

**STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES**

COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL, STATE OF ILLINOIS

**STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES**

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**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
JUNE 30, 2011**

TREASURER'S OFFICE OFFICIALS

Treasurer	Honorable Dan Rutherford (January 10, 2011- present) Honorable Alexi Giannoulis (through January 10, 2011)
Chief of Staff	Mr. Kyle Ham (January 10, 2011 – present) Ms. Robin Kelly (through December 27, 2010)
Executive Director of Finance Deputy Treasurer/CFO	Ms. Bridget Byron (March 23, 2012 – present) Mr. Edward Buckles (through December 31, 2011)
General Counsel	Mr. Paul Miller (through January 10, 2011) Ms. Maureen Lydon (January 10, 2011 – present)
Director of Accounting	Ms. Jessica Olive (February 1, 2011 – present) Vacant (June 16, 2010 – January 31, 2010) Ms. Mary Baksys (through June 15, 2010)
Inspector General Chief Internal Auditor	Mr. David Wells Ms. Barbara Ringler

The Office of the Treasurer started fiscal year 2011 with ten office locations; during the engagement period 6 offices were closed as noted below:

Executive Office
State Capitol
219 State House
Springfield, Illinois 62706

Programmatic (Closed 2/9/2011)
Effingham Office
401 Industrial Drive, Suite E
Effingham, Illinois 62401

Operational Divisions
Illinois Business Center
400 West Monroe
Springfield, Illinois 62704

Programmatic (Closed 2/9/2011)
Mt. Vernon Office
200 West Potomoc Boulevard
Mt. Vernon, Illinois 62864

Unclaimed Property & Other Divisions
Myers Building
1 W. Old State Capitol Plaza
Springfield, Illinois 62701

Programmatic (Closed 2/16/2011)
Rock Island Office
Rock Island County Office Building
1504 Third Avenue
Rock Island, Illinois 61201

Chicago Office & Personnel/Legal/
Programmatic
James R. Thompson Center
100 West Randolph Street
Suite 15-600
Chicago, Illinois 60601

Programmatic (Closed 2/15/2011)
Rockford Office
E.J. Zeke Giorgi Building
200 South Wyman Street
Rockford, Illinois 61101

Programmatic (Closed 2/7/2011)
Riverdale Office
13725 South Wabash Avenue
Riverdale, Illinois 60827

Programmatic (Closed 2/8/2011)
Collinsville Office
420 East Main Street
Collinsville, Illinois 62234



DAN RUTHERFORD
TREASURER
STATE OF ILLINOIS

April 6, 2012

McGladrey & Pullen, LLP
20 N. Martingale Road, Suite 500
Schaumburg, IL 60173-2420

Ladies and Gentlemen:

We are responsible for identification of, and compliance with, all aspects of laws, regulations, contracts, and grant agreements that could have a material effect on the operations of the State of Illinois, Office of the Treasurer (Treasurer) NonFiscal 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 Treasurer's compliance with the following assertions during the two-year period ended June 30, 2011. Based on this evaluation, we assert that during the two years ended June 30, 2011, the Treasurer has materially complied with the assertions below.

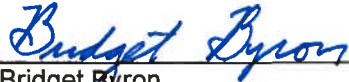
- A. The Treasurer has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Treasurer has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligations, expenditure, receipt or use.
- C. The Treasurer 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 Treasurer 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 Treasurer on behalf of the State or held in trust by the Treasurer have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

State of Illinois, Office of the Treasurer



Honorable Dan Rutherford
State Treasurer



Bridget Byron
Executive Director of Finance



Maureen Lydon
General Counsel

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
FOR THE TWO YEARS ENDED JUNE 30, 2011**

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</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	2
Repeated findings	1	1
Prior recommendations implementation or not repeated	1	1

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Findings (State Compliance)			
11-1	9	Controls over Unclaimed Property not Followed and Lack of Policies and Procedures	Significant Deficiency and Noncompliance
11-2	12	Noncompliance with Office Personnel Policies and Procedures	Significant Deficiency and Noncompliance
11-3	14	Changes to Payroll Allocation not Supported or Documented	Significant Deficiency and Noncompliance
Prior Finding Not Repeated (State Compliance)			
A	15	Computer Security Control Weaknesses	

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
YEAR ENDED JUNE 30, 2011**

COMPLIANCE REPORT SUMMARY (CONTINUED)

Exit Conference

The findings and recommendations in this report were discussed with Treasurer personnel at an exit conference on March 27, 2012. Attending were:

Office of the State Treasurer

Kyle Ham	Chief of Staff
Bridget Byron	Executive Director of Finance
Maureen Lydon	General Counsel
Barb Ringler	Chief Internal Auditor
Nick Barnard	Internal Auditor
Jessica Olive	Director of Accounting
Elizabeth Turner	Director of State Portfolio and Banking
Lori Ann Mitts	Director of Human Resources
Roxanna Hollenstine	Director of Unclaimed Property
Jason Emmett	Manager of Safekeeping and Securities
Debbie Price	Director of IT
Jodi Riley	Manager of Support Services
Nadine Jakubowski	Chicago Office Manager

Office of the Auditor General

Paul Usherwood	Audit Manager
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McGladrey & Pullen, LLP

Linda Abernethy	Partner
Sean Hickey	Manager
Sybil Thomas	Supervisor
Dan Sethness	Senior

The responses to the recommendations were provided by Ms. Barb Ringler in an email dated April 3, 2012.



**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
Springfield, Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Office of the Treasurer, NonFiscal Officer Responsibilities' (Treasurer) 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 two years ended June 30, 2011. The management of the Treasurer is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Treasurer's compliance based on our examination.

- A. The Treasurer 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 Treasurer 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 Treasurer has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Treasurer 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 Treasurer on behalf of the State or held in trust by the Treasurer 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 Treasurer's compliance with those requirements 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 Treasurer's compliance with specified requirements.

In our opinion, the Treasurer complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2011. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 11-1, 11-2 and 11-3.

Internal Control

Management of the Treasurer 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 Treasurer's 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 Treasurer's 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 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 items 11-1, 11-2 and 11-3. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, 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 Treasurer's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Treasurer's 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 2011 and 2010 Supplementary Information for State Compliance Purposes, except for information on Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2009 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
April 6, 2012

STATE OF ILLINOIS
OFFICE OF THE TREASURER

NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

CURRENT FINDINGS

Finding 11 – 1 (Controls over Unclaimed Property not Followed and Lack of Policies and Procedures)

The Office of the Treasurer (Office) has not established adequate policies and procedures related to certain operations within the unclaimed property division. In addition, auditors found controls over locking safes containing unclaimed property items were not always followed.

Under the Uniform Disposition of Unclaimed Property Act (765 ILCS 1025) (the Act), financial organizations, units of State and local government and certain other organizations are required to remit unclaimed property, as defined in the statute, to the State Treasurer. Unclaimed property consists of cash, stocks, bonds and tangible personal property such as items left unclaimed in bank safety deposit boxes. Cash (including cash received for items sold under the act) is deposited in a special trust account. Tangible personal property, until sold, is held in the Treasurer's unclaimed property division. Some of the property held includes jewelry, guns and other weapons, artwork, legal documents, letters and more. The Act (765 ILCS 1025/14) states "Upon the payment or delivery of abandoned property to the State Treasurer, the state shall assume custody and shall be responsible for the safekeeping thereof."

The Office maintains secured storage areas for unclaimed property items. Within the secured storage areas there are filing cabinets that are also secured with a key-type lock and safes. Employees handling unclaimed property work in units of two. Whenever new property is received by the Office, two employees open the box, examine the contents, log the items into the computer system, and then store the items in the various file cabinets and safes.

During a surprise observation of the unclaimed property secured storage areas auditors found 28 of the 42 (67%) safes were unlocked.

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:

- 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. The current process for selecting unclaimed property items to be sold seems random as employees will open various file cabinets and safes, look over the items therein and determine what will be sold. This method is inefficient and results in potentially valuable items remaining in the vault longer than may be necessary. Additionally during testing auditors observed 4 firearms in the vault. 1 of the 4 firearms had been in the vault for 554 days. The Act (765 ILCS 1025/17) addresses the disposal of unclaimed property including firearms and notes unclaimed property shall be sold in a reasonable time and custody of unclaimed firearms is to be transferred to the State Police.

STATE OF ILLINOIS
OFFICE OF THE TREASURER

NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

CURRENT FINDINGS

Finding 11 – 1 (Controls over Unclaimed Property not Followed and Lack of Policies and Procedures) (Continued)

- There are insufficient policies and procedures regarding the disposal, (items to be discarded), of unclaimed property. The 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 the unit of two 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. The master inventory is updated to note which items have been disposed of.
- 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.

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, Office staff also noted the procedures currently in place were determined to be appropriate when they were developed.

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. Additionally, without detailed documented policies and procedures which address the disposition of property (sale or disposal), there is a risk that valuable items will be thrown away, valuable items will remain in the vault unsold, items will lose value as they age, and opportunities for maximizing sales proceeds will be lost. In addition, with regard to weapons, retaining items in the safe for an extended length of time poses a safety concern. (Finding Code No. 11-1)

Recommendation

We recommend the Office enhance its controls over the safeguarding of unclaimed property by:

- Transferring unclaimed weapons to the State Police, in a timely manner;
- Prioritizing the space in the inner vault, using it for valuable items and weapons;
- Keeping all safes and file cabinets locked at all times, unless they are being accessed to process items;
- Evaluate the feasibility of adding security cameras to the inner and outer vaults.

STATE OF ILLINOIS
OFFICE OF THE TREASURER

NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

CURRENT FINDINGS

Finding 11 – 1 (Controls over Unclaimed Property not Followed and Lack of Policies and Procedures) (Continued)

Additionally, in order to provide documented guidance over the disposition of unclaimed property items we recommend the Office:

- Adopt a formal documented policy and procedure that sets forth the process to be followed for sales of unclaimed property items including how the items are identified, how they will be sold, and approval of each sales plan.
- Review computer generated listings to determine the unclaimed property items to be sold, considering the amount of time the item has been on hand, whether it can be grouped with similar items to increase the amount realized, etc.
- Adopt a formal documented policy and procedure for the disposal of items that have little or no monetary value. Supervisory approval prior to disposing of items should be required.

Treasurer's Response

The Treasurer agrees with the finding and recommendation.

The Treasurer will reevaluate the controls over the safeguarding of unclaimed property and develop formal policies as needed.

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011**

CURRENT FINDINGS

Finding 11 – 2 (Noncompliance with Office Personnel Policies and Procedures)

The Office of the Treasurer (Office) did not always conduct employee performance appraisals as required by Office rules and policies, and did not always comply with their ethics policies and procedures.

During testing auditors noted the following:

- 1 of 16 (6%) newly hired employees tested did not have a 3 or 6 month performance appraisal on file.
- 7 of 16 (44%) newly hired employees tested did not have a 3 month performance appraisal performed timely. Days late ranged from 1 to 62.
- 3 of 16 (19%) newly hired employees tested did not have a 6 month performance appraisal performed timely. Days late ranged from 16 to 59.
- 15 of 60 (25%) annual performance appraisals were not performed timely. Days late ranged from 1 to 230.
- 1 of 60 (2%) employees tested had no annual performance appraisal in the file for 2010 or 2011.
- 1 of 60 (2%) employees tested had no 2011 annual performance appraisal in the file.
- 1 of 60 (2%) ethics calendars tested did not have supervisory approval by the 20th of the month for the previous month, the approval was late by 1 day.
- 14 of 15 (93%) newly promoted or transferred employees did not have a 3 month probationary period performance appraisal.
- 1 of 15 (7%) newly promoted employees tested received their 3 month probationary period performance appraisal late. It was late by 16 days.

Similar exceptions were reported at the Office in previous reports. An analysis summarizing the exceptions identified in the current and past 2 reports is noted in the following table:

Description of Exception	2011	2009	2007
Newly hired employees did not have 3 or 6 month performance appraisals on file	X	X	X
Newly hired employees did not have 3 month performance appraisals performed timely	X	X	
Newly hired employees did not have 6 month performance appraisals performed timely	X	X	
Employee annual performance appraisals were not performed timely	X	X	X
Employees did not have annual performance appraisals on file	X		X
Ethics calendars did not have timely employee approval		X	X
Ethics calendars did not have timely supervisory approval	X	X	X
Ethics calendars were not completed by all employees for all days of the month		X	X
Ethics calendars did not have employee or supervisory approval		X	
Ethics calendars were approved by employee before the month was completed		X	
Promoted or transferred employees did not have 3 month probationary performance appraisals	X		
Promoted employee did not have 3 month probationary performance appraisals performed timely	X		
Employees were allowed to take vacation time for less than ½ day minimum		X	

STATE OF ILLINOIS
OFFICE OF THE TREASURER

NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

CURRENT FINDINGS

Finding 11 – 2 (Noncompliance with Office Personnel Policies and Procedures) (Continued)

The Office's Personnel Rules (Rules) (80 Ill. Adm. Code 620.420 (d)) require performance evaluations to be conducted annually for each certified employee. In addition, the Treasurer's Office Employee Reference Manual states "All employees will generally be evaluated as follows: before the end of a new hire probationary period, fifteen (15) days before the conclusion of six (6) months, after hire; before the anniversary date that corresponds to the employee's initial hire date; before the end of a promotional probationary period, three months after promotion or transfer; and at any time deemed necessary by the immediate supervisor." The Treasurer's Ethics Training Handout requires first level approval of ethics calendars to be completed by the 15th of the month and the second level approval to be completed by the 20th of the month.

Office personnel indicated they agree with the importance of completing timekeeping records and performing evaluations timely and in accordance with policy and noted many of the exceptions occurred during the previous administration and the current administration has no control over that aspect. Under the previous administration, Human Resources sent, and continues to send timely notifications and reminders to managers advising them of performance appraisal due dates.

Employee performance evaluations are an effective management tool for helping employees work toward common goals. Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. They should serve as a foundation for salary adjustments, promotion, demotion, discharge, layoff, and recall and reinstatement decisions. Additionally, failure to ensure all employees receive a performance appraisal and failure to fully complete an ethics calendar on a timely basis results in noncompliance with Office Rules and policies. (Finding Code Nos. 11-2, 09-1, 07-2, 05-1 and 03-2)

Recommendation

We recommend Office management ensure performance appraisals are conducted on a timely basis in accordance with the policies. If the policies are impractical, they should be revised while ensuring every employee receives a performance appraisal at least annually. Additionally, all ethics calendars should be approved on a timely basis.

Treasurer's Response:

The Treasurer agrees with the finding and recommendation.

We agree with the importance of completing timekeeping records and performing evaluations timely and in accordance with policy. As noted, many of the exceptions occurred during the previous administration and we have no control over that aspect. Human Resources has always sent timely notifications and reminders to managers advising of performance appraisal due dates.

STATE OF ILLINOIS
OFFICE OF THE TREASURER

NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011

CURRENT FINDINGS

Finding 11 – 3 (Changes to Payroll Allocation not Supported or Documented)

The Office of the Treasurer (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.

Annually each employee is asked to estimate their individual time devoted to each functional area (Illinois Funds, College Savings Program, General and State Pensions). This information is forwarded to their Supervisor and Director to review and adjust, and then the allocation is submitted to the accounting department which further adjusts the allocations based on discussion and interaction with Office management. The adjusted allocation is then incorporated into the functional areas budgeted payroll expenses which are paid from various funds.

During testing auditors noted there was no documentation available to support why adjustments (increases or decreases) were made to the initial payroll allocation to the 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.

State statutes, 15 ILCS 505/16.5 (College Savings) and 15 ILCS 505/17 (Illinois Funds), state that the Treasurer shall promulgate rules and regulations which provide for the administration expenses of the pool (Illinois Funds and College Savings) to be paid from its earnings.

Office management stated that adjustments and approvals were documented; however detailed documentation of conversations and conclusions were not maintained.

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. (Finding Code No. 11-3)

Recommendation

We recommend the Office maintain support and documentation for any changes (increases or decreases) to the initial payroll allocation. The support and documentation should state specific reasons why the change is being made and what effect this has on those functional areas that are required to pay for their administrative expenses from their earnings.

Treasurer's Response:

The Treasurer agrees with the finding and recommendation.

The Treasurer will maintain support and documentation for any changes (increases or decreases) to initial payroll allocations.

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011**

PRIOR FINDING NOT REPEATED

A. (Computer Security Control Weaknesses)

During the prior period, the Office of the Treasurer (Office) had not established adequate controls for securing its computer resources, numerous weaknesses were identified in the Office's computer security environment.

During the current period, auditors noted security policies have been updated and reflect the Office's current computer environment. Separated employees LAN access is being disabled in a timely manner. Network servers are all stored in secured locations. Despite the limited number of administrators, the policies and procedures developed allow for the segregation of duties and password deficiencies to no longer be an issue. (Finding Code No.09-2)

**STATE OF ILLINOIS
OFFICE OF THE TREASURER**

**NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2011**

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances –
Fourteen Months Ended August 31, 2011
 - Schedule of Appropriations, Expenditures and Lapsed Balances –
Fourteen Months Ended August 31, 2010
 - Comparative Schedule of Net Appropriations, Expenditures and
Lapsed Balances – For the Years Ended 2011, 2010 and 2009
 - Comparative Schedule of Receipts, Disbursements and Fund Balance (Cash Basis)
Locally Held Funds
 - Schedules of Changes in State Property
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 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the
State Comptroller – Fiscal Years 2011 and 2010
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Cash Receipts
 - Analysis of Significant Lapse Period Spending
 - Indirect Cost Reimbursements Funds
- Analysis of Operations
- Agency Functions and Planning Program
 - Average Number of Employees
 - Emergency Purchases
 - Service Efforts and Accomplishments (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 Service Efforts and Accomplishments 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 TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

APPROPRIATIONS FOR FISCAL YEAR 2011
Fourteen Months Ended August 31, 2011

Appropriated Funds	Appropriations (Net of Transfers)	Expenditures Through 06/30/11	Approximate Lapse Period Expenditures 7/1/11 - 8/31/11	Approximate Total Expenditures	Approximate Balance Lapsed
General Revenue Fund - 001 (PA 96-0956)					
Lump Sum	\$ 8,417,700	\$ 7,056,645	\$ 472,571	\$ 7,529,216	\$ 888,484
Refunds of estate tax overpaid, and accrued interest on protested tax cases	8,500,000	8,500,000	-	8,500,000	-
Total General Revenue Fund	16,917,700	15,556,645	472,571	16,029,216	888,484
State Pensions Fund - 054 (PA 96-0956)					
Personal services	2,647,430	2,448,953	-	2,448,953	198,477
Employee retirement - contributions paid by employer	69,200	56,872	657	57,529	11,671
State contribution to State employees' retirement system	800,900	719,619	-	719,619	81,281
State contribution to social security	241,400	196,857	2,521	199,378	42,022
Group insurance - contributions paid by employer	826,800	684,236	2,522	686,758	140,042
Contractual services	2,546,000	1,420,542	41,981	1,462,523	1,083,477
Travel	56,400	22,693	4,078	26,771	29,629
Commodities	42,100	22,092	14,108	36,200	5,900
Printing	15,000	1,076	982	2,058	12,942
Equipment	30,600	1,099	5,091	6,190	24,410
Electronic data processing	1,211,700	615,085	271,737	886,822	324,878
Telecommunications	50,700	21,960	4,473	26,433	24,267
Operation of auto equipment	5,700	3,190	1,682	4,872	828
Total State Pensions Fund	8,543,930	6,214,274	349,832	6,564,106	1,979,824

Note: Appropriations, expenditures, and lapsed balance were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.

Expenditure amounts are vouchers approved for payment by the Treasurer and submitted to the State Comptroller for payment to the vendor.

Approximate lapse period expenditures do not include interest payments approved for payment and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (CONTINUED)

APPROPRIATIONS FOR FISCAL YEAR 2011
Fourteen Months Ended August 31, 2011

Appropriated Funds	Appropriations (Net of Transfers)	Expenditures Through 06/30/11	Approximate Lapse Period Expenditures 7/1/11 - 8/31/11	Approximate Total Expenditures	Approximate Balance Lapsed
General Obligation Bond Fund - 101 (PA 96-0956)					
Payment of principal on general obligation bonds and short-term borrowing	\$ 2,954,355,031	\$ 2,954,355,030	\$ -	\$ 2,954,355,030	\$ 1
Payment of interest on general obligation bonds and short-term borrowing	1,327,718,494	1,327,718,494	-	1,327,718,494	-
Total General Obligation Bond Fund	4,282,073,525	4,282,073,524	-	4,282,073,524	1
Arbitrage Rebate Pmts to US Government - 107 (PA 96-0956)					
Rebate Payments	500,000	-	-	-	500,000
Hospital Basic Services Preservation Fund - 284 (PA 96-0956)					
Awards and Grants	5,000,000	-	-	-	5,000,000
Bank Service Trust Fund - 373 (PA 96-0956)					
Payments for banking services	8,100,000	3,330,803	681,888	4,012,691	4,087,309
Capital Litigation Trust Fund - 614 (PA 96-0956)					
Lump Sum, Operations	450,900	252,743	156	252,899	198,001
Awards and Grants	12,691,200	9,751,501	481,833	10,233,334	2,457,866
Total Capital Litigation Trust Fund	13,142,100	10,004,244	481,989	10,486,233	2,655,867
Matured bond and coupon fund - 625 (PA 96-0956)					
Payments of matured bonds and interest coupons	500,000	152,500	15,000	167,500	332,500
Estate tax distributive fund - 815 (PA 96-0956)					
Payments to counties pursuant to Section 13b of the Illinois Estate and Generation-Skipping Transfer Tax Act	27,000,000	6,775,181	74,528	6,849,709	20,150,291
Total appropriated funds	\$ 4,361,777,255	\$ 4,324,107,171	\$ 2,075,808	\$ 4,326,182,979	\$ 35,594,276

Note: Appropriations, expenditures, and lapsed balance were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.
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Approximate lapse period expenditures do not include interest payments approved for payment and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (CONTINUED)

APPROPRIATIONS FOR FISCAL YEAR 2011
Fourteen Months Ended August 31, 2011

Nonappropriated Funds	Expenditures Through 6/30/11	Approximate Lapse Period Expenditures 7/1/11 - 8/31/11	Approximate Total Expenditures
IPTIP Administrative Trust Fund - 195			
Administrative expenses of the Illinois Public Treasurers' Investment Pool	\$ 2,773,900	\$ 18,568	\$ 2,792,468
Protest Fund - 401			
Refund of monies paid under protest	58,008,855	-	58,008,855
Unclaimed Property Fund - 482			
Refund of assets claimed	67,104,354	118,579	67,222,933
Municipal Economic Development Fund - 650			
Payments to Cities/Villages	379,827	-	379,827
College Savings Plan Administration Fund - 668			
College Savings Plan Administrative costs	1,074,678	30,180	1,104,858
Administration Chamber vs. Filan Fund - 837			
Payments pursuant to settlement agreement	1,003,000	-	1,003,000
Claims Fund - Chamber Comm us Filan - 847			
Contractual Services	3,228,256	534	3,228,790
Convention Center Support Fund - 933			
Grants to local governments	1,403,491	455,431	1,858,922
Total all nonappropriated funds	134,976,361	623,292	135,599,653
Total all funds	\$ 4,459,083,532	\$ 2,699,100	\$ 4,461,782,632

Note: Appropriations, expenditures, and lapsed balance were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.

Expenditure amounts are vouchers approved for payment by the Treasurer and submitted to the State Comptroller for payment to the vendor.

Approximate lapse period expenditures do not include interest payments approved for payment by the Agency and submitted to the Comptroller for payment after August.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

APPROPRIATIONS FOR FISCAL YEAR 2010
Fourteen Months Ended August 31, 2010

Appropriated Funds	Appropriations (Net of Transfers)	Expenditures Through 06/30/10	Lapse Period Expenditures 7/1/10 - 8/31/10	Total Expenditures	Balance Lapsed
General Revenue Fund - 001 (PA 96-0042)					
Personal Services Non-Bargaining Unit Employees	\$ 3,423,300	\$ 3,281,692	\$ -	\$ 3,281,692	\$ 141,608
Personal Services Bargaining Unit Employees	1,657,600	1,523,785	13	1,523,798	133,802
State contribution to social security non-bargaining unit employees	262,000	245,259	232	245,491	16,509
State contribution to social security bargaining unit employees	127,000	112,485	1	112,486	14,514
Lump Sum	2,947,800	1,878,411	224,755	2,103,166	844,634
Refunds of estate tax overpaid, and accrued interest on protested tax cases	8,500,000	8,500,000	-	8,500,000	-
Total General Revenue Fund	16,917,700	15,541,632	225,001	15,766,633	1,151,067
State Pensions Fund - 054 (PA 96-0046)					
Personal services	2,562,780	2,475,668	2,775	2,478,443	84,337
Employee retirement - contributions paid by employer	102,500	61,148	-	61,148	41,352
State contribution to State employees' retirement system	727,240	702,772	788	703,560	23,680
State contribution to social security	249,600	197,392	1,052	198,444	51,156
Group insurance - contributions paid by employer	826,800	650,206	(4,967)	645,239	181,561
Contractual services	2,754,500	1,384,272	66,985	1,451,257	1,303,243
Travel	56,400	37,026	1,774	38,800	17,600
Commodities	35,900	19,782	15,632	35,414	486
Printing	15,000	1,068	-	1,068	13,932
Equipment	30,600	22,226	386	22,612	7,988
Electronic data processing	1,118,400	713,821	94,228	808,049	310,351
Telecommunications	55,000	25,508	6,708	32,216	22,784
Operation of auto equipment	9,200	5,115	1,543	6,658	2,542
Total State Pensions Fund	8,543,920	6,296,004	186,904	6,482,908	2,061,012

Note: Appropriations, expenditures, and lapsed balance were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.

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COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (CONTINUED)

APPROPRIATIONS FOR FISCAL YEAR 2010
Fourteen Months Ended August 31, 2010

Appropriated Funds	Appropriations (Net of Transfers)	Expenditures Through 06/30/10	Lapse Period Expenditures 7/1/10 - 8/31/10	Total Expenditures	Balance Lapsed
General Obligation Bond Fund - 101 (PA 96-0046)					
Payment of principal on general obligation bonds and short-term borrowing	\$ 2,901,464,800	\$ 2,887,464,753	\$ -	\$ 2,887,464,753	\$ 14,000,047
Payment of interest on general obligation bonds and short-term borrowing	1,122,645,596	1,099,140,822	-	1,099,140,822	23,504,774
Payment to escrow agent for future bond debt service on refunded bonds	1,599,226,097	1,599,226,096	-	1,599,226,096	1
Total General Obligation Bond Fund	5,623,336,493	5,585,831,671	-	5,585,831,671	37,504,822
Hospital Basic Services Preservation Fund - 284 (PA 96-0046)					
Awards and Grants	5,000,000	-	-	-	5,000,000
Bank Service Trust Fund - 373 (PA 96-0046)					
Payments for banking services	8,100,000	4,458,770	646,790	5,105,560	2,994,440
Capital Litigation Trust Fund - 614 (PA 96-0046 and PA 96-0039)					
Lump Sum, Operations	450,900	211,046	139	211,185	239,715
Awards and Grants	12,691,200	3,780,114	584,798	4,364,912	8,326,288
Total Capital Litigation Trust Fund	13,142,100	3,991,160	584,937	4,576,097	8,566,003
Matured bond and coupon fund - 625 (PA 96-0046)					
Payments of matured bonds and interest coupons	500,000	29,000	-	29,000	471,000
Estate tax distributive fund - 815 (PA 96-0046)					
Payments to counties pursuant to Section 13b of the Illinois Estate and Generation-Skipping Transfer Tax Act	27,000,000	12,187,793	2,104,975	14,292,768	12,707,232
Total appropriated funds	\$ 5,702,540,213	\$ 5,628,336,030	\$ 3,748,607	\$ 5,632,084,637	\$ 70,455,576

Note: Appropriations, expenditures, and lapsed balances were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.

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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES (CONTINUED)

APPROPRIATIONS FOR FISCAL YEAR 2010
Fourteen Months Ended August 31, 2010

Nonappropriated Funds	Expenditures Through 06/30/10	Lapse Period Expenditures 7/1/10 - 8/31/10	Total Expenditures
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IPTIP Administrative Trust Fund - 195			
Administrative expenses of the Illinois Public Treasurers' Investment Pool	\$ 2,815,398	\$ 22,055	\$ 2,837,453
Protest Fund - 401			
Refund of monies paid under protest	58,795,707	-	58,795,707
Unclaimed Property Fund - 482			
Refund of assets claimed	69,789,151	2,360,446	72,149,597
Municipal Economic Development Fund - 650			
Payments to Cities/Villages	454,982	-	454,982
College Savings Plan Administration Fund - 668			
College Savings Plan Administrative costs	1,033,303	14,331	1,047,634
Administration Chamber vs. Filan Fund - 837			
Payments pursuant to settlement agreement	11,479	798	12,277
	<hr/>		
Total all nonappropriated funds	132,900,020	2,397,630	135,297,650
	<hr/>		
Total all funds	\$ 5,761,236,050	\$ 6,146,237	\$ 5,767,382,287
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Note: Appropriations, expenditures, and lapsed balances were obtained from Treasurer records and have been reconciled to the records of the State Comptroller.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES

For the Years Ended June 30

	2011	2010	2009
	PA 96-0956	PA 96-0039, PA 96-0042, PA 96-0046	PA 95-0731 PA 95-1030 PA 96-0039
General Revenue Fund - 001			
Appropriations (net of transfers)	\$ 16,917,700	\$ 16,917,700	\$ 19,658,823
Expenditures			
Personal services	4,928,137	4,805,490	4,420,185
Employee retirement - contributions paid by employer	130,692	139,500	141,699
State contribution to State employees' retirement system	-	-	931,979
State contribution to social security	368,074	357,977	330,154
Contractual services	606,178	566,211	754,985
Travel	93,202	70,549	49,804
Commodities	46,109	50,500	24,298
Printing	11,021	6,037	10,485
Equipment	11,829	19,791	2,968
Electronic data processing	1,108,082	912,503	829,409
Telecommunications	88,851	102,339	121,734
Operation of auto equipment	8,957	12,882	8,300
Refunds of estate tax overpaid, and accrued interest thereon	8,354,278	7,624,537	8,999,403
Refunds of accrued interest on protested tax cases	145,722	875,463	2,250,000
Inspector General	128,084	222,854	259,130
Total expenditures	16,029,216	15,766,633	19,134,533
Lapsed balances	\$ 888,484	\$ 1,151,067	\$ 524,290

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES (CONTINUED)

For the Years Ended June 30

	2011	2010	2009
	PA 96-0956	PA 96-0039, PA 96-0042, PA 96-0046	PA 95-0731, PA 95-1030, PA 96-0039
State Pensions Fund - 054			
Appropriations (net of transfers)	\$ 8,543,930	\$ 8,543,920	\$ 8,081,300
Expenditures			
Personal services	2,448,953	2,478,443	2,525,690
Employee retirement - contributions paid by employer	57,529	61,148	64,806
State contribution to State employees' retirement system	719,619	703,560	531,788
State contribution to social security	199,378	198,444	207,100
Group insurance - contributions paid by employer	686,758	645,239	646,524
Contractual services	1,462,523	1,451,257	1,522,435
Travel	26,771	38,800	45,526
Commodities	36,200	35,414	32,458
Printing	2,058	1,068	7,924
Equipment	6,190	22,612	14,620
Electronic data processing	886,822	808,049	784,986
Telecommunications	26,433	32,216	33,734
Operation of auto equipment	4,872	6,658	4,420
Total expenditures	6,564,106	6,482,908	6,422,011
Lapsed balances	\$ 1,979,824	\$ 2,061,012	\$ 1,659,289
General Obligation Fund - 101			
Appropriations (net of transfers)	\$ 4,282,073,525	\$ 5,623,336,493	\$ 3,195,136,068
Expenditures			
Payment of principal on general obligation bonds and short-term borrowing	2,954,355,030	2,887,464,753	2,011,151,143
Payment of interest on general obligation bonds and short-term borrowing	1,327,718,494	1,099,140,822	1,133,051,985
Payment to escrow agent for future bond debt service on refunded bonds	-	1,599,226,096	-
Total expenditures	4,282,073,524	5,585,831,671	3,144,203,128
Lapsed balances	\$ 1	\$ 37,504,822	\$ 50,932,940

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES - CONTINUED

For the Years Ended June 30

	2011	2010	2009
	PA 96-0956	PA 96-0039, PA 96-0042, PA 96-0046	PA 95-0731, PA 95-1030, PA 96-0039
Arbitrage Rebate Payments to US Government - 107			
Appropriations (net of transfers)	\$ 500,000	\$ -	\$ -
Expenditures			
Rebate payments	-	-	-
Lapsed balances	\$ 500,000	\$ -	\$ -
IPTIP Administrative Trust Fund - 195			
Nonappropriated expenditures	\$ 2,792,468	\$ 2,837,453	\$ 2,891,995
Expenditures			
Administrative expenses of the Illinois Public Treasurer's Investment Pool	2,792,468	2,837,453	2,891,995
Lapsed balances	\$ -	\$ -	\$ -
Hospital Basic Services Preservation Fund - 284			
Appropriations (net of transfers)	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Expenditures			
Award and grants payments	-	-	-
Lapsed balances	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Bank Services Trust - 373			
Appropriations (net of transfers)	\$ 8,100,000	\$ 8,100,000	\$ 7,100,000
Expenditures			
Payments of banking services	4,012,691	5,105,560	5,738,250
Lapsed balances	\$ 4,087,309	\$ 2,994,440	\$ 1,361,750
Protest Fund - 401			
Nonappropriated expenditures	\$ 58,008,855	\$ 58,795,707	\$ 40,827,237
Expenditures			
Refund of monies paid under protest	58,008,855	58,795,707	40,827,237
Lapsed balances	\$ -	\$ -	\$ -
Unclaimed Property Trust Fund - 482			
Nonappropriated expenditures	\$ 67,222,933	\$ 72,149,597	\$ 77,160,803
Expenditures			
Refunds of assets claimed	67,222,933	72,149,597	77,160,803
Lapsed balances	\$ -	\$ -	\$ -

STATE OF ILLINOIS
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COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES - CONTINUED

For the Years Ended June 30

	2011	2010	2009
	PA 96-0956	PA 96-0039, PA 96-0042, PA 96-0046	PA 95-0731, PA 95-1030, PA 96-0039
Capital Litigation Fund - 614			
Appropriations (net of transfers)	\$ 13,142,100	\$ 13,142,100	\$ 11,142,100
Expenditures			
Lump Sum, operations	252,899	211,185	249,748
Award and grants	10,233,334	4,364,912	8,440,595
Total expenditures	10,486,233	4,576,097	8,690,343
Lapsed balances	\$ 2,655,867	\$ 8,566,003	\$ 2,451,757
Matured Bond and Coupon Fund - 625			
Appropriations (Net of transfers)	\$ 500,000	\$ 500,000	\$ 500,000
Expenditures			
Payment of matured bonds and interest coupons	167,500	29,000	99,956
Lapsed balances	\$ 332,500	\$ 471,000	\$ 400,044
Municipal Economic Development Fund - 650			
Nonappropriated expenditures	\$ 379,827	\$ 454,982	\$ 308,810
Expenditures			
Payments to Cities/Villages	379,827	454,982	308,810
Lapsed balances	\$ -	\$ -	\$ -
College Savings Pool Administration Fund - 668			
Nonappropriated expenditures	\$ 1,104,858	\$ 1,047,634	\$ 980,084
Expenditures			
College Savings Pool Administrative costs	1,104,858	1,047,634	980,084
Lapsed balances	\$ -	\$ -	\$ -
Budget Relief Fund - 678			
Appropriations (net of transfers)	\$ -	\$ -	\$ 1,079,000
Expenditures			
Lump Sum	-	-	799,481
Lapsed balances	\$ -	\$ -	\$ 279,519
Estate Tax Distributive Fund – 815			
Appropriations (net of transfers)	\$ 27,000,000	\$ 27,000,000	\$ 27,000,000
Expenditures			
Payment to counties	6,849,709	14,292,768	16,718,322
Lapsed balances	\$ 20,150,291	\$ 12,707,232	\$ 10,281,678

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COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,
AND LAPSED BALANCES - CONTINUED

For the Years Ended June 30

	2011	2010	2009
	PA 96-0956	PA 96-0039, PA 96-0042, PA 96-0046	PA 95-0731, PA 95-1030, PA 96-0039
Administration Chamber vs. Filan Fund- 837			
Nonappropriated Expenditures	\$ 1,003,000	\$ 12,277	\$ -
Expenditures			
Payments pursuant to settlement agreement	1,003,000	12,277	-
Lapsed balances	\$ -	\$ -	\$ -
Claims Fund - Chamber vs. Filan Fund - 847			
Nonappropriated Expenditures	\$ 3,228,790	\$ -	\$ -
Expenditures			
Contractual Services	3,228,790	-	-
Lapsed balances	\$ -	\$ -	\$ -
Convention Center Support Fund - 933			
Nonappropriated Expenditures	\$ 1,858,922	\$ -	\$ -
Expenditures			
Payments to Cities/Villages	1,858,922	-	-
Lapsed balances	\$ -	\$ -	\$ -
Appropriations (net of transfers)	\$ 4,361,777,255	\$ 5,702,540,213	\$ 3,274,697,291
Nonappropriated expenditures	135,599,653	135,297,650	122,168,929
Total appropriations and nonappropriated	4,497,376,908	5,837,837,863	3,396,866,220
Total expenditures	4,461,782,632	5,767,382,287	3,323,974,953
Lapsed balances	\$ 35,594,276	\$ 70,455,576	\$ 72,891,267

The comparative schedule of net appropriations, expenditures and lapsed balances does not include State officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2011, 2010 and 2009, State officers salaries paid from the Office of the Comptroller appropriation were as follows:

	2011	2010	2009
State Treasurer	\$ 130,539	\$ 135,669	\$ 135,669
Executive Inspector General	101,123	-	-
	\$ 231,662	\$ 135,669	\$ 135,669

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS
For the Two Years Ended June 30, 2011

Fund No. 1267 Illinois Insured Mortgage Pilot Program

Cash balance, July 1, 2009	\$	532
Receipts		207,777
Disbursements		<u>207,777</u>
Cash balance June 30, 2010	\$	<u>532</u>
Cash balance, July 1, 2010	\$	532
Receipts		91,919
Disbursements		<u>91,912</u>
Cash balance, June 30, 2011	\$	<u>539</u>

Fund No. 1333 Treasurer's Securities in Safekeeping

Cash balance, July 1, 2009	\$	222,050
Receipts		-
Disbursements		<u>16,000</u>
Cash balance June 30, 2010	\$	<u>206,050</u>
Cash balance, July 1, 2010	\$	206,050
Receipts		9,031
Disbursements		<u>-</u>
Cash balance, June 30, 2011	\$	<u>215,081</u>

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COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS (CONTINUED)
For the Two Years Ended June 30, 2011

Fund No. 1370 Home Loan Collateral Fund

Cash balance, July 1, 2009	\$ 5,999,178
Receipts	100,793
Disbursements	<u>3,900</u>
Cash balance June 30, 2010	<u>\$ 6,096,071</u>
Cash balance, July 1, 2010	\$ 6,096,071
Receipts	38,102
Disbursements	<u>7,190</u>
Cash balance, June 30, 2011	<u>\$ 6,126,983</u>

Fund No. 1375 Cahokia Mounds Preservation Fund

Cash balance, July 1, 2009	\$ 450,466
Receipts	210
Disbursements	<u>66,375</u>
Cash balance June 30, 2010	<u>\$ 384,301</u>
Cash balance, July 1, 2010.	\$ 384,301
Receipts	31
Disbursements	<u>384,332</u>
Cash balance, June 30, 2011	<u>\$ -</u>

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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND
BALANCE (CASH BASIS) - LOCALLY HELD FUNDS (CONTINUED)
For the Two Years Ended June 30, 2011

Fund No. 1383 Hospital Basic Services Preservation Collateral Fund

Cash balance, July 1, 2009	\$ 5,000,000
Receipts	39,284
Disbursements	<u>39,284</u>
Cash balance June 30, 2010	<u>\$ 5,000,000</u>
Cash balance, July 1, 2010	\$ 5,000,000
Receipts	19,267
Disbursements	<u>19,267</u>
Cash balance, June 30, 2011	<u>\$ 5,000,000</u>

Fund No. 1111 Illinois Public Treasurers' Investment Pool

The Illinois Public Treasurers' Investment Pool, Fund No. 1111 (IPTIP) is the fund used to account for assets held by the Treasurer in a trustee capacity as an agent for public treasurers throughout the State of Illinois. These funds are held in an account at U.S. Bank, N.A. IPTIP financial statements are reported separately. Therefore, cash receipts and disbursements are not presented in this report.

Fund No. 1668 College Savings Pool

The College Savings Pool, Fund No. 1668 (CSP) is the fund used to account for assets held by the Treasurer in a trustee capacity as an agent for the general public throughout the State of Illinois and outside the State of Illinois. These funds are held in accounts at OFI Private Investments, Inc. and Union Bank and Trust Company. CSP financial statements are reported separately. Therefore, cash receipts and disbursements are not presented in this report.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

SCHEDULES OF CHANGES IN STATE PROPERTY

For the Years Ended June 30

	<u>2011</u>	<u>2010</u>
Balances, beginning of fiscal year	\$ 3,185,063	\$ 3,080,752
Additions		
Purchases	162,769	141,649
Inter-agency transfers	103,389	124,155
	<u>266,158</u>	<u>265,804</u>
Deductions		
Inter-agency transfers	367,637	151,815
Inventory adjustments	10,064	9,678
	<u>377,701</u>	<u>161,493</u>
Balance, end of fiscal year	<u>\$ 3,073,520</u>	<u>\$ 3,185,063</u>

Note: This schedule has been reconciled to property reports submitted to the Department of Central Management Services and the Office of the Comptroller.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS

For the Years Ended June 30

	2011	2010	2009
General Revenue Fund - 001			
Investment income	\$ 27,498,609	\$ 25,852,581	\$ 80,506,539
Miscellaneous receipts	8,835	42,741	8,253
Private organizations or Individuals	98,914	3,590	253,551
Reimbursement from employees for jury duty and personal phone calls	92	215	580
Prior year refund	657	3,300	(614,200)
Total General Revenue Fund	<u>27,607,107</u>	<u>25,902,427</u>	<u>80,154,723</u>
State Pensions Fund - 054			
Miscellaneous receipts	32	46	15
Prior year refund	-	183	465
Total State Pensions Fund	<u>32</u>	<u>229</u>	<u>480</u>
General Obligation Bond Retirement and Interest Fund - 101			
Investment income	<u>4,087,838</u>	<u>4,058,123</u>	<u>13,068,613</u>
IPTIP Administrative Fund - 195			
State and Local Government	3,256,528	3,233,057	3,887,349
Reimbursement from employees for jury duty and personal phone calls	30	32	-
Total IPTIP Administrative Fund	<u>3,256,558</u>	<u>3,233,089</u>	<u>3,887,349</u>
Methamphetamine Law Enforcement Fund - 283			
Fines, penalties, or violations	<u>15,748</u>	<u>14,804</u>	<u>15,118</u>
Treasurer's Rental Fee Fund - 331			
Rental income	<u>5,500</u>	<u>6,000</u>	<u>6,500</u>
Metropolitan Pier and Exposition Authority Trust Fund - 337			
Investment income	<u>140,810</u>	<u>40,163</u>	<u>171,618</u>
Unclaimed Property Trust Fund - 482			
Unclaimed assets	227,589,548	193,609,464	200,461,852
Prior year refund	328,137	33,120	509
Total Unclaimed Property Trust Fund	<u>227,917,685</u>	<u>193,642,584</u>	<u>200,462,361</u>
Married families Domestic Violence Fund - 499			
Marriage License Fees	<u>-</u>	<u>-</u>	<u>383,758</u>

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

COMPARATIVE SCHEDULE OF CASH RECEIPTS (CONTINUED)

For the Years Ended June 30

	2011	2010	2009
Domestic Violence Surveillance Fund - 545 Circuit Clerk	\$ -	\$ 12,169	\$ 3,517
Capital Litigation Trust Fund - 614			
Investment income	9,661	19,487	123,686
Miscellaneous Receipts	21,011	-	-
Prior year refund	-	825,136	813,979
Total Capital Litigation Trust Fund	<u>30,672</u>	<u>844,623</u>	<u>937,665</u>
Matured Bond and Coupon Fund - 625			
Matured and unredeemed bonds and coupons	<u>3,815,000</u>	<u>-</u>	<u>5,437</u>
Municipal Economic Development Fund - 650			
Investment income	<u>436</u>	<u>283</u>	<u>1,478</u>
College Savings Administrative Fund - 668			
Investment income	1,988	2,031	15,160
License fee or registration	1,073,950	950,324	896,329
Miscellaneous receipts	-	161,119	280,492
Prior Year Refund	4	7	-
Total College Savings Administrative Fund	<u>1,075,942</u>	<u>1,113,481</u>	<u>1,191,981</u>
FY09 Budget Relief Fund - 678			
Prior Year Refund	<u>78</u>	<u>28</u>	<u>-</u>
Rate Adjustment Fund - 685			
Investment income	<u>104,295</u>	<u>120,894</u>	<u>342,003</u>
Capital Projects - 694			
Investment income	<u>121,607</u>	<u>32,686</u>	<u>-</u>
State Treasurer Court Ordered Escrow Fund - 932			
Investment income	<u>4,175</u>	<u>8,339</u>	<u>13,317</u>
Convention Center Support - 933			
Airport Departure Tax - Increase	<u>1,655,519</u>	<u>-</u>	<u>-</u>
Industrial Commission Surcharge Escrow Fund - 937			
Investment income	<u>16,605</u>	<u>93,720</u>	<u>463,633</u>
MPEA Grants - 941			
Airport Departure Tax - Increase	<u>4,966,558</u>	<u>-</u>	<u>-</u>
Total Receipts	<u>\$ 274,822,165</u>	<u>\$ 229,123,642</u>	<u>\$ 301,109,551</u>

Note:

This schedule represents cash receipts not reported in other reports. The Treasurer receives cash receipts from inheritance/estate taxes, bond issuance, and interest income. Inheritance/estate taxes, bond issuance, and interest income are included in a separate report-State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities.

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

Year Ended June 30, 2011

	General Revenue Fund	State Pensions Fund	General Obligation BR&I Fund	IPTIP Administrative Fund	Meth- amphetamine Law Enforce- ment Fund	Treasurer's Rental Fee Fund	MPEA Trust Fund	Unclaimed Property Trust Fund	Capital Litigation Trust Fund	Matured Bond and Coupon Fund
Receipts received by Treasurer deposited into clearing account	\$ 27,607,107	\$ 32	\$ 4,087,838	\$ 3,256,558	\$ 15,748	\$ 5,500	\$ 140,810	\$ 227,917,685	\$ 30,672	\$ 3,815,000
Plus deposits in transit, beginning of year	-	-	-	-	-	-	-	-	-	-
Less deposits in transit, end of year	(215)	-	-	-	-	-	-	(9,617)	-	-
Deposits remitted to Comptroller	<u>\$ 27,606,892</u>	<u>\$ 32</u>	<u>\$ 4,087,838</u>	<u>\$ 3,256,558</u>	<u>\$ 15,748</u>	<u>\$ 5,500</u>	<u>\$ 140,810</u>	<u>\$ 227,908,068</u>	<u>\$ 30,672</u>	<u>\$ 3,815,000</u>

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (CONTINUED)

Year Ended June 30, 2011

	Municipal Economic Development Fund	College Savings Administrative Fund	FY09 Budget Relief Fund	Rate Adjustment Fund	Capital Projects Fund	State Treasurer Court Ordered Escrow Fund	Convention Center Support Fund	Industrial Commission Surcharge Escrow Fund	MPEA Grants Fund	Total
Receipts received by Treasurer deposited into clearing account	\$ 436	\$ 1,075,942	\$ 78	\$ 104,295	\$ 121,607	\$ 4,175	\$ 1,655,519	\$ 16,605	\$ 4,966,558	\$ 274,822,165
Plus deposits in transit, beginning of year	-	-	-	-	-	-	-	-	-	-
Less deposits in transit, end of year	-	-	-	-	-	-	-	-	-	(9,832)
Deposits remitted to Comptroller	<u>\$ 436</u>	<u>\$ 1,075,942</u>	<u>\$ 78</u>	<u>\$ 104,295</u>	<u>\$ 121,607</u>	<u>\$ 4,175</u>	<u>\$ 1,655,519</u>	<u>\$ 16,605</u>	<u>\$ 4,966,558</u>	<u>\$ 274,812,333</u>

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER

Year Ended June 30, 2010

	General Revenue Fund	State Pensions Fund	General Obligation BR&I Fund	IPTIP Administrative Fund	Meth- amphetamine Law Enforce- ment Fund	Treasurer's Rental Fee Fund	MPEA Trust Fund	Unclaimed Property Trust Fund	Domestic Violence Surveillance Fund	Capital Litigation Trust Fund
Receipts received by Treasurer deposited into clearing account	\$ 25,902,427	\$ 229	\$ 4,058,123	\$ 3,233,089	\$ 14,804	\$ 6,000	\$ 40,163	\$ 193,642,584	\$ 12,169	\$ 844,623
Plus deposits in transit, beginning of year	-	-	-	-	-	-	-	-	-	-
Less deposits in transit, end of year	-	-	-	-	-	-	-	-	-	-
Deposits remitted to Comptroller	<u>\$ 25,902,427</u>	<u>\$ 229</u>	<u>\$ 4,058,123</u>	<u>\$ 3,233,089</u>	<u>\$ 14,804</u>	<u>\$ 6,000</u>	<u>\$ 40,163</u>	<u>\$ 193,642,584</u>	<u>\$ 12,169</u>	<u>\$ 844,623</u>

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS
REMITTED TO THE STATE COMPTROLLER (CONTINUED)

Year Ended June 30, 2010

	Municipal Economic Development Fund	College Savings Administrative Fund	FY09 Budget Relief Fund	Rate Adjustment Fund	Capital Projects Fund	State Treasurer Court Ordered Escrow Fund	Industrial Commission Surcharge Escrow Fund	Total
Receipts received by Treasurer deposited into clearing account	\$ 283	\$ 1,113,481	\$ 28	\$ 120,894	\$ 32,686	\$ 8,339	\$ 93,720	\$ 229,123,642
Plus deposits in transit, beginning of year	-	-	-	-	-	-	-	-
Less deposits in transit, end of year	-	-	-	-	-	-	-	-
Deposits remitted to Comptroller	<u>\$ 283</u>	<u>\$ 1,113,481</u>	<u>\$ 28</u>	<u>\$ 120,894</u>	<u>\$ 32,686</u>	<u>\$ 8,339</u>	<u>\$ 93,720</u>	<u>\$ 229,123,642</u>

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

The Office's explanations for significant fluctuations in expenditures (change of \$1,000 and 20% or greater) are detailed below:

Fund, Account (if Applicable), and Explanation	2011	2010
General Revenue Fund (001)		
Travel	\$ 93,202	\$ 70,549
The increase was due to increased efforts to promote Treasurer's Office programs and improve customer service. Additionally, travel increased due to an increase in meetings relating to the transition and inauguration of the new administration.		
Printing	11,021	6,037
The increase was due to publications needing reprinting in FY11 due to inauguration of new administration.		
Equipment	11,829	19,791
The decrease was due to not replacing high dollar equipment items during FY11.		
Electronic Data Processing	1,108,082	912,503
The increase was due to replacing obsolete computers, laptops, printers and other technology.		
Operation of auto equipment	8,957	12,882
The decrease was due to the 50% reduction in the vehicle fleet.		
Refunds of accrued interest on protested tax cases	145,722	875,463
The decrease was due to the General Assembly combining this appropriation with estate tax refunds and not receiving an adequate appropriation to make all required payments.		
Inspector General	128,084	222,854
The decrease was due to the move of the Inspector General's payroll to State Officer's Salaries paid by the Comptroller.		

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (CONTINUED)

Fund, Account (if Applicable), and Explanation	2011	2010
State Pensions Fund (054)		
Travel	\$ 26,771	\$ 38,800
The decrease is due to increased efforts to reduce costs and find effective ways to promote Cash Dash without accruing travel expenditures.		
Equipment	6,190	22,612
The decrease was due to the purchase a vehicle during FY10. No vehicles were purchased during FY11.		
Operation of auto equipment	4,872	6,658
The decrease was due to the 50% reduction in the vehicle fleet.		
General Obligation Fund (101)		
Payment of interest on general obligation	1,327,718,494	1,099,140,822
The increase is due to increased interest costs for short-term debt and new G.O. bond issuances.		
Payment to escrow agent for future bond debt service on refunded bonds	-	1,599,226,096
Proceeds from the issuance of Refunding Bonds are paid to and held by escrow agents for the purpose of defeasing General Obligation Bonds originally issued at higher interest rates. This expenditure item is related to the State General Obligation Bond refunding issues executed during a fiscal year. There were no refunding bond issues in FY11.		
Bank Services Trust (373)		
Payments of banking services	4,012,691	5,105,560
The decrease was due to consolidating bank accounts and reducing costs through the RFP contracting process.		

STATE OF ILLINOIS
OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (CONTINUED)

Fund, Account (if Applicable), and Explanation	2011	2010
Capital Litigation Fund (614)		
Awards and grants payments	\$ 10,233,334	\$ 4,364,912
The increase was due to Cook County receiving the full amount of the block grants appropriated.		
Lump Sum Operations	252,899	211,185
The increase was due to increased personal service costs related to legislative and accounting matters surrounding the program during FY11 as legislation was passed to eliminate the death penalty.		
Matured Bond and Coupon Fund (625)	167,500	29,000
Payment of Matured Bonds and Interest Coupons		
This expenditure item was in place to accommodate late claims (after the two-year redemption period) by bondholders holding matured bond and interest coupons issued by the State of Illinois. An appropriation was maintained in the Treasurer's budget for the purpose of paying these claims legally required by bond covenants. The increase was due to more late claims filed in FY11 than in FY10. The Treasurer has no control over spending in this area.		
Estate Tax Distributive Fund (815)		
Payment to Counties	6,849,709	14,292,768
Illinois County Treasurers collect and remit estate taxes to the State Treasurer. Per statute, the State Treasurer then pays back to the County Treasurers a "fee" amounting to 6% of their net collections. The decrease was due to the decrease in collection and remittances of estate taxes as compared to FY10. This is primarily due to the elimination of estate taxes payable for calendar year 2010.		
Administration Chamber vs. Filan Fund (837)		
Payments pursuant to the settlement agreement	1,003,000	12,277
The increase was due to paying administrative costs as outlined in the settlement agreement.		
Claims Chamber vs. Filan Fund (847)		
Payments pursuant to the settlement agreement	3,228,790	-
The increase was due to paying claims as outlined in the settlement agreement.		
Convention Center Support Fund (933)		
Payments to Cities/Villages	1,858,922	-
The increase was due a new statutory requirement for the Office to deposit and pay a portion of the increase in the airport departure tax to the Village of Rosemont.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
General Revenue Fund (001)		
State contribution to SERS	\$	- \$
The decrease was due to no longer making retirement payments for payroll processed through the General Revenue Fund.		931,979
Contractual Services	566,211	754,985
The decrease was due to a Springfield Office relocation; therefore reducing rent costs.		
Travel	70,549	49,804
The FY09 budget was cut and later restored through the FY09 Budget Relief Fund supplemental appropriation. The increase for FY10 reflects average spending for the General Revenue Fund.		
Commodities	50,500	24,298
The FY09 budget was cut and later restored through the FY09 Budget Relief Fund supplemental appropriation. The increase for FY10 reflects average spending for the General Revenue Fund.		
Printing	6,037	10,485
The decrease was due to the implementation of cost saving measures such as sending promotional items through email.		
Equipment	19,791	2,968
The increase was due to purchasing modular furniture during FY10.		
Operation of auto equipment	12,882	8,300
The increase was due to more repairs of state vehicles needed in FY10 as compared to FY09.		
Refunds - Protested Cases	875,463	2,250,000
Refunds of tax monies paid under protest are dependent on the number and size of protested tax cases that come from and are resolved by the Attorney General in a given fiscal year. The interest for these refunds was paid from the General Revenue Fund. The decrease was directly related to the corresponding decrease in the appropriation.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
State Pensions Fund (054)		
State contribution to SERS	\$ 703,560	\$ 531,788
The increase was due to an increase in the total employer rate from 21.049% in FY09 to 28.377% in FY10.		
Printing	1,068	7,924
The decrease was due to increased efforts to reduce spending.		
Equipment	22,612	14,620
The increase was due to purchasing a vehicle in FY10.		
Operation of Automobiles	6,658	4,420
The increase was due to an aging vehicle fleet with increased repair costs, and increased overall marketplace gas and oil costs.		
General Obligation Bond Fund (101)		
Payment of Principal on GO Bonds and Short-Term Borrowing	2,887,464,753	2,011,151,143
The increase was due to an increase in short-term borrowing payments made in FY10.		
Payment to Escrow Agent for Future Bond Debt Services on Refunded Bonds	1,599,226,096	-
Proceeds from the issuance of Refunding Bonds are paid to and held by escrow agents for the purpose of defeasing General Obligation Bonds originally issued at higher interest rates. This expenditure item was related to the State General Obligation Bond refunding issues executed during a fiscal year. The increase was due to there being a refunding bond issue in FY10.		
Protest Fund (401)		
Refund of Monies Paid Under Protest	58,795,707	40,827,237
Refunds of tax monies paid under protest are dependent on the number and size of protested tax cases that come from and are resolved by the Attorney General in a given fiscal year. The interest for these refunds was paid from the General Revenue Fund. The increase was directly related to the corresponding increase in court ordered distributions in FY10.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
Capital Litigation Fund (614)		
Award and grants payments	\$ 4,364,912	\$ 8,440,595
The decrease is due to the Comptroller not making requested transfers into the fund. As a result, the fund did not have the cash balance to make full payment to Cook County for block grants.		
Matured Bond and Coupon Fund (625)		
Payment of Matured Bonds and Interest Coupons	29,000	99,956
This expenditure item was in place to accommodate late claims (after the two-year redemption period) by bondholders holding matured bond and interest coupons issued by the State of Illinois. An appropriation was maintained in the Treasurer's budget for the purpose of paying these claims legally required by bond covenants. The decrease was due to fewer late claims filed in FY10 than in FY09. The Treasurer has no control over spending in this area.		
Municipal Economic Development Fund (650)	454,982	308,810
Municipal Economic Development to Cities		
Funds are obtained from a portion of electricity purchase rates in association with the public utilities and any interest income resulting from investment from monies in the fund. In turn the fund balance was paid to cities and villages at the end of each quarter. The increase was due to higher fund balances in FY10 as compared to FY09.		
Budget Relief Fund (678)		
Lump Sum	-	799,481
This was a one-time appropriation in the amount of \$1,079,000 for FY09. It was enacted to compensate for vetos that were made to FY09 General Revenue operating budget by the prior Governor.		
Administration Chamber vs. Filan Fund (837)		
Payments pursuant to the settlement agreement	12,277	-
The increase is due to paying administrative costs as outlined in the settlement agreement.		

STATE OF ILLINOIS
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COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS

The Office's explanations for significant fluctuations in cash receipts (change of \$1,000 and 20% or greater) are detailed below:

Fund, Account (if Applicable), and Explanation	2011	2010
General Revenue Fund (001)		
Miscellaneous Receipts	\$ 8,835	\$ 42,741
The decrease was due to the decrease of miscellaneous reimbursements such as Restitution Recoveries and Freedom of Information Act.		
Private Organizations or Individuals	98,914	3,590
The increase was due to receipt of lost interest from various financial institutions not depositing Treasurer's funds on a timely basis. The Treasurer has no control over receipt of funds due to financial institution errors in any given year.		
Prior year refund	657	3,300
The decrease was due to a decrease in overpayments to vendors that required reimbursement.		
Metropolitan Pier and Exposition Authority Trust Fund (337)		
Investment income	140,810	40,163
The Treasurer has no control over the investment market. The increase was due to the increase in the average fund balance for FY11.		
Unclaimed Property Trust Fund (482)		
Prior Year Refund	328,137	33,120
The increase was due to the return of the original funds for several claimant payments that were voided or escheated.		
Domestic Violence Surveillance Fund (545)		
Circuit Clerk	-	12,169
This fund no longer exists pursuant to P.A. 96-688.		
Capital Litigation Trust Fund (614)		
Investment Income	9,661	19,487
The Treasurer has no control over the investment market. The decrease was due to the decrease in the average fund balance for FY11.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS (CONTINUED)

Fund, Account (if Applicable), and Explanation	2011	2010
Capital Litigation Trust Fund (614) (Continued)		
Miscellaneous Receipts		
The increase is due to receiving reimbursement funds in accordance with a court order.	\$ 21,011	\$ -
Prior year refund	-	825,136
Cook County receives an appropriated lump sum for expenditures from the Capital Litigation Trust Fund. Pursuant to law, any money not expended is to be returned to the State Treasurer's Office. The decrease was due to Cook County returning FY11 funds in time to process against expenditures. The Treasurer has no control over the receipt amount in any given year.		
Matured Bond and Coupon Fund (625)		
Matured and unredeemed bonds and coupons	3,815,000	-
The increase was due to the increase of payments for matured bonds and coupons issued by the State of Illinois that remained unredeemed after the standard two-year redemption period. The receipt source is dependent on the amount of unredeemed items remitted by the paying agents to the Treasurer. The Treasurer has no control over receipt amount in any given year.		
College Savings Pool Administrative Fund (668)		
Miscellaneous Receipts	-	161,119
The decrease was due to not requesting FY11 reimbursements for marketing costs from the Bright Start Program Manager.		
Capital Projects Fund (694)		
Investment income	121,607	32,686
The Treasurer has no control over the investment market. The increase was due to the increase in the average fund balance during FY11.		
State Treasurer Court Ordered Escrow (932)		
Investment income	4,175	8,339
The Treasurer has no control over the investment market. The decrease was due to a decrease in average fund balance during FY11.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS (CONTINUED)

Fund, Account (if Applicable), and Explanation	2011	2010
Convention Center Support Fund (933)	\$ 1,655,519	\$ -
Airport Departure Tax - increase		
New fund in FY11. P.A. 96-0898 requires the Treasurer's Office to deposit 25% of the increase in tax in the Convention Center Support Fund.		
Industrial Commission Surcharge Escrow Fund (937)		
Investment income	16,605	93,720
The decrease was due to the decrease in average fund balance during FY11. The fund was dissolved under the Chamber v. Filan settlement agreement.		
MPEA Grants Fund (941)		
Airport Departure Tax - increase	4,966,558	-
New fund in FY11. P.A. 96-0898 requires the Treasurer's Office to deposit 75% of the increase in tax in the MPEA Grants Fund.		

STATE OF ILLINOIS
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NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
General Revenue Fund (001)		
Investment income	\$ 25,852,581	\$ 80,506,539
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Miscellaneous receipts	42,741	8,253
The increase was due to the increase of miscellaneous reimbursements such as Restitution Recoveries and Freedom of Information Act.		
Private organizations or individuals	3,590	253,551
The decrease was due to receipt of lost interest from various financial institutions not depositing Treasurer's funds on a timely basis. The Treasurer has no control over receipt of funds due to financial institution errors in any given year.		
Prior year refund	3,300	(614,200)
The decrease was due to the correction of investment income reported in FY09 that was not repeated in FY10.		
General Obligation Bond Retirement and Interest Fund (101)	4,058,123	13,068,613
Investment income		
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Metropolitan Pier and Exposition Authority Trust Fund (337)	40,163	171,618
Investment income		
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Unclaimed Property Trust Fund (482)		
Prior year refund	33,120	509
The increase was due to the return of the original funds for several claimant payments that were voided or escheated.		
Married families Domestic Violence Fund - 499	-	383,758
Marriage License Fees		
Fund 499 is no longer administered by the Treasurer.		

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COMPLIANCE EXAMINATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
Domestic Violence Surveillance Fund (545)	\$ 12,169	\$ 3,517
Circuit Clerk		
The increase was due to the submission of circuit clerk collections required to be deposited by the State Treasurer. The Treasurer has no control over the receipt amount in any given year.		
Capital Litigation Trust Fund (614)		
Investment Income	19,487	123,686
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Matured Bond and Coupon Fund (625)		
Matured and unredeemed bonds and coupons	-	5,437
The decrease was due to the decrease of payments for matured bonds and coupons issued by the State of Illinois that remained unredeemed after the standard two-year redemption period. The receipt source is dependent on the amount of unredeemed items remitted by the paying agents to the Treasurer. The Treasurer has no control over receipt amount in any given year.		
Municipal Economic Development Fund (650)		
Investment income	283	1,478
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
College Savings Pool Administrative Fund (668)		
Investment income	2,031	15,160
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Miscellaneous Receipts	161,119	280,492
The decrease was due to the decrease in the request for reimbursement for marketing costs from the Bright Start Program Manager.		

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ANALYSIS OF SIGNIFICANT VARIATIONS IN CASH RECEIPTS (CONTINUED)

Fund, Account (if Applicable), and Explanation	2010	2009
Rate Adjustment Fund (685)		
Investment income	\$ 120,894	\$ 342,003
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Capital Projects Fund (694)		
Investment income	32,686	-
This was a new fund in FY10.		
State Treasurer Court Ordered Escrow Fund (932)		
Investment income	8,339	13,317
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		
Industrial Commission Surcharge Escrow Fund (937)		
Investment income	93,720	463,633
The Treasurer has no control over the investment market. The decrease was due to decreases in interest rates.		

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ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING

The Office's explanations for significant lapse period expenditures (greater than 20% of total expenditures) are detailed below:

Fund, Account (if Applicable), and Explanation	Disbursements During Lapse Period	Disbursements for Fourteen Months Ended August 31, 2011	Percentage of Expenditures in Lapse Period
State Pensions Fund (054)			
Commodities	\$ 14,108	\$ 36,200	38.97%
The lapse period spending was for promotional items, which included t-shirts, and for cash dash events in addition to other supplies being replenished that were ordered late in the fiscal year.			
Printing	982	2,058	47.72%
The lapse period spending was for paper used in printing promotional materials.			
Equipment	5,091	6,190	82.25%
The lapse period spending was for portable lecterns and a signature machine for the Unclaimed Property Division.			
Electronic Data Processing	271,737	886,822	30.64%
The lapse period spending was for replacing outdated computers, laptops, printers and other technology.			
Operation of Auto Equipment	1,682	4,872	34.52%
The lapse period spending was for purchases of gasoline and car washes and the invoices were not received until late in the fiscal year.			
Convention Center Support Fund - 933			
Grants to local governments	455,431	1,858,922	24.50%
The lapse period spending was for disbursing May and June revenue.			

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ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING (CONTINUED)

Fund, Account (if Applicable), and Explanation	Disbursements During Lapse Period	Disbursements for Fourteen Months Ended August 31, 2010	Percentage of Expenditures in Lapse Period
State Pensions Fund (054)			
Commodities The lapse period spending was for promotional items for cash dash events in addition to other supplies being replenished that were ordered late in the fiscal year.	\$ 15,632	\$ 35,414	44.14%
Telecommunications The lapse period spending was for May and June telecommunication billings received from CMS during the lapse period.	6,708	32,216	20.82%
Operation of Auto Equipment The lapse period spending was for purchases of gasoline and car washes and the invoices were not received until late in the fiscal year.	1,543	6,658	23.18%

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INDIRECT COST REIMBURSEMENT FUNDS

For the Two Years Ended June 30, 2011

The Illinois Public Treasurers' Investment Pool Administrative Fund No. 195 (IPTIP Administrative Fund) is a non-appropriated enterprise fund. The IPTIP Administrative Fund was established to administer a pool of assets held by the Treasurer in a trustee capacity as an agent for public treasurers throughout the State of Illinois. The IPTIP Administrative Fund is charged for costs incurred for the provision of investment services and support for the pool marketing effort, and the Treasurer allocates resources to provide indirect support between the General Revenue Fund and the IPTIP Administrative fund.

The College Savings Pool Administrative Fund No. 668 (CSP Administrative Fund) is a non-appropriated enterprise fund. The CSP Administrative Fund was established to administer a pool of assets held by the Treasurer in a trustee capacity as an agent for the general public throughout the State of Illinois and outside the State of Illinois. The CSP Administrative Fund is charged for costs incurred for the provision of investment services and support for the pool marketing effort, and the Treasurer allocates resources to provide indirect support between the General Revenue Fund and the CSP Administrative fund.

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AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Two Years Ended June 30, 2011

The State of Illinois, Office of the Treasurer, is authorized by the State Treasurer Act (15 ILCS 505 et. seq.). The State Treasurer receives the revenues and all other monies of the State of Illinois, and all other monies authorized by law to be paid to him and safely keep the same. The Treasurer serves as the State's banker and has responsibility to protect and invest State funds. In accordance with Chapter 22 of the "Audit Guide for Performing Financial Audits and Compliance Attestation Engagements of Illinois State Agencies" (August 2010) issued by the Office of the Auditor General – State of Illinois, we evaluated the "Agency Functions and Planning Program" of the Office of the Treasurer. The following information was prepared based on that evaluation.

Treasury Functions

The principal constitutional and statutory powers related to the State of Illinois, Office of the Treasurer, currently held by Dan Rutherford, are as follows:

1. Receipt, disbursement and custody of funds in the State Treasury.
2. Investment of funds in the State Treasury.
3. Ex-officio custodianship of funds controlled by certain other agencies of the State.
4. Custody of securities deposited within the State Treasury as collateral or for safekeeping.
5. Assurance that monies are available to pay principal and interest on general obligation bonds issued by the State.
6. Administration of certain trust funds.
7. Joint administration with the Attorney General of the Illinois Estate Tax Law, including receipt and accounting for tax collections.
8. Administration of the Illinois Public Treasurer's Investment Pool (Illinois Funds).
9. Administration of the Bright Start and Bright Directions College Savings Programs.
10. Administration of Unclaimed Property.

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AGENCY FUNCTION AND PLANNING PROGRAM (CONTINUED)

For the Two Years Ended June 30, 2011

To fulfill these Fiscal Responsibilities, the Treasurer's Office has been organized into the following divisions:

- Executive Office, which has ultimate administrative responsibility for the entire organization and provides control and direction of all operations.
- Accounting Division, which is responsible for general accounting activities including the general ledger, processing accounts payable, reconciling bank accounts, and compiling budget estimates for the appropriation process. This includes the Estate Tax unit, which is responsible for the administration of the funds collected by county treasurers as a result of the Illinois Estate Tax law.
- Banking (Portfolio) Division, which is responsible for management of the short-term investment portfolio, deposits of public funds in Illinois financial institutions and the protection of public funds, collection of various fees from all State agencies, and ensuring that the State's financial obligations are paid on a daily basis.
- College Savings Division, which is under the administration of the Treasurer, provides investment opportunities available under Section 529 of the Internal Revenue Code to the general public which enables them to earn a competitive rate of return on investments to be used on qualified higher education.
- Communications Division, which provides for the creation and development of all publications and printed materials for the Treasurer's Office, as well as the development and maintenance of the Treasurer's websites.
- Community Affairs Division, which provides outreach services promoting office programs to entities such as: elected officials, local governments, labor unions, religious groups, chambers of commerce, ethnic groups, boards and commissions, and nonprofit groups.
- Fiscal Operations Division, which over sees accounting, banking, IL Funds Portfolio, the Chief Procurement Officer, and warrant divisions and provides administrative support through general services for such areas as printing and telecommunications.

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AGENCY FUNCTION AND PLANNING PROGRAM (CONTINUED)

For the Two Years Ended June 30, 2011

- Human Resources Division, which is responsible for development and implementation of a comprehensive system of human resource management for the Treasurer's Office, which includes development and publication of office policies and procedures relating to such issues as collective bargaining, ethics, a job classification system and an office pay plan.
- Illinois Funds Division, which is under the administration of the Treasurer, provides custodians of public funds with an investment opportunity which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds.
- Information Technology Division (IT), which is responsible for meeting the data processing needs of the operational divisions of the Treasurer's Office through the provision of the most up-to-date electronic solutions available in the marketplace. This division also maintains all operational systems and provides both hardware and software support for the Treasurer's mainframe computer and wide area network.
- Internal Audit Division, which is responsible for conducting a comprehensive program of internal audits under the Fiscal Control and Internal Auditing Act.
- Invest in Illinois (formerly Economic Opportunity) Division, which oversees many programs administered by the Illinois State Treasurer's Office. These programs are community development oriented and range from assistance to farmers, economic development projects, and assistance to persons with disabilities.
- Legal Division, which is responsible for handling the legal affairs of the Treasurer's Office including negotiating and drafting contracts and other legal agreements, performing legal analysis and offering legal opinions, coordinating representation of the Treasurer's Office by outside legal counsel, and providing legal support to the other divisions of the Treasurer's Office.
- Legislative Affairs Division, which is responsible for the legislative activities affecting the Treasurer's Office. Duties include developing and monitoring legislative initiatives, researching, analyzing and drafting legislation, working with the members of the General Assembly and keeping the Treasurer advised on all pertinent legislation.
- Logistics and Support Services Division, which is responsible for the scheduling and coordination of all Treasurer's Office events and special activities, and provides administrative support through general services for such areas as printing, telecommunications, maintenance, vehicles, etc.
- Marketing Division, which is responsible for marketing all programs of the Treasurer's Office.

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AGENCY FUNCTION AND PLANNING PROGRAM (CONTINUED)

For the Two Years Ended June 30, 2011

- Unclaimed Property Division, which is responsible for reuniting rightful owners with their lost and abandoned property and receiving and safeguarding property and personal information reported to the Illinois State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. Unclaimed Property consists of money and other assets that are considered lost or abandoned after an owner cannot be located for a specific period of time, generally five years (or seven years if held by a governmental entity).
- Warrant Division, which process over \$74 billion annually through more than 7 million warrants. The Treasurer is mandated by law to cancel and record all State warrants presented for payment. The Treasurer is also mandated by law to assure that all State warrants drawn on the State Treasury have sufficient fund balances to support the payment. All warrants that do not pass this critical test are held until sufficient monies become available.

Treasurer's Planning Program

The Office of the Treasurer is responsible for the safekeeping and investing of monies deposited with his Office and for disbursing monies upon order of the Comptroller. The Treasurer's investment policies are governed by State statute. In addition, the Treasurer's Office has adopted its own investment practices which supplement the statutory requirements.

The Treasurer has created an Investment Policy Committee to provide guidance in the allocation of State assets within the Treasurer's investment portfolio. The committee also develops strategy for the selection of State's depositories and designs and implements programmatic initiatives to address community development needs throughout the State.

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AVERAGE NUMBER OF EMPLOYEES

For the Years Ended June 30

TREASURER'S PERSONNEL

The average number of personnel employed at the Treasurer's Office is as follows:

	2011	2010	2009
Executive Offices	11	8	8
Accounting Division	13	14	14
Banking Division	19	19	19
Communications Division	5	5	6
Community Affairs Division	2	0	0
Economic Development Division	0	7	8
Invest in Illinois Division (Economic Opportunity prior to FY11)	11	5	5
External Affairs Division	0	2	2
Financial Education Division	6	6	6
Fiscal Operations Division	6	7	7
Human Resources Division	5	5	5
Information Technology Division	8	9	9
Inspector General Division	1	2	2
Internal Audit Division	2	2	2
Legal Division	6	7	7
Legislative Division	4	3	3
Policy and Programs Division	3	4	3
Scheduling and Events Division	6	5	4
Support Services Division	2	0	0
Unclaimed Property Division	37	39	40
Technology Development Division	1	1	1
Warrant Division	6	6	6
Subtotal - personnel compensated through appropriated funds	<u>154</u>	<u>156</u>	<u>157</u>
IPTIP Administrative Trust Fund employees (compensated through nonappropriated State Treasury Fund)	21	21	22
College Savings Administrative Trust Fund employees (compensated through nonappropriated State Treasury Fund)	<u>5</u>	<u>7</u>	<u>7</u>
Total average number of Treasurer personnel	<u><u>180</u></u>	<u><u>184</u></u>	<u><u>186</u></u>

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Emergency Purchases

The Office reported the following emergency purchases to the Office of the Auditor General during the two fiscal years ending June 30, 2011:

Description	2010	2011
Continuance of lockbox/remittance services contract	\$ -	\$ 772,000
Continuance of lockbox/remittance services contract	-	45,000
Continuance of lockbox/remittance services contract	400,000	-
Service to process tax payments and provide electronic data files	400,000	-
Continue providing credit, debit, and other merchant processing services	30,000	-
Total	\$ 830,000	\$ 817,000

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SERVICE EFFORTS AND ACCOMPLISHMENTS
(Not Examined)

The following table details various data representative of the Treasurer's operations:

<u>For the Fiscal Year Ended June 30</u>	<u>2011</u>	<u>2010</u>
Warrant Division		
Number of warrants issued	7,696,559	7,811,230
Number of warrants paid	7,672,943	7,528,693
Number of forgery claims	352	581
Amount of forgery claims	\$ 519,191	\$ 461,067
Number of warrants outstanding as confirmed with the Comptroller's Office	337,033	362,628
Unclaimed Property Division		
Number of written unclaimed property inquiries processed	67,177	62,105
Amount of unclaimed property remittances received	\$ 157,781,106	\$ 163,520,070
Number of unclaimed property claims paid	47,127	42,037
Amount of unclaimed property claims paid	\$ 90,645,539	\$ 79,739,173