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# REPORT DIGEST

## GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

### COMPLIANCE EXAMINATION

For the Two Years Ended:  
June 30, 2009

#### Summary of Findings:

Total this audit: 10  
Total last audit: 12  
Repeated from last audit: 7

Release Date:  
September 16, 2010



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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## SYNOPSIS

- The Office did not exercise adequate controls over contractual agreements.
- The Office did not correct errors in expenditure records detected during the reconciliation process.
- The Office did not exercise adequate control over its travel functions.

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

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**GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET**  
**COMPLIANCE EXAMINATION**  
**For The Two Years Ended June 30, 2009**

EXPENDITURE STATISTICS	FY 2009	FY 2008	FY 2007
<b>Total Expenditures (All Treasury Held Funds).....</b>	<b>\$293,357,448</b>	<b>\$311,605,077</b>	<b>\$308,465,060</b>
<b>Total Appropriated Funds.....</b>	<b>\$291,662,813</b>	<b>\$308,502,162</b>	<b>\$305,487,949</b>
<b>% of Total Expenditures.....</b>	<b>99.42%</b>	<b>99.00%</b>	<b>99.03%</b>
Personal Services .....	\$1,804,399	\$1,671,285	\$1,956,711
% of Operations Expenditures .....	.62%	.54%	.64%
Average No. of Employees .....	44	43	47
Other Payroll Costs (FICA, Retirement) .....	\$518,589	\$406,073	\$377,273
% of Total Appropriated Funds.....	.18%	.13%	.12%
General and Administrative Expenditures.....	\$437,495	\$451,777	\$521,033
% of Total Appropriated Funds .....	.15%	.15%	.17%
Expenditures necessary for sale of State bonds.....	\$876,309	\$775,373	\$909,788
% of Total Appropriated Funds .....	.30%	.25%	.30%
Expenditures pursuant to the Build Illinois Bond Act.....	\$274,176,168	\$291,326,750	\$287,871,318
% of Total Appropriated Funds .....	94.00%	94.43%	94.23%
Principle, interest, and premium on limited obligation revenue bonds.....	\$13,849,853	\$13,870,904	\$13,851,826
% of Total Appropriated Funds .....	4.75%	4.50%	4.54%
<b>Total Non-Appropriated Funds.....</b>	<b>\$1,694,635</b>	<b>\$3,102,915</b>	<b>\$2,977,111</b>
<b>% of Total Expenditures .....</b>	<b>.58%</b>	<b>1.00%</b>	<b>.97%</b>
Interest liability on federal funds.....	\$1,694,635	\$3,102,915	\$2,977,111
% of Total Non-Appropriated Funds .....	100%	100%	100%
<b>Cost of Property and Equipment.....</b>	<b>\$320,965</b>	<b>\$308,623</b>	<b>\$338,535</b>

SELECTED ACTIVITY MEASURES (Not Examined)	FY 2009	FY 2008
Amount of General Obligation Bonds Issued	\$150,000,000	\$125,000,000
Amount of General Obligation Certificates Issued	\$1,000,000,000	\$2,600,000,000
Amount of Build Illinois Bonds Issued	\$0	\$50,000,000
Total Bonds and Certificates Issued	\$1,150,000,000	\$2,775,000,000

AGENCY DIRECTOR
During Examination Period: Ms. Ginger Ostro (through 9/2009) Currently: Mr. David Vaught (effective 10/2009)

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

**INADEQUATE CONTROL OVER CONTRACTUAL AGREEMENTS**

The Office did not exercise adequate controls over contractual agreements.

We tested 15 contracts totaling \$1,093,925 and one contract which was awarded at the rate of \$295 per hour without a contract maximum specified. Some of the conditions we noted follow:

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**Could not determine if contracts were approved timely**

- 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.

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**Contract not signed timely**

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

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**Contract not properly approved**

- 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.

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**Contract contained conflicting terms**

- 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.

We recommended 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. (Finding 1, pages 10-15)

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**Office partially agreed with auditors**

Office officials agreed with portions of our recommendation. However, Office officials also stated one of the contracts noted in our finding had in fact been approved by senior staffers in advance and that a scrivener's error in the contract terms resulted in the conflicting terms described in our finding. Office officials contend, though, that the scrivener's error was recognized by Office and vendor personnel and addressed timely.

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**Auditor's comment**

In an auditor's comment, we noted we were not provided with documentation to support the statement that senior staffers had approved the contract in advance. We also noted the copy of the contract provided to us for testing containing the alleged scrivener's error did not include the corrections referenced in the Office's response.

**INACCURATE ACCOUNTING RECORDS**

The Office did not correct errors in expenditure records detected during the reconciliation process.

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**Errors noted in the Office's expenditure records were not corrected**

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 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.

We recommended 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. (Finding 2, pages 16-17)

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**Office disagreed with auditors**

The Office disagreed with our finding and stated they did not perform their own voucher processing during the examination period. The Office further noted these records were used to monitor spending and were not intended for use in financial reporting. Lastly, the Office stated they had Comptroller records for use in financial reporting and are now processing their own vouchers, eliminating the need for this internal voucher tracking system.

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**Auditor's comment**

In an auditor's comment, we noted the use of a program that lacked the ability to post corrections or void transactions could result in the Office over-expending appropriated funds. We also noted the Statewide Accounting Management System requires agencies to use their own records for Generally Accepted Accounting Principles (GAAP) reporting packages.

**INADEQUATE CONTROL OVER TRAVEL FUNCTIONS**

The 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. Some of the conditions we noted follow:

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**Travel vouchers submitted late**

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**Travel voucher contained errors**

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**Travelers were reimbursed for unused hotel rooms**

- Five of 25 (20%) travel vouchers tested, totaling \$6,342, were submitted between 4 and 170 days late.
- One of 25 (4%) travel vouchers tested, totaling \$1,010, contained errors totaling \$106.
- 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.

We recommended the Office exercise adequate control over travel expenditures and require employees to submit travel vouchers in accordance with Office policies. Further, we recommended the Office carefully review travel vouchers to ensure consistency with travel support, reasonableness, and mathematical accuracy prior to payment. We also recommended the Office ensure all expenditures from Office funds are necessary for the Office's operations. Lastly, we recommended the Office strengthen controls over voucher processing procedures including maintaining proper documentation. (Finding 3, pages 18-20)

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**Office accepted our recommendation**

The Office accepted our recommendation.

### **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Office. We will review the Office's progress toward implementation of our recommendations in our next examination.

### **ACCOUNTANT'S REPORT**

We conducted a compliance examination of the Governor's Office of Management and Budget as required by the Illinois State Auditing Act. We have not audited any financial statements of the Governor's Office of Management and Budget for the purpose of expressing an opinion because the Governor's Office of Management and Budget does not, nor is it required to, prepare financial statements.

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WILLIAM G. HOLLAND, Auditor General

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### **AUDITORS ASSIGNED**

The compliance examination was conducted by the Auditor General's staff.