



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES

**Compliance Examination
 For the Two Years Ended June 30, 2017**

Release Date: April 19, 2018

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2015		17-3	
Category 2:	1	2	3	2003		17-2	
Category 3:	0	0	0				
TOTAL	1	2	3				
FINDINGS LAST AUDIT: 3							

INTRODUCTION

The independent accountant's report on State compliance, on internal control over compliance and on supplementary information for State compliance purposes on the Illinois Office of the Treasurer for the two years ended June 30, 2017 includes a scope limitation. Accountants were unable to examine the unclaimed property division of the Illinois Office of the Treasurer at the request of law enforcement and investigatory authorities in order to avoid interference with an ongoing investigation and related legal proceedings.

SYNOPSIS

- (17-1) The Illinois Office of the Treasurer did not maintain adequate controls over monthly appropriation, cash receipt and cash balance reconciliations.
- (17-2) The Illinois Office of the Treasurer did not consistently conduct employee performance appraisals as required by Office policies.

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.

{Expenditures and Activity Measures are summarized on next page.}

**OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017**

EXPENDITURE STATISTICS	2017	2016	2015
Total Expenditures	\$ 5,104,703,253	\$ 3,408,259,962	\$ 3,898,764,767
OPERATIONS TOTAL.....	\$ 190,873,977	\$ 185,617,880	\$ 180,529,376
% of Total Expenditures.....	3.7%	5.4%	4.6%
Personal Services *.....	11,335,321	10,387,187	7,706,641
Other Payroll Costs (FICA, Retirement) *.....	6,000,048	5,463,868	3,287,175
All Other Operating Expenditures.....	173,538,608	169,766,825	169,535,560
AWARDS AND GRANTS.....	\$ 250,663	\$ -	\$ 354
% of Total Expenditures.....	0.0%	0.0%	0.0%
DEBT SERVICE.....	\$ 4,742,793,180	\$ 3,062,345,882	\$ 3,550,332,345
% of Total Expenditures.....	92.9%	89.9%	91.1%
REFUNDS.....	\$ 170,785,433	\$ 160,296,200	\$ 167,902,692
% of Total Expenditures.....	3.4%	4.7%	4.3%
Total Receipts	\$ 332,246,282	\$ 330,600,636	\$ 398,930,657
Average Number of Employees (Not Examined)	179	170	160

SELECTED ACTIVITY MEASURES	2017	2016	2015
Number of warrants issued.....	3,066,080	2,879,015	3,390,276
Number of warrants paid.....	2,978,191	2,765,756	3,278,167
Amount of unclaimed property remittances received.....	\$ 260,553,830	\$ 254,001,887	\$ 233,379,369
Number of unclaimed property claims paid.....	58,028	53,375	61,611
Amount of unclaimed property claims paid.....	\$ 159,044,376	\$ 155,088,149	\$ 150,288,218

TREASURER

During Examination Period: Honorable Michael W. Frerichs
Currently: Honorable Michael W. Frerichs

* - In fiscal year 2015, Funds 0195 and 0668 costs were presented as other operating costs. In fiscal years 2016 and 2017 the amounts have been presented by major object code.

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

LACK OF CONTROLS OVER MONTHLY RECONCILIATIONS

Controls over monthly reconciliations need improvement

The Illinois Office of the Treasurer (Treasurer's Office) did not maintain adequate controls over monthly appropriation, cash receipt, and cash balance reconciliations.

The Treasurer's Office expended \$3.408 billion and \$5.105 billion and receipted \$334.189 million and \$332.747 million in Fiscal Years 2016 and 2017, respectively. During our sample testing of Fiscal Year 2016 and 2017 reconciliations between Illinois Office of the Comptroller (IOC) records and Treasurer's Office records, we noted the following:

Separation of duties between the reconciliation preparer and reviewer was not always documented

- Three of six (50%) Monthly Appropriation Status Report (SB01) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for one or both parties.
- Two of six (33%) Monthly Cash Report (SB05) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for the individual reviewing the reconciliation.
- One of six (17%) Monthly Revenue Status Report (SB04) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for the individual reviewing the reconciliation. (Finding 1, pages 9-10)

We recommended the Treasurer's Office document the separation of duties over preparation and review of appropriation, cash receipt, and cash balance reconciliations.

The Treasurer's Office agrees with auditors

The Treasurer's Office accepted our recommendation.

NONCOMPLIANCE WITH TREASURER'S OFFICE PERSONNEL POLICIES AND PROCEDURES

The Illinois Office of the Treasurer (Treasurer's Office) did not consistently conduct employee performance appraisals as required by Office policies.

During our State compliance examination of employee personnel files, we noted some of the following issues:

Employee performance appraisals not consistently performed

- Five of nine (56%) employees eligible to receive a three and/or six month performance evaluation did not receive either evaluation.

Evaluations not signed timely

- Five of 25 (20%) annual performance evaluations tested were not signed timely after the evaluation end date, ranging from 30 to 97 days past the evaluation date.

Evaluations missing

- Twelve of 25 (48%) annual performance evaluations tested were missing from the employee personnel file. (Finding 2, pages 11-12) **This finding has been repeated since 2003.**

We recommended the Treasurer's Office ensure performance appraisals are conducted in a timely manner and in accordance with the Treasurer's Office's rules and policies.

The Treasurer's Office agrees with auditors

The Treasurer's Office accepted our recommendation and indicated they have implemented a new online electronic performance evaluation system to help streamline the process for supervisors. *(For the previous Treasurer's Office response, see Digest Footnote #1.)*

OTHER FINDING

The remaining finding pertains to the Treasurer's Office noncompliance with vehicle policies and procedures. We will review the Agency's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Treasurer's Office for the two years ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance due to a scope limitation. Accountants were unable to examine the unclaimed property division of the Treasurer's Office at the request of law enforcement and investigatory authorities in order to avoid interference with an ongoing investigation and related legal proceedings. Except for the scope limitation described in the report on State compliance, the accountants stated the Treasurer's Office complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by Crowe Horwath 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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DIGEST FOOTNOTES

**#1 - NONCOMPLIANCE WITH TREASURER'S OFFICE
PERSONNEL POLICIES AND PROCEDURES – prior
year response**

2015: The Treasurer accepts the finding and will continue to emphasize the importance of timely completion of annual performance evaluations. For the 6 missing evaluations, 1 employee is no longer with the office and the remaining 5 have since been completed.