

OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2010

Performed As Special Assistant Auditors
for the Auditor General, State of Illinois

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

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STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

AGENCY OFFICIALS

| | |
|--|--------------------------------------|
| Comptroller (January 10, 2011 to present) Comptroller (through January 9, 2011) | Judy Baar Topinka Daniel W. Hynes |
| Chief of Staff (January 11, 2011 to present) Chief of Staff (through January 9, 2011) | Nancy Kimme Keith Taylor |
| Assistant Comptroller – Operations (January 10, 2011 to present) Assistant Comptroller – Operations (through January 9, 2011) | Steve Valasek Don Templeman |
| Deputy Chief of Staff – Programs (January 10, 2011 to present) Assistant Comptroller – Chicago Operations (through January 9, 2011) | Cory Jobe Peggy Roth |
| Assistant Comptroller – Fiscal Policy and Information Technology (January 11, 2011 to present) Assistant Comptroller – Fiscal Policy and Programs (through January 9, 2011) | Marcus Veile Rick Cornell |
| Legal Counsel (January 11, 2011 to present) Legal Counsel (through January 9, 2011) | Alissa Camp Roma Larson |
| Director of Internal Audit (Acting) Director of Internal Audit (through January 9, 2011) | Tracy Allen Rusti Cummings |

Agency offices are located at:

100 W. Randolph, Suite 15 - 500
Chicago, IL 60601

Room 201 State-House
Springfield, IL 62704

325 West Adams
Springfield, IL 62704



STATE OF ILLINOIS • OFFICE OF THE COMPTROLLER
JUDY BAAR TOPINKA

MANAGEMENT ASSERTION LETTER

April 29, 2011

Sikich LLP
132 S. Water Street, Suite 300
Decatur, Illinois 62525

Ladies and Gentlemen:

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 Illinois Office of the Comptroller – Fiscal Officer Responsibilities. 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 Illinois Office of the Comptroller –Fiscal Officer Responsibilities' compliance with the following assertions during the year ended June 30, 2010. Based on this evaluation, we assert that during the year ended June 30, 2010, 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, except as made known to you and referenced in findings 10-1 through 10-4 of your compliance examination.
- D. 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.

JAMES R. THOMPSON CENTER
100 WEST RANDOLPH, SUITE 15-500
CHICAGO, ILLINOIS 60601-3252
312/814-2451

STATE CAPITOL
SPRINGFIELD, ILLINOIS 62706-0001
217/782-6000

LAND OF LINCOLN BUILDING
325 WEST ADAMS
SPRINGFIELD, ILLINOIS 62704-1871
217/782-6084

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

Yours very truly,

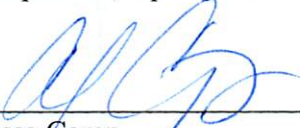
Illinois Office of the Comptroller



Judy Baar Topinka, Comptroller



Steven Valasek, Assistant
Comptroller, Operations



Alissa Camp,
General Counsel

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

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' REPORT

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

| <u>Number of Findings</u> | <u>This Audit</u> | <u>Prior Audit</u> |
|---|-------------------|--------------------|
| Repeated findings | 4 | 2 |
| Prior recommendations implemented or not repeated | 1 | 0 |
| | 1 | 0 |

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

SCHEDULE OF FINDINGS

| <u>Item No.</u> | <u>Page</u> | <u>Description</u> | <u>Finding Type</u> |
|---|-------------|--|---|
| FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>) | | | |
| 10-1 | 10 | Late payment of statutorily mandated transfers | Material Noncompliance |
| 10-2 | 11 | Noncompliance with general obligation financing provisions | Material Noncompliance |
| 10-3 | 13 | Noncompliance with mandated Capital Projects Fund transfer requirement | Material Noncompliance |
| 10-4 | 14 | Failure to repay Budget Stabilization Fund | Significant Deficiency and Material Noncompliance |

FINDINGS (STATE COMPLIANCE)

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

| | | | |
|------|----|--|--|
| 10-1 | 10 | Late payment of statutorily mandated transfers | Material Noncompliance |
| 10-2 | 11 | Noncompliance with general obligation financing provisions | Material Noncompliance |
| 10-3 | 13 | Noncompliance with mandated Capital Projects Fund transfer requirement | Material Noncompliance |
| 10-4 | 14 | Failure to repay Budget Stabilization Fund | Significant Deficiency and Material Noncompliance |

PRIOR FINDINGS NOT REPEATED

| | | |
|---|----|--|
| A | 15 | Warrants issued after fiscal year limitation |
|---|----|--|

EXIT CONFERENCE

An exit conference was declined by Office personnel in correspondence dated May 2, 2011. Responses to the recommendations were provided by Tracy Allen in correspondence dated April 29, 2011.



132 South Water Street, Suite 300, P.O. Box 1460 Decatur, IL 62525-1460

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

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities' 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 year ended June 30, 2010. The management of the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities' compliance based on our examination.

- A. The State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities on behalf of the State or held in trust by the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities’ 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 Office of the Comptroller – Fiscal Officer Responsibilities’ compliance with specified requirements.

As described in findings 10-1, 10-3 and 10-4 in the accompanying schedule of findings, the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities did not comply with requirements regarding statutory mandated transfer of funds, and as described in finding 10-2 did not comply with the terms of the bond sale order related to the issuance of State of Illinois general obligation bonds. Compliance with such requirements is necessary, in our opinion, for the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2010.

Internal Control

The management of the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities 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 Office of the Comptroller – Fiscal Officer Responsibilities’ 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities’ internal control over compliance.

A *deficiency* in an entity’s internal control over compliance exists when the design or operation of a control over compliance 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 over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that 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.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies

as described in the accompanying schedule of findings as item 10-4. A *significant deficiency over compliance* 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.

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

The State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities’ responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the State of Illinois Office of the Comptroller – Fiscal Officer Responsibilities’ responses and, accordingly, we express no opinion on the responses.

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 2010 Supplementary Information for State Compliance Purposes, except for the Schedule of Interest Paid on Late Vendor Payments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

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

Sikich LLP

Decatur, Illinois
April 29, 2011

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES

SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
Year Ended June 30, 2010

10-1. **FINDING** (Late Payment of Statutorily Mandated Transfers)

The Office of the Comptroller (Comptroller) did not make all statutorily mandated transfers from the General Revenue Fund within established timeframes, as required.

The Comptroller had a system in place to identify and record inter-fund transfers it was required to make. During the fiscal year ended June 30, 2010, the Comptroller timely recorded within the Statewide Accounting Management System (SAMS) the receivables and related payables for transfers of money in the State Treasury to be made between State of Illinois' funds. However, not all transfers were made timely. During fiscal year 2010, we noted 289 transfers from the General Revenue Fund to various other funds that were made greater than 30 days after the statutorily mandated transfer date. Transfers that were made between one and 30 days after the statutorily mandated transfer date were excluded from the information provided in this finding. The following summary concerning late payment of statutorily mandated transfers from the General Revenue Fund highlights the increase in delays of making such transfers in fiscal year 2010 compared to fiscal year 2009:

| | Fiscal Year 2010 | Fiscal Year 2009 |
|--|------------------|------------------|
| • Number of late transfers | 289 transfers | 223 transfers |
| • Range of days transfers were late | 31 to 525 days | 31 to 203 days |
| • Total volume of late transfers, in dollars | \$2.0 billion | \$1.5 billion |
| • Late transfers outstanding at June 30, paid during lapse period* | \$941.8 million | \$184.6 million |

*(Lapse period for fiscal year 2010 was from July 1 through December 31. For fiscal year 2009, lapse period was from July 1 through August 31.)

Comptroller management stated that the late payment of transfers occurred because of cash management decisions and prioritization that was required due to the lack of available cash in the State Treasury.

Failure to make inter-fund transfers within applicable timeframes represents noncompliance with State law, and untimely transfers of monies may have delayed the receiving fund's use of appropriated funds. (Finding Code No. 10-1, 09-1)

RECOMMENDATION

We recommend the Office of the Comptroller make transfers within timeframes established by applicable statute. While we realize that lack of available funds in the State Treasury requires prioritization and cash management decisions, we recommend the Office of the Comptroller continue in its efforts to make transfers in as timely manner as possible.

AGENCY RESPONSE

We concur. The Office will continue in its efforts to make transfers in as timely manner as possible.

10-2. **FINDING** (Noncompliance with General Obligation Financing Provisions)

Pursuant to Public Act 96-44, the Office of the Comptroller (Comptroller) transferred general obligation bond proceeds from the Coal Development Fund for general operating expenses of the State of Illinois (State). The transfer of the bond proceeds for operating expenses of the State represents noncompliance with the terms of the bond sale order related to the issuance of State of Illinois general obligation bonds.

As authorized by the General Obligation Bond Act (Bond Act) (30 ILCS 330/7) the State issued general obligation bonds to provide funds for coal and energy development as well as certain other capital purposes. During fiscal year 2010, the State issued general obligation bonds including one issuance totaling \$400 million. Pursuant to the Bond Act and the terms of the bond issuance, \$20.7 million bond proceeds from this sale was deposited into the Coal Development Fund. During fiscal year 2010, the Comptroller executed quarterly transfers totaling \$320 thousand paid from the Coal Development Fund to the General Revenue Fund for operating expenses of the State pursuant to Public Act 96-44.

Section 6 (f) (1) and (2) of the State's *General Obligation Bonds, Series A of September, 2009*, bond sale order states that the portion of the bond proceeds sold for coal development financing are to be deposited in the Coal Development Fund and used for the following purposes specified in the Bond Act (30 ILCS 330/7 (d) and (e)) : 1) to provide financial assistance to certain new electric generating facilities, 2) for the purpose of facility cost reports prepared for not more than one clean coal facility and one clean coal SNG (synthetic natural gas) facility, and 3) development costs pursuant to the Illinois Coal Resurgence Program. Neither the terms delineated in the bond sale nor the Bond Act provide for the use of the bond proceeds for purposes other than stated above, with the exception that the bond sale order allows that payment of the costs of issuance and sale of the bonds may be made from the proceeds. However, the terms of the bond require that if proceeds are used for payment of issuance costs, the amount for each purpose for which the bonds were issued must be ratably adjusted, and in no event shall salaries of State employees or other State office operating expenses be paid out of non-appropriated proceeds (Section 6 (g) of the bond sale order).

The Comptroller made the above described transfers pursuant to the mandate from Public Act 96-44 which directed these, and other transfers be made "in order to maintain the integrity of special funds and improve stability in the General Revenue Fund" and that the transfers should be made "notwithstanding any other provision of State law to the contrary" (30 ILCS 105/8.49 (a)). Public Act 96-44 allowed for the return of money transferred from the Coal Development Fund, and other funds, only in the event that the fund was unable to expend appropriated amounts as a result of insufficient cash balances. Comptroller staff stated that they contacted the Governor's Office of Management and Budget before the transfers were completed and discussed seeking authority to initiate a transfer reversal. The Comptroller also footnoted the transfers on its monthly bond reports.

Use of bond proceeds for purposes not in compliance with and authorized by the Bond Act and the terms of the debt issuance could result in accelerated repayment if required by the bondholders and could also jeopardize the State's ability to obtain future financing. (Finding Code No. 10-2)

RECOMMENDATION

We recommend that the Office of the Comptroller coordinate with the Director of the Governor's Office of Management and Budget regarding possible resolutions to the transfers made to the General Revenue Fund, and if necessary, seek a formal opinion from the Attorney General.

AGENCY RESPONSE

We concur. The Office will work with Governor's Office of Management and Budget, and if necessary, consult with the Attorney General regarding resolution of this matter.

10-3. **FINDING** (Noncompliance with Mandated Capital Projects Fund Transfer Requirement)

The Office of the Comptroller (Comptroller) did not record transfers from the Capital Projects Fund due to the General Revenue Fund during the year ended June 30, 2010, at the statutorily required amounts as a result of insufficient revenues of the Capital Projects Fund.

During fiscal year 2010, the Capital Projects Fund (Fund #694 in the Statewide Accounting Management System) was created to receive and disburse money for capital projects as well as to provide funding for debt service requirements on related debt. The legislation creating the fund (30 ILCS 105/6z-77) also required specific amounts of transfers to be made from the Capital Projects Fund to the General Revenue Fund. For fiscal year 2010, \$245,178,200 of transfers were mandated to be paid to the General Revenue Fund, however, only \$110,294,550 were actually recorded and paid. The remaining unpaid amount of \$134,883,650 at June 30, 2010 was not recorded in the State's accounting records as being owed from the Capital Projects Fund to the General Revenue Fund.

Generally accepted governmental accounting principles require that transfers be recorded in the period in which the interfund receivable and payable arise (GASB Statement No. 34, paragraphs 407 through 410, and NCGA Statement No. 1, paragraphs 57 and 75). Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system of internal fiscal controls to provide assurance that "revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources."

Comptroller personnel stated that the revenue sources of the Capital Projects Fund were not at the level anticipated when the legislation was enacted. Two of the revenue sources for the Capital Projects Fund (legalized video gambling and expanded lottery sales) did not begin in fiscal year 2010 as originally anticipated, some of the revenues from the increase in the liquor tax are being diverted to a protest fund pending the outcome of litigation and initial revenues from the increase in motorist fees were lower than expected. Total revenue for the Capital Projects Fund for fiscal year 2010 was only \$174.1 million. During fiscal year 2010, the Comptroller also transferred \$39.7 million to the General Obligation Bond Retirement and Interest Fund, \$4.2 million to the Build Illinois Bond Retirement and Interest Fund and \$388 thousand to the Road Fund. The cash balance in the Capital Projects Fund at June 30, 2010 after making these transfers and the transfers to the General Revenue Fund was \$19.5 million.

Failure to record amounts owed from the Capital Projects Fund to the General Revenue Fund for the amounts specified by law represents noncompliance and does not provide an accurate and complete accounting for those funds. (Finding Code No. 10-3)

RECOMMENDATION

We recommend the Office of the Comptroller record all required Capital Projects Fund transfers as mandated by the General Assembly.

AGENCY RESPONSE

We concur. The required Capital Projects Fund transfers have been recorded in our accounting records.

10-4. **FINDING** (Failure to Repay Budget Stabilization Fund)

The Office of the Comptroller (Comptroller) did not repay loans totaling \$275.7 million made from the Budget Stabilization Fund (Fund) by June 30, 2010, as required, nor was a liability recorded in the General Revenue Fund for its obligation to repay the loans.

The Budget Stabilization Fund was established to provide resources as a means for addressing budgetary shortfalls. The Comptroller is authorized to make transfers from the Fund to the General Revenue Fund to meet cash flow deficits resulting from timing variations between disbursements and the receipt of revenues. All such transfers are required to be repaid by June 30 of each fiscal year (30 ILCS 105/6z-51). Transfers from the Fund were deemed necessary and executed by the Comptroller for fiscal year 2010. However, the Fund was not repaid the \$275.7 million by June 30, 2010. Furthermore, a liability for the obligation of the General Revenue Fund to repay the Budget Stabilization Fund was not recorded in the Statewide Accounting Management System (SAMS) as of June 30, 2010.

Comptroller management stated that the Fund was not repaid because of the severe shortage of available funds with which to pay immediate obligations of the State. The liability to the Budget Stabilization Fund was recorded in July and the fund was repaid in December, 2010.

Failure to repay the Budget Stabilization Fund by June 30 represents noncompliance with Illinois statutes, and not recording a liability in the General Revenue Fund could lead to oversight of the necessary repayment requirement. (Finding Code No. 10-4)

RECOMMENDATION

We recommend the Office of the Comptroller ensure that monies transferred from the Budget Stabilization Fund are repaid annually by June 30 as required. Furthermore, the obligation to repay the loan should be reported in SAMS.

AGENCY RESPONSE

We concur. The liability was recorded in our accounting records and the loan was repaid to the Budget Stabilization Fund.

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES

PRIOR FINDINGS NOT REPEATED
Year Ended June 30, 2010

A FINDING (Warrants Issued After Fiscal Year Limitation)

The Office of the Comptroller (Office) did not issue all fiscal year 2009 warrants by August 31, 2009 as required by the State Finance Act (30 ILCS 105/25 (b)).

For fiscal year 2010, the Office obtained legislative authority to enable it to pay outstanding liabilities of the State after August 31 when such liabilities have been incurred and appropriately submitted for payment to the Comptroller during the two month lapse period. (Finding Code No. 09-2)

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2010

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Analysis of Operations
 - Agency Functions and Planning Program
 - Schedule of Interest Paid on Late Vendor Payments (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Schedule of Interest Paid on Late Vendor Payments, on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Year Ended June 30, 2010

Office Functions

The Office's "Fiscal Officer Functions," as set forth in the Illinois Compiled Statutes (ILCS), are as follows:

1. Development and maintenance of a uniform accounting system for the use of all State agencies (15 ILCS 405/7).
2. Preaudit of invoice-vouchers to verify that adequate documentation and sufficient unexpended appropriations exist before a state warrant is drawn (15 ILCS 405/9).
3. Authorization of payment into and out of funds held by the State Treasurer and establishment and dissolution of all State "Imprest" and/or "Petty Cash" funds (various references).
4. Storage and retrieval of State financial records including invoice-vouchers and supporting documents, payrolls, contracts, leases and canceled warrants (various references).
5. Accumulation and reporting of State agencies' financial information regarding funds held by the State Treasurer, receipts and expenditures of locally held funds, fixed assets, accounts receivable and bonded indebtedness (various references).
6. Dissemination of Statewide fiscal information to constitutional officers and the general public through the preparation of periodic financial reports (various references).

Budgeting

Planning and budgeting of the Comptroller's Office begins at the Senior staff level. To begin the process, each year in late September the Director of Budget and State Officers Payroll solicits budget information from the Chief of Staff and the three Assistant Comptrollers. The Assistant Comptrollers will obtain from Departmental Directors information on operational needs, initiatives and resource levels needed. Typically, the Departmental Director begins with the current cost to maintain current levels of services. He/she will then adjust this amount to arrive at the current year's budget proposal. Decreases from current costs may be made when inefficient or duplicative functions are identified. Increases are first made for required additions to services or cost increases. Further additions are prioritized and built upon the required increases in step fashion as in zero-based budgeting. In determining the current year's budget, the Departmental Director will request input from his staff managers and supervisors. Other considerations when determining increases and decreases include determining adequacy of the present staffing, possible salary increases, and any new departmental changes in procedures which may require both financial and human resources. Once departmental budgets are completed, they are returned to the Director of Budget and State Officers Payroll.

The Director of Budget and State Officers Payroll in conjunction with the Budget Review Committee, reviews each department's needs and prepares a recommendation report for amendments to various budget line items. The recommendations are sent to the Comptroller. After a preliminary meeting with appropriate staff to discuss the recommendations, the Budget Review Committee meets with the Comptroller for a final review of the budget. Once the Comptroller has approved the Office's budget, it is presented to the Governor's Office of Management and Budget, which will include it in the State Budget Book.

The Comptroller will present the Office's budget to the General Assembly. The final budget as approved by the General Assembly and signed into law by the Governor is returned to the Comptroller where the Fiscal Officer allocates the money actually appropriated to the Office for the year. This process is normally

concluded in June.

All Departmental Directors may monitor their allocation via SAMS at any time. The Directors are responsible for reporting potential budget issues to the office budget staff. The budget staff reviews all office expenditures on an ongoing basis to ensure adherence to the strategic budget plan.

Strategic Long Range Plan

Management conducts strategic planning by continually monitoring and evaluating adherence of Office activities to overall short and long-term objectives. The overall objectives are based on the following general goals:

1. To increase the effectiveness of manual processes which cannot be eliminated and enhance the usefulness and timeliness of work results as well as reduce associated costs.
2. To increase the effectiveness of automated processes by enhancing the usefulness and timeliness of information as well as reduce the associated costs.
3. To increase the efficiency of the Comptroller's various facilities in order to enhance the effectiveness of overall activities.
4. To maintain a quality work force through the recruitment, selection and training process.

These goals are consistent with the Office's main mission i.e., to provide fiscal information for the purpose of promoting the integrity of public policy decisions, and to efficiently manage and report on the State's accounts.

The Office's key programmatic priorities and strategic objectives are as follows.

1. Continue enhancing the effective operation of Statewide Accounting and Financial Reporting System, namely:
 - a. Continue improving efficiencies in the Payroll Offset System.
 - b. Develop strategies for enhanced integration with State agencies' accounting systems, with the goal of creating efficiencies between systems.
 - c. Increase volume of paperless transactions and resultant cost efficiencies.
 - d. Enhance information management capabilities.
 - e. Increase participation of State payees in Electronic Commerce Program.
2. Maintain and improve the working relationships with State agencies on Financial Reporting, Payroll, and Administrative Issues.
 - a. Continue providing education and training to State agencies on GAAP Accounting.
 - b. Analyze policies and procedures utilized by agencies for reporting purposes and develop strategies for greater efficiencies.
 - c. Improve information collection of treasury held funds and locally held funds databases.
3. Efficient management of Cemetery Care and Burial Trust Division responsibilities. (This is a non-fiscal officer function.)
 - a. Increase scrutiny of licensees related to oversight of trust funds and maintenance of facilities.
 - b. Maintain training opportunities for personnel assigned to oversight functions.
 - c. Improve and regularly evaluate division database to increase information management capabilities.
4. Public Accountability Program (Service Efforts and Accomplishments – SEA)

- a. Continue to refine the accountability of the reporting of performance measures for programs administered by state agencies.
5. Maintain collaboration with Judiciary to enhance administration of Court Reporters Compensation System. (This is a non-fiscal officer function.)
 - a. Improve Court Reporter timekeeping systems.
 - b. Increase automation of the Court Reporter Payroll.
 - c. Enhance / improve the processing and administration of Court Reporters Workers Compensation Cases.

As a mechanism for evaluating Office activities in relation to strategic objectives, the Office has developed a project management infrastructure for SAMS and an Internal Service Efforts and Accomplishments (S.E.A.) Public Accountability Program. These mechanisms include formal guidelines for the review, coordination, and approval of activities and include participation by upper administration personnel.

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
For the Year Ended June 30, 2010

SCHEDULE OF INTEREST PAID ON LATE VENDOR PAYMENTS (NOT EXAMINED)

| | |
|---|---------------|
| Department of Healthcare and Family Services | \$ 32,937,309 |
| Department of Human Services | 12,089,244 |
| Department of Corrections | 6,569,137 |
| Department of Central Management Services | 3,238,666 |
| State Board of Education | 1,922,931 |
| Department on Aging | 944,837 |
| Department of State Police | 644,359 |
| Office of the Secretary of State | 539,000 |
| Department of Juvenile Justice | 428,152 |
| Supreme Court | 361,060 |
| Department of Commerce and Economic Opportunities | 303,642 |
| Capital Development Board | 293,681 |
| Department of Children and Family Services | 280,829 |
| Court of Claims | 278,170 |
| Illinois Mathematics and Science Academy | 158,499 |
| Department of Natural Resources | 140,831 |
| Department of Revenue | 138,195 |
| General Assembly | 137,882 |
| Department of Public Health | 114,363 |
| Office of the Comptroller | 110,025 |
| Department of Agriculture | 106,376 |
| Legislative Information System | 81,146 |
| University of Illinois | 70,072 |
| Office of the Attorney General | 62,163 |
| Office of the State Appellate Defender | 56,309 |
| Department of Transportation | 38,670 |
| Department of Military Affairs | 32,487 |
| Office of the Treasurer | 25,827 |
| Department of Veterans' Affairs | 24,072 |
| Office of the Governor | 23,500 |
| Architect of the Capitol | 20,963 |
| State Board of Elections | 20,353 |
| Office of the Inspector General | 17,309 |
| Legislative Printing Unit | 16,178 |
| Office of the Auditor General | 16,013 |
| Illinois Power Agency | 15,602 |

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
For the Year Ended June 30, 2010

SCHEDULE OF INTEREST PAID ON
LATE VENDOR PAYMENTS (NOT EXAMINED) - CONTINUED

| | | |
|--|----|--------------------------|
| Illinois Historic Preservation Agency | \$ | 14,026 |
| Office of the State's Attorneys Appellate Prosecutor | | 11,173 |
| Illinois Board of Higher Education | | 9,156 |
| Legislative Reference Bureau | | 8,089 |
| Government Forecasting and Accountability | | 6,895 |
| Illinois Criminal Justice Information Authority | | 5,503 |
| State University Civil Service Merit Board | | 2,856 |
| Illinois Labor Relations Board | | 2,643 |
| Emergency Management Agency | | 2,564 |
| Legislative Research Unit | | 2,384 |
| Illinois Guardian and Advocacy Commission | | 2,210 |
| Executive Ethics Commission | | 1,872 |
| Deaf and Hard of Hearing Commission | | 1,398 |
| Civil Service Commission | | 1,268 |
| Joint Committee on Administrative Rules | | 653 |
| State Police Merit Board | | 615 |
| Department of Labor | | 609 |
| Northeastern Illinois University | | 530 |
| Education Labor Relations Board | | 213 |
| Procurement Policy Board | | 82 |
| Prisoner Review Board | | 47 |
| Financial & Professional Regulation | | 31 |
| Legislative Audit Commission | | 17 |
| Legislative Ethics Commission | | 9 |
| Department of Insurance | | 7 |
| Racing Board | | 5 |
| | | <hr/> |
| Total Interest Paid on Late Vendor Payments | \$ | <u><u>62,332,707</u></u> |

The State Prompt Payment Act (30 ILCS 540/3-2(1)) requires State agencies to pay interest on vendor bills which are paid late. Bills were considered to have been paid late if payment was not made within 60 days after receipt of a proper bill.