



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES

Compliance Examination
For the Two Years Ended: June 30, 2011

Release Date: May 2, 2012

Summary of Findings:

Total this report	3
Total last report	2
Repeated from last report:	1

SYNOPSIS

- The State of Illinois Office of the Treasurer (Office) has not established adequate policies and procedures related to certain operations within the unclaimed property division.
- The Office did not document or support changes made to the initial payroll allocation which is used to determine the operating budgets for specific functional areas.

{Financial data is summarized on the reverse page.}

OFFICE OF THE TREASURER - NONFISCAL OFFICER RESPONSIBILITIES

COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2011

EXPENDITURE STATISTICS	2011	2010	2009
Total Expenditures (All Funds).....	\$ 4,461,782,632	\$ 5,767,382,287	\$ 3,323,974,953
Appropriated Expenditures.....	\$ 4,326,182,979	\$ 5,632,084,637	\$ 3,201,806,024
% of Total Expenditures.....	97.0%	97.7%	96.3%
General Revenue Fund -001 & State Pension Fund - 054			
Personal Services.....	\$ 7,377,090	\$ 7,283,933	\$ 6,945,875
Other Payroll Costs (FICA, Retirement).....	2,162,050	2,105,868	2,854,050
Inspector General.....	128,084	222,854	259,130
Refunds.....	8,500,000	8,500,000	11,249,403
All Other Operating Expenditures.....	4,426,098	4,136,886	4,248,086
Total Expenditures - General Revenue & State Pension.....	<u>\$ 22,593,322</u>	<u>\$ 22,249,541</u>	<u>\$ 25,556,544</u>
General Obligation Bond Fund -101			
Payment of Principal.....	\$ 2,954,355,030	\$ 2,887,464,753	\$ 2,011,151,143
Payment of Interest.....	1,327,718,494	1,099,140,822	1,133,051,985
Payment to Escrow Agent.....	-	1,599,226,096	-
Total Expenditures - General Obligation Bond Fund.....	<u>\$ 4,282,073,524</u>	<u>\$ 5,585,831,671</u>	<u>\$ 3,144,203,128</u>
Bank Services Trust Fund -373			
Total Payments for Banking Services.....	\$ 4,012,691	\$ 5,105,560	\$ 5,738,250
Capital Litigation Trust Fund -614			
Total Payments of Capital Litigation.....	\$ 10,486,233	\$ 4,576,097	\$ 8,690,343
Matured Bond and Coupon Fund -625			
Total Payments of Matured Bonds and Interest.....	\$ 167,500	\$ 29,000	\$ 99,956
Budget Relief Fund -678			
Total Lump Sum Payments.....	\$ -	\$ -	\$ 799,481
Estate Tax Collections Distributive Fund -815			
Total Payments to Counties.....	\$ 6,849,709	\$ 14,292,768	\$ 16,718,322
Nonappropriated Expenditures.....	\$ 135,599,653	\$ 135,297,650	\$ 122,168,929
% of Total Expenditures.....	3.0%	2.3%	3.7%
IPTIP Administrative Trust Fund -195.....	\$ 2,792,468	\$ 2,837,453	\$ 2,891,995
Protest Fund -401.....	\$ 58,008,855	\$ 58,795,707	\$ 40,827,237
Unclaimed Property Trust Fund -482.....	\$ 67,222,933	\$ 72,149,597	\$ 77,160,803
Municipal Economic Development Fund -650.....	\$ 379,827	\$ 454,982	\$ 308,810
College Savings Plan Administration Fund -668.....	\$ 1,104,858	\$ 1,047,634	\$ 980,084
Administration Chamber vs. Filan Fund -837.....	\$ 1,003,000	\$ 12,277	\$ -
Claims Fund - Chamber vs. Filan Fund -847.....	\$ 3,228,790	\$ -	\$ -
Convention Center Support Fund -933.....	\$ 1,858,922	\$ -	\$ -
Average Number of Employees.....	180	184	186
SELECTED ACTIVITY MEASURES (not examined)	2011	2010	2009
Number of Warrants Issued.....	7,696,559	7,811,230	7,867,518
Number of Warrants Paid.....	7,672,943	7,528,693	7,740,834
Amount of Unclaimed Property Remittances Received.....	\$ 157,781,106	\$ 163,520,070	\$ 163,520,070
Number of Unclaimed Property Claims Paid.....	47,127	42,037	37,715
Amount of Unclaimed Property Claims Paid.....	\$ 90,645,539	\$ 79,739,173	\$ 86,374,015
TREASURER			
During Examination Period: Honorable Alexi Giannoulis (ending 1-10-2011), Honorable Dan Rutherford (beginning 1-10-2011)			
Currently: Honorable Dan Rutherford			

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**UNCLAIMED PROPERTY POLICIES AND
PROCEDURES**

During testing the auditors inquired of Office staff about various policies and procedures associated with the unclaimed property function. Auditors noted a lack of detailed policies and procedures in the following areas:

Policies and procedures related to selection of unclaimed items to be sold and transfer of firearms not sufficiently detailed

- The Office does not have sufficiently detailed documented policies and procedures addressing the selection of unclaimed property items to be sold or the timeframe in which to transfer firearms received as unclaimed property to the State Police. During testing auditors observed 1 of the 4 firearms in the vault had been there for 554 days.

Policies and procedures regarding what unclaimed items are disposed of (discarded) are insufficient

- There are insufficient policies and procedures regarding the disposal, (items to be discarded), of unclaimed property. The Unclaimed Property Act allows the Office to dispose of items that have no value, or are of less value than what it would cost to sell the item. Currently, the decision to dispose of items is made by employees responsible for opening and storing the items as they are received. These employees use only their own judgment in determining what items lack value, and are to be thrown away.

No policies or procedures on which items are stored in the inner or outer vault

- There are no documented policies or procedures addressing which items are stored in the inner vault, as opposed to the outer vault. Current practice is to use space that is available regardless of location or value of the unclaimed property.

Safes found unlocked during a surprise observation

Additionally, during a surprise observation of the unclaimed property secured storage areas auditors found 28 of the 42 (67%) safes were unlocked. Office personnel indicated they were in the process of viewing all individual safes to determine availability of storage for current and future inventory when the auditors noted the open safes.

The Office has a fiduciary responsibility to safeguard unclaimed property. All safes and file cabinets should be locked unless Office staff are filing, storing or retrieving unclaimed property items. (Finding Code No. 11-1, pages 9-11)

We recommended the Office adopt formal documented policies and procedures and enhance its controls over the safeguarding of unclaimed property.

Treasurer agrees with auditors

The Treasurer agreed with the finding and recommendation.

CHANGES TO PAYROLL ALLOCATION NOT SUPPORTED OR DOCUMENTED

No documentation to support adjustments to payroll allocations to certain functional areas

During testing auditors noted there was no documentation available to support why adjustments (increases or decreases) were made to the initial payroll allocation to certain functional areas. In order to substantiate the true cost of providing services and/or activities, to the functional areas, all costs associated with those services and activities need to be properly documented, supported and ultimately measured and reported in the appropriate fund.

Expenses from some functional areas required to be paid from that functions earnings

Adequate internal controls would be to maintain support or documentation for the changes to the initial payroll allocation including specific reasoning for any changes. Because administrative expenses of some of the functional areas are required to be paid from their specific earnings (College Savings Program and Illinois Funds), support and documentation should be maintained for any changes related to expenditures from those areas. Under the present system, there is the risk that one fund may be subsidizing one or more other fund's payroll costs or using General Revenue funds to pay costs that could be paid from other funds.

Office management stated that adjustments and approvals were documented; however detailed documentation of conversations and conclusions were not maintained. (Finding Code No. 11-3, page 14)

We recommended the Office maintain support and documentation for any changes (increases or decreases) to the initial payroll allocation.

Treasurer agrees with auditors

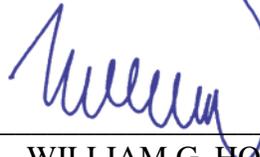
The Treasurer agreed with the finding and recommendation.

OTHER FINDING

The remaining finding pertains to conducting employee performance appraisals and compliance with ethics policies and procedures. We will review the Office's progress toward the implementation of our recommendation in our next examination.

AUDITORS' OPINION

Our special assistant auditors conducted a compliance examination of the Treasurer's Nonfiscal Officer Responsibilities as required by the Illinois State Auditing Act. The accountant's report does not contain any scope limitations, disclosures or other significant non-standard language.



WILLIAM G. HOELAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

McGladrey & Pullen LLP were our special assistant auditors for this engagement.