Ending Cash Balance	$ 16,854,618	$ 16,698,881

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2009

	Fiscal Year	
October 2003 Fund - 1395 *	2009	2008
Beginning Cash Balance	$ 6,184,055	$ 5,850,728
Cash Receipts:		
Interest Income	48,553	202,198
Transfers from Other Funds	37,800,001	30,017,001
Other	7,910,157	-
Cash Disbursements:		
Debt Service Payments	27,364,011	18,500,634
Transfers to Other Funds	583,143	3,324,456
Contractual Services	17,436,199	8,060,782
Ending Cash Balance	$ 6,559,413	$ 6,184,055

* Amounts for these funds were taken from quarterly reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Two Years Ended June 30, 2009

		Equipment
Balance at July 1, 2007	$	338,535
Additions		7,023
Deletions		0
Net Transfers		(36,935)
Balance at June 30, 2008	$	308,623
Balance at July 1, 2008	$	308,623
Additions		4,409
Deletions		0
Net Transfers		7,933
Balance at June 30, 2009	$	320,965

Note: The above schedule has been derived from Office records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
COMPARATIVE SCHEDULE OF CASH RECEIPTS (NOT EXAMINED)
For the Fiscal Years Ended June 30, 2009

GENERAL REVENUE FUND - 001	Fiscal Year 2009	2008	2007
Telephone Reimbursements	$ 229	$ 537	$ 148
Prior Year Refunds	0	1,579	0
Total Receipts	$ 229	$ 2,116	$ 148

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER (NOT EXAMINED)
For the Fiscal Years Ended June 30,

GENERAL REVENUE FUND - 001	2009	2008	2007
Receipts per Comptroller Records	$ 229	$ 2,116	$ 148
Add: Deposits in Transit, Beginning of Year	*	*	13
Prior Year Refund	*	*	0
Less: Deposits in Transit, End of Year	*	*	0
Deposits Remitted to the Comptroller	$ 229	$ 2,116	$ 161

* Note: Data presented is taken from records maintained by the Office of the Comptroller.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2009 AND 2008

General Revenue Fund (001)

State Contribution to State Employees' Retirement System
The increase in State's Contribution to State Employees' Retirement System expenditures was due to an increase in the budgeted retirement rate from 16.561% in Fiscal Year 2008 to 21.049% in Fiscal Year 2009. In addition, the number of employees increased by 5 from Fiscal Year 2008 to Fiscal Year 2009.

Federal Financing Cost Reimbursement Fund (212)

Payment of Net State Liability to U.S. Department of the Treasury per the Cash Management Improvement Act (CMIA)
The decrease in CMIA payment expenditures was due to a decrease of interest liability penalties as a result of improvements and increased efficiencies in state agencies' cash management of federal awards through federal approval of agency clearance pattern and direct and indirect cost allocations.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2008 AND 2007

General Revenue Fund (001)

State Contribution to State Employees' Retirement System
The increase in State's Contribution to State Employees' Retirement System expenditures was due to an increase in the budgeted retirement rate from 11.525% in Fiscal Year 2007 to 16.561% in Fiscal Year 2008.

Build Illinois Bond Fund (971)

Expenditures for the Sale of State Bonds
The decrease in expenditures for the sale of state bonds was due to expenditures in Fiscal Year 2008 solely including GAAP package preparations expenses while expenditures in Fiscal Year 2007 included personal services, telecommunication and GAAP package preparations expenses.

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2009 AND 2008

General Revenue Fund (001)

Receipts routinely consist of telephone reimbursements. The increase in telephone reimbursements during Fiscal Year 2008 was due to increased personal phone usage by Office employees. The decrease in telephone reimbursements during Fiscal Year 2009 was due to a decrease in personal phone usage by employees. In addition, the Office received reimbursement in Fiscal Year 2008 for reimbursement for overpayment of employee travel.

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

For the Two Fiscal Years Ended June 30, 2009

FISCAL YEAR 2009

General Revenue Fund (001)

Travel

The majority of the travel expenditures related to the staff travel for the month of June 2009 was not recorded until lapse period due to late submission of travel vouchers by travelers and the Fiscal Year 2010 Budget not being passed until June 30, 2009.

Telecommunications

Telecommunications expenditures, totaling $13,001, as of June 30, 2009 were not processed by the Office of Comptroller until the lapse period. The remaining expenditures were for the fourth quarter of Fiscal Year 2009 telecommunications activities recorded on lapse period.

FISCAL YEAR 2008

General Revenue Fund (001)

Travel

The Fiscal Year 2009 Budget was not passed by the General Assembly until mid-July 2008. The travel expenditures were not recorded until the lapse period due to Office staff being entirely engaged in the final budget passage.

Electronic Data Processing

The Fiscal Year 2009 Budget was not passed by the General Assembly until mid-July 2008. The Electronic Data Processing expenditures were not recorded until the lapse period due to Office staff being entirely engaged in the final budget passage.

AGENCY FUNCTIONS AND PLANNING PROGRAM

Functions

Originally created as the Bureau of the Budget in 1969, the agency's name was formally changed to the Governor's Office of Management and Budget in 2003 by Public Act 093-0025 of the General Assembly.

The statute creating the Office establishes several goals and mandates that require the Office to:

1) Provide assistance in submitting the annual budget, including estimated receipts and revenue to the General Assembly;

2) Perform studies of agencies to enable the Governor to determine what changes should be made in the existing organization, activities, and methods of business of such agencies so as to strengthen the State's management processes and bring about more efficient and economical conduct of State services;

3) Evaluate programs proposed by State agencies in terms of goals, costs, and relative priorities, keep the Governor informed of the programs and accomplishments of activities by State agencies, and coordinate the development and implementation of State programs to the end that the monies appropriated by the Legislature may be expended in the most economical manner possible with the least possible overlapping and duplication of effort;

4) Improve intergovernmental cooperation in developing policies, plans, and programs by cooperating with and coordinating Federal, State, and local fiscal relationships;

5) Prepare and submit an annual long-range capital expenditure plan for all State agencies;

6) Provide bond indenture to the Commission on Government Forecasting and Accountability no later than seven calendar days following the sale or issuance of any bonds; and

7) Distribute forms to all State agencies for preparation of budget estimates. The forms shall include requests for revenue and expenditures for the preceding fiscal year; appropriations for the preceding fiscal year, obligations incurred, and amounts unobligated and unexpended; an estimate of revenue and expenditures of the current fiscal year; and an estimate of the revenue and expenditures for the next fiscal year.

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

The Office is organized into several units, which are responsible for its various functions, which are:

Debt Management: Issues the debt of the State, including general obligation and Build Illinois. Also oversees Statewide and regional bonding authorities. The unit is responsible for the budgets of the Illinois State Toll Highway Authority, Illinois Finance Authority, Illinois Medical District, Illinois Sports Facilities Authority, Metropolitan Pier and Exposition Authority, Southwestern Illinois Development Authority and the Upper Illinois River Valley Development Authority.

Revenue: Reviews national and state economic conditions, forecasts and monitors the collection of revenues, tracks the flow of funds through state accounts, and works with the pension systems of the state. This unit is responsible for the budgets of the Departments of Revenue, Corrections, Labor, Employment Security; the Civil Service Commission, the Illinois Labor Relations Board, Property Tax Appeal Board, Prisoner Review Board, Illinois Educational Labor Relations Board, the Office of the Governor and the Governor's Office of Management and Budget (GOMB).

Capital: Reviews, coordinates, and prioritizes capital requests and appropriations of all agencies. Prepares a long-range capital plan and is responsible for the budget of the Capital Development Board.

Environment: Responsible for the budgets of the Departments of Natural Resources, Agriculture, Juvenile Justice, Drycleaner Environmental Protection Agency, the Historic Preservation Agency and the Illinois Arts Council.

Education: The unit is responsible for the budgets of the state's education authorities including the State Board of Education and the Board of Higher Education.

Health and Human Services: Responsible for managing the budgets of the Departments of Aging, Healthcare and Family Services, Human Services, Public Health, Veteran's Affairs, the Deaf and Hard of Hearing Commission, Guardianship and Advocacy Commission, Council on Development Disabilities, Teachers' Retirement System and the State Employees' Retirement System.

Public Safety, Economic Development and Government Services: Responsible for the managing the budgets of the Departments of Central Management Services, Transportation, Commerce and Economic Opportunity, Military Affairs; the Illinois State Police, Illinois Violence Prevention Authority, Illinois Criminal Justice Information Authority, Illinois Emergency Management Agency, Law Enforcement Training Standards Board, State Police Merit Board,

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

Illinois Power Agency, Executive Ethics Commission, Procurement Policy Board and the Office of the Executive Inspector General.

Legal: Responsible for providing legal representation for GOMB. The unit is also responsible managing the budgets of the Departments of Financial and Professional Regulation, Human Rights, Human Rights Commission, Illinois Commerce Commission, Illinois Workers Compensation Commission, Comprehensive Health Insurance Plan, Court of Claims, State Board of Elections, Office of the Lieutenant Governor, Office of the Attorney General, Office of the Secretary of State, Office of the State Comptroller, Office of the State Treasurer, Office of the State Appellate Defender, Office of the Auditor General, Office of the State's Attorneys Appellate Prosecutor, Supreme Court and Illinois Court System, General Assembly and Legislative Agencies, Commission on Government Forecasting and Accountability, Legislative Audit Commission, Legislative Information System, Legislative Ethics Commission, Legislative Printing Unit, Judicial Inquiry Board and the Office of the Architect of the Capital.

Operations Unit: Responsible for providing overall training and employee development, administrative and electronic data processing support for the agency. The unit is also responsible for statewide headcount tracking, eTravel, legislative affairs, managing the planning and performance management and PBviews software and the coordination of the annual budget book process.

Shared Services: Launched in 2006, the Shared Services Program's primary focus is to reorganize and redesign statewide fiscal and human resources (HR) functions based on 21st Century business models in order to achieve maximum efficiency and effectiveness of overall state operations. The program's objectives are to increase the quality and consistency of fiscal, information technology and HR related information for better decision-making and improved management of state operations and to promote cross-training and implement a more effective knowledge transfer among personnel.

Planning Program

Since the Office is part of the Executive Office of the Governor, many of its short-term goals and objectives are requests and directives issued by the Governor. These requests are generally informal in nature and are subject to change with little notice. Progress towards implementation of short-term goals is not formally documented. As a result, the level of accomplishment pertaining to short-term goals cannot easily be determined.

AGENCY FUNCTIONS AND PLANNING PROGRAM (CONTINUED)

The Office's long-term goals and objectives are established in general terms by the statutes that define its duties and responsibilities. Management has developed a planning document containing the Office's statement of purpose, its goals and statutory mandates (outlined above), and its strategies and schedules to achieve these goals. The Office reviews its progress toward these goals, at a minimum, on an annual basis.

The Division Directors meet weekly with the Director to plan strategies and evaluate progress toward accomplishing the Office's goals and objectives. Weekly divisional meetings provide a planning base for projects to be completed and for integration of divisional goals into the overall Office goals and objectives. Re-evaluation of goals and monitoring of programs take place regularly at every level within the Office.

STATE OF ILLINOIS
GOVERNOR’S OFFICE OF MANAGEMENT AND BUDGET
AVERAGE NUMBER OF EMPLOYEES
For the Two Fiscal Years Ended June 30, 2009

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Agency records, presents the average number of employees, by function, for the Fiscal Years ended June 30,

	2009	2008	2007
Director's Office	19	19	21
Budget Analyst	17	16	18
Debt & Capital	8	8	8
Total average full-time employees	44	43	47

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
CASH MANAGEMENT IMPROVEMENT ACT

For Fiscal Years 2007 and 2008

The purpose of the Cash Management Improvement Act (CMIA) and 31 CFR Part 205 is to provide requirements for the timely transfer of funds between a Federal agency and a State, and for the exchange of interest where transfers are not made in a timely manner. It is also designed to encourage the development of efficient cash management systems and to ensure efficiency, effectiveness, and equity in the transfer of funds between the Federal Government and the States.

The first agreement between the U.S. Department of the Treasury and the State of Illinois, called the Treasury-State Agreement (TSA), was in effect for the State's fiscal year 1994 and covered 18 programs in nine different State agencies. The fiscal year 2007 TSA covered 27 programs in eight different State agencies, and the fiscal year 2008 TSA covered 27 programs in eight different State agencies.

Each year the State must submit an annual report to the U.S. Department of the Treasury by December 31 for its most recently completed fiscal year. This report summarizes by program the interest due to or owed by the State. An authorized State official shall certify the accuracy of the State's annual report. In the State of Illinois, the Director of the Governor's Office of Management and Budget is the State official responsible for making this certification.

The Fiscal Year 2007 net State liability under the Treasury-State Agreement is as follows:

State Agency/Development	Total State Interest Liability		Total Federal Interest Liability	Direct State Costs	Net State Liability
State Board of Education	$ 725,552		$ 0	$ 5,560	$ 719,992
Department of Healthcare and Family Services	551,324		0	3,266	548,058
Department of Commerce and Economic Opportunity	35,833		0	1,056	34,777
Department of Human Services	729,588	*	188,039	0	541,549
Department of Employment Security	1,186,376		0	4,742	1,181,634
Department of Children and Family Services	0		0	0	0
Department of Transportation	80,664		0	4,422	76,242
Environmental Protection Agency	0		0	0	0
	$ 3,309,337		$ 188,039	$ 19,046	$ 3,102,252

* Includes prior year State Adjustment

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
CASH MANAGEMENT IMPROVEMENT ACT

For Fiscal Years 2007 and 2008

The Fiscal Year 2008 net State liability under the Treasury-State Agreement is as follows:

State Agency/Development	Total State Interest Liability	Total Federal Interest Liability	Direct State Costs	Net State Liability
State Board of Education	$ 391,661	$ 0	$ 6,780	$ 384,881
Department of Healthcare and Family Services	233,414	0	5,162	228,252
Department of Commerce and Economic Opportunity	34,709	0	1,163	33,546
Department of Human Services	307,681 *	54,222	2,751	250,708
Department of Employment Security	756,923	0	4,640	752,283
Department of Children and Family Services	0	0	0	0
Department of Transportation	44,965	0	0	44,965
Environmental Protection Agency	0	0	0	0
	$ 1,769,353	$ 54,222	$ 20,496	$ 1,694,635

* Includes State Refund

Budget Process

Every year during November and December, the Office conducts a detailed financial and programmatic review of agency budgets and works with other agencies to develop a State budget. Once budget options are developed, they are presented to the Governor for his final decisions. The Governor then presents his recommended budget in the form of an appropriation bill to a joint session of the Illinois General Assembly. The recommended budget is then subject to hearings before the House and Senate appropriation committees and must be adopted by each committee before it moves to the full House or Senate for debate. Both legislative chambers must pass the appropriation bill before it returns to the Governor for his signature. The Office monitors each step of the legislative process and any amendments as well as substantive legislation to identify any potential fiscal impacts.

General Obligation and Build Illinois Bonds

As provided in the General Obligation Bond Act (Act), the Governor is authorized to issue general obligation bonds for specific purposes pursuant to the Act. The State issues these bonds from time to time in amounts as directed by the Governor upon recommendation from the Director of the Governor's Office of Management and Budget.

The Build Illinois Program was created to foster economic development and modernization of infrastructure and to provide for the financing thereof.

The related bond issues under the General Obligation Bond Act and the Build Illinois Program for Fiscal Years 2009 and 2008 are as follows:

Fiscal Year 2009

Issue	Amount	Date of Sale
General Obligation Bonds – Series April 2009	$150,000,000	04/07/09
General Obligation Certificates – May 2009	$1,000,000,000	05/14/09
Total	$1,150,000,000	

Fiscal Year 2008

Issue	Amount	Date of Sale
Build Illinois Bonds – Series July 2007	$50,000,000	06/26/07
General Obligation Certificates – September 2007	$1,200,000,000	09/17/07
General Obligation Certificates – December 2008	$1,400,000,000	12/16/08
General Obligation Bonds – Series April 2008	$125,000,000	04/23/08
Total	$2,775,000,000	

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
For the Two Fiscal Years Ended June 30, 2009

Performance Indicators

	2008	**2009**
General Obligation Bond Rating (as of June 30):		
Moody's Investors Service	Aa3	Aa3
Standard & Poor's	AA	AA
Fitch, Inc.	AA	AA

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
GENERAL OBLIGATION BOND INDEBTEDNESS SUMMARY
June 30, 2009

(expressed in thousands)

GENERAL OBLIGATION BONDS

	Capital Development	Transportation Series A	Transportation Series B	School Construction	Anti-Pollution	Coal Development	Multi-Purpose	Multi-Purpose Pension	Refunding	Total
Bonds Authorized by Statute	$1,737,000	$1,326,000	$403,000	$330,000	$599,000	$35,000	$29,231,174	$10,000,000	$4,839,025	$48,500,199
Bonds Issued (by Fiscal Year):										
Prior to 1986	1,737,000	1,326,000	403,000	330,000	599,000	35,000	200,000			4,630,000
1986							440,000		199,915	639,915
1987							240,000		249,990	489,990
1988							340,003			340,003
1989							340,000			340,000
1990							340,000		100,000	440,000
1991							375,000			375,000
1992							312,794		297,000	609,794
1993							428,452		485,944	914,396
1994							519,379		249,525	768,904
1995							649,816			649,816
1996							659,205		315,795	975,000
1997							350,055		84,945	435,000
1998							598,480		119,850	718,330
1999							603,079		169,255	772,334
2000							860,000			860,000
2001							1,165,045		112,810	1,277,855
2002							1,500,000		398,470	1,898,470
2003							1,712,079	10,000,000	564,900	12,276,979
2004							1,175,000		617,175	1,792,175
2005							875,000			875,000
2006							925,000		274,950	1,199,950
2007							258,000		329,000	587,000
2008							125,000			125,000
2009							150,000			150,000
Total Bonds Issued	$1,737,000	$1,326,000	$403,000	$330,000	$599,000	$35,000	$15,141,387	$10,000,000	$4,569,524	$34,140,911
Bonds Authorized But Not Issued	$0	$0	$0	$0	$0	$0	$14,089,787	$0	$2,988,399 (1)	$17,078,186

Note: This schedule does not include Public Welfare Bonds or Educational Institutions Bonds, whose sales are administered by other State agencies.

(1) The State is authorized to issue $4,839,025 at any time and from time to time outstanding, for the purpose of refunding any outstanding General Obligation bonds. Therefore, the unissued amount is the difference between the amount authorized and the amount outstanding of $1,850,626.

STATE OF ILLINOIS
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
BUILD ILLINOIS BOND INDEBTEDNESS SUMMARY
June 30, 2009
(expressed in thousands)

BUILD ILLINOIS BONDS

	Sales Tax Based Revenue		Refunding (1)	Total
Bonds Authorized by Statute	$4,839,025		$1,575,577	$6,414,602
Bonds Issued (by Fiscal Year):				
Prior to 1986				
1986	100,000			100,000
1987	89,252	(2)	95,475	184,727
1988	220,000			220,000
1989	197,004			197,004
1990	300,002			300,002
1991	255,000			255,000
1992	215,783		150,057	365,840
1993	100,000		416,890	516,890
1994	174,830		256,815	431,645
1995	135,000			135,000
1996	80,000			80,000
1997	60,000			60,000
1998			145,475	145,475
1999	60,000			60,000
2000	125,000			125,000
2001	125,000		125,165	250,165
2002	150,000		255,575	405,575
2003	182,225		130,125	312,350
2004	350,000			350,000
2005	200,000			200,000
2006	215,000			215,000
2007				0
2008	50,000			50,000
2009				
Total Bonds Issued	$3,384,096		$1,575,577	$4,959,673
Bonds Authorized But Not Issued	$1,454,929		$0	$1,454,929

(1) For the purposes of this report, the amount authorized is considered to be the same as the amount of the issue. The Office has a continuing appropriation to issue refunding bonds for any outstanding Build Illinois Issues.

(2) Actual amount issued was $120,000. However, part of the original issuance was defeased. Defeased amounts are not charged against the authorized amount.