



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES

State Compliance Examination
 For the Two Years Ended June 30, 2021

Release Date: July 6, 2022

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2019		21-05	
Category 2:	2	4*	6	2017		21-03	
Category 3:	0	0	0	2011		21-02	
TOTAL	2	4	6	2003		21-04	
FINDINGS LAST AUDIT: 5							

* Finding 2 was last reported in 2015. The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance for the two years ended June 30, 2017 and the two years ended June 30, 2019, contained a scope limitation on compliance and internal control over unclaimed property. No such scope limitation is included in the Independent Accountant’s Report on State Compliance on Internal Control Over Compliance for the two years ended June 30, 2021.

SYNOPSIS

- (21-1) The Office of the Treasurer did not exercise adequate control over the capitalization and subsequent depreciation of a newly acquired building resulting in inaccurate property reporting.
- (21-2) The Office of the Treasurer did not exercise adequate control over unclaimed property (UP) inventory and reconciliations.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

LACK OF CONTROLS OVER STATE PROPERTY REPORTING

The Office of the Treasurer (Treasurer) did not exercise adequate control over the capitalization and subsequent depreciation of a newly acquired building resulting in inaccurate property reporting.

During our review of the Form SCO-538 – Capital Asset Summary (SCO-538), we noted the following deficiencies:

The Capital Asset Summary (SCO-538) did not appropriately reflect the ending asset balance for buildings as of June 30, 2020 or June 30, 2021

- The Illinois Office of Comptroller (IOC) version SCO-538, which is the version including revisions made by IOC after initial agency submission, and for testing purposes, considered the final version of the SCO-538, did not appropriately reflect the ending asset balance for buildings as of June 30, 2020 or June 30, 2021. The Office's C-15 and underlying support accurately reported the buildings value as \$1,986,000.68 and \$6,076,112.68 as of June 30, 2020 and June 30, 2021, respectively. The SCO-538 incorrectly reported the value of buildings as \$2,090,000 and \$6,362,000 as of June 30, 2020 and June 30, 2021, respectively.

The Office overstated depreciation by approximately \$126,787

- The Office depreciated the building using the straight-line depreciation method; however, the Office did not utilize a placed in-service month/Capital Development Board (CDB) transfer month as the start date for depreciation and rather depreciated the building for one full year. As a result, the Office overstated depreciation by approximately \$126,787. (Finding 1, pages 10-11)

We recommended the Office implement adequate controls over capitalization and depreciation of capital assets.

The Office accepted the recommendation

The Office accepted the recommendation and stated they are working with the IOC to correct the Capital Asset Summary (SCO-538).

LACK OF CONTROLS OVER UNCLAIMED PROPERTY

The Office of the Treasurer (Office) did not exercise adequate control over unclaimed property (UP) inventory and reconciliations.

During our examination, we noted the following deficiencies pertaining to unclaimed property:

Two tangible items selected for testing were no longer held by the Office

- Two of 60 (3%) tangible items selected as held in the Office's unclaimed property vault as of June 30, 2021 were no longer held by the Office and had been sold or destroyed in a prior year.

Reconciliations were not completed in a timely manner

- Two of two (100%) mutual fund reconciliations and one of three (33%) security share reconciliations tested were not completed in a timely manner ranging from 112 to 311 days after month end. The December 2019 and June 2020 mutual fund reconciliations were completed 240 and 311 days after month end, respectively. The June 2020 share reconciliation was completed 112 days after month end.

Unclaimed Property Management Systems reconciliations were not completed in a timely manner

- One of three (33%) cash reconciliations and one of three (33%) security share reconciliations did not have an identifiable date of reconciliation or review to determine timeliness of completion.
- The Office did not reconcile the Unclaimed Property Management System (KAPS) expenditures for unclaimed property claims disbursements to Illinois Office of Comptroller expenditure records in Fund 482, Unclaimed Property Trust Fund, in a timely manner. For Fiscal Year 2021, the Office had not reconciled the months of February 2021 through June 2021 as of April 30, 2022. (Finding 2, pages 12-13) **This finding has been repeated since 2011*. (*See note on cover page.)**

We recommended the Office enhance its controls over the safeguarding of unclaimed property to ensure policies and procedures are followed. Further, we recommended the Office improve controls over reconciliation completion and review.

The Office accepted the recommendation.

The Office accepted the recommendation and stated they will review their processes to improve controls.

OTHER FINDINGS

The remaining findings pertain to monthly reconciliations, the Office's personnel policies and procedures, Agency Fee Imposition Reports, and controls over petty cash. We will review the Office's progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Office of the Treasurer, Nonfiscal Officer Responsibilities, for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants stated the Office complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Crowe LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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