STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2008

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

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008

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STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008

AGENCY OFFICIALS

Comptroller	Daniel W. Hynes
Chief of Staff	Keith Taylor
Assistant Comptroller - Operations	Don Templeman
Assistant Comptroller - Chicago Operations	Peggy Roth
Assistant Comptroller – Policy and Programs	Rick Cornell
Legal Counsel	Whitney Rosen
Director of Internal Audit	Rusti Cummings

Agency offices are located at:

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

Room 201 State-House
Springfield, IL 62704

325 West Adams
Springfield, IL 62704

OFFICE OF THE COMPTROLLER

DANIEL W. HYNES
COMPTROLLER

ROOM 201
STATE HOUSE
SPRINGFIELD, ILLINOIS 62706

MANAGEMENT ASSERTION LETTER

January 15, 2009

Sleeper, Disbrow, Morrison, Tarro & Lively, LLC
Suite 501, 250 N. Water St.
Decatur, IL 62523

Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the Illinois Office of the Comptroller – Fiscal Officer Responsibilities. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Illinois Office of the Comptroller –Fiscal Officer Responsibilities' compliance with the following assertions during the year ended June 30, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the Office has materially complied with the assertions below.

A. The Office has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The Office has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

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

Yours very truly,

Illinois Office of the Comptroller

Daniel W. Hynes, Comptroller

Don W. Templeman,
Assistant Comptroller, Operations

Whitney Wagner Rosen,
General Counsel

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008

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.

AUDITORS' 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

Number of	This Audit	Prior Audit
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

EXIT CONFERENCE

An exit conference was declined by Office personnel.

SLEEPER, DISBROW, MORRISON, TARRO & LIVELY, LLC

CERTIFIED PUBLIC ACCOUNTANTS
250 N. WATER SUITE 501
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DECATUR, ILLINOIS 62525-1460

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ROBERT A. DISBROW, C.P.A.
THOMAS K. LEACH, C.P.A.
WAYNE K. LIVELY, C.P.A.
STEPHEN M. PAYTON, C.P.A.
RICHARD B. TARRO, C.P.A.

MEMBERS
ILLINOIS C.P.A. SOCIETY
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2008. The management of the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities' compliance based on our examination.

A. The State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

B. The State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.

C. The State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

D. State revenues and receipts collected by the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.

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

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestion engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities' compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities' compliance with specified requirements.

In our opinion, the State of Illinois, Office of the Comptroller - Fiscal Officer Responsibilities complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008.

Internal Control

The management of the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities' internal control over compliance with the requirements listed in the first paragraph of this report in order to determine 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 the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities' internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

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 2008 Supplementary Information for State Compliance Purposes, except for the Schedule of Interest Paid on Late Vendor Payments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

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

Sleeper, Disbrow, Morrison, Tarro & Lively, LLC

January 15, 2009

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2008

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

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

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

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Year Ended June 30, 2008

During the year ended June 30, 2008, the Honorable Daniel Hynes was the Comptroller of the State of Illinois.

Office Functions

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

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

Budgeting

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

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

presented to the Governor's Office of Management and Budget, which will include it in the State Budget Book.

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

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

Strategic Long Range Plan

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

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

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

Fiscal Year 08 Planned / Implemented

1. Continue enhancing the effective operation of Statewide Accounting and Financial Reporting System, namely:
   a. Continue improving efficiencies in the Payroll Offset System.
   b. Develop strategies for enhanced integration with State agencies' accounting systems, with the goal of creating efficiencies between systems.
   c. Increase volume of paperless transactions and resultant cost efficiencies.
   d. Enhance information management capabilities.
   e. Increase participation of State payees in Electronic Commerce Program.

2. Maintain and improve the working relationships with State agencies on Financial Reporting, Payroll, and Administrative Issues.
   a. Continue providing education and training to State agencies on GAAP Accounting.
   b. Analyze policies and procedures utilized by agencies for reporting purposes and develop strategies for greater efficiencies.
   c. Improve information collection of treasury held funds and locally held funds databases.

3. Efficient management of Cemetery Care and Burial Trust Division responsibilities.

a. Increase scrutiny of licensees related to oversight of trust funds and maintenance of facilities.
b. Maintain training opportunities for personnel assigned to oversight functions.
c. Improve and regularly evaluate division database to increase information management capabilities.

4. Public Accountability Program (Service Efforts and Accomplishments – SEA)
   a. Continue to refine / Accountability of the reporting of performance measures for programs administered by state agencies.

5. Maintain collaboration with Judiciary to enhance administration of Court Reporters Compensation System
   a. Improve Court Reporter timekeeping systems.
   b. Increase automation of the Court Reporter Payroll.
      i. Enhance / improve the processing and administration of Court Reporters Workers Compensation Cases.

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

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
For the Year Ended June 30, 2008

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

Department of Healthcare and Family Services	$ 22,886,321
Department of Central Management Services	546,177
Capital Development Board	229,851
Department of Revenue	113,713
Department of State Police	63,453
Department of Human Services	50,546
Department of Corrections	49,524
Department of Transportation	43,923
State Board of Education	12,514
Department of Natural Resources	12,014
Department of Veterans' Affairs	5,997
Department of Children and Family Services	5,682
Secretary of State	4,898
Department of Agriculture	4,003
Department of Juvenile Justice	3,623
Department of Commerce and Economic Opportunities	2,296
Supreme Court	2,106
Illinois Mathematics and Science Academy	2,015
Office of the State Fire Marshall	1,345
Department of Public Health	1,292
Office of the Treasurer	708
Attorney General	518
Department of Financial and Professional Regulations	366
State's Attorneys Appellate Prosecutors	191
Illinois Labor Relations Board	187
Illinois Legislative Research Unit	123
General Assembly	121
Department of Labor	102
Illinois Environmental Protection Agency	82
Deaf and Hard of Hearing Commission	80
Legislative Information System	66
Historic Preservation Agency	57
Military Affairs	56
Legislative Audit Commission	28
Total Interest Paid on Late Vendor Payments	$ 24,043,978

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