



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**OFFICE OF THE TREASURER**  
**FISCAL OFFICER RESPONSIBILITIES**

**Financial Audit and Compliance Examination  
For the Year Ended: June 30, 2011**

**Release Date: May 2, 2012**

**Summary of Findings:**

|                                   |          |
|-----------------------------------|----------|
| <b>Total this report</b>          | <b>1</b> |
| <b>Total last report</b>          | <b>6</b> |
| <b>Repeated from last report:</b> | <b>1</b> |

**INTRODUCTION**

This digest covers our financial audit and compliance examination of the State of Illinois Office of the Treasurer – Fiscal Officer Responsibilities for the year ended June 30, 2011.

**SYNOPSIS**

- The State of Illinois Office of the Treasurer did not comply with duties mandated by State statute.

**OFFICE OF THE STATE TREASURER - STATE OF ILLINOIS**  
**FISCAL OFFICER RESPONSIBILITIES**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For The Year Ended June 30, 2011**

| <b>ASSETS, LIABILITIES AND ACCOUNTABILITIES</b>  | <b>JUNE 30, 2011</b>            | <b>JUNE 30, 2010</b>            |
|--|---------------------------------|---------------------------------|
| <b>Assets and Other Debits</b>   |                                 |                                 |
| Cash and Cash Equivalents.....   | \$ 4,997,766,939                | \$ 3,945,708,936                |
| Deposits and Investments, short-term.....  | 5,376,672,160                   | 5,223,955,569                   |
| Deposits and Investments, long -term.....  | 983,537,972                     | 956,564,001                     |
| Securities Lending Collateral.....   | 3,456,373,500                   | 3,107,545,325                   |
| Other Assets.....  | 11,109,247                      | 10,362,803                      |
| Amount of Future General Revenues Obligated for Debt Service.....  | <u>42,830,269,965</u>           | <u>38,861,217,880</u>           |
| <b>TOTAL ASSETS AND OTHER DEBITS.....</b>  | <b><u>\$ 57,655,729,783</u></b> | <b><u>\$ 52,105,354,514</u></b> |
| <br>   |                                 |                                 |
| <b>Liabilites and Accountabilities</b>   |                                 |                                 |
| Liabilities for Balances on Deposit.....   | \$ 10,133,290,649               | \$ 9,240,201,301                |
| Obligations Under Securities Lending.....  | 3,456,373,500                   | 3,107,545,325                   |
| General Obligation Indebtedness.....   | 44,056,541,264                  | 39,746,483,993                  |
| Accountabilities.....  | <u>9,524,370</u>                | <u>11,123,895</u>               |
| <b>TOTAL LIABILITIES AND ACCOUNTABILITIES.....</b>   | <b><u>\$ 57,655,729,783</u></b> | <b><u>\$ 52,105,354,514</u></b> |
| <br>   |                                 |                                 |
| <b>FINANCIAL HIGHLIGHTS</b>  | <b>FY 2011</b>                  | <b>FY 2010</b>                  |
| Investment income earned.....  | \$ 49,888,444                   | \$ 50,655,198                   |
| Average yield on investments (unaudited).....  | 0.48%                           | 0.59%                           |
| Increase in investment base from prior year (unaudited).....   | \$ 1,731,429,920                | \$ 555,000,000                  |
| Total amount of estate tax collections (unaudited).....  | \$ 122,243,610                  | \$ 243,378,978                  |
| Total amount of estate tax distributions (unaudited).....  | \$ 6,849,709                    | \$ 14,292,768                   |
| Total amount of estate tax refunds (unaudited).....  | \$ 8,354,278                    | \$ 7,624,537                    |
| # of warrants issued, countersigned and recorded (unaudited).....  | 7,696,559                       | 7,775,459                       |
| # of warrants cancelled, paid and recorded (unaudited).....  | 7,672,943                       | 7,493,807                       |
| \$ of warrants issued, countersigned and recorded (unaudited).....   | \$ 75,615,948,996               | \$ 71,170,889,945               |
| <br>   |                                 |                                 |
| <b>STATE TREASURER</b>   |                                 |                                 |
| During Engagement Period: Honorable Alexi Giannoulas (ending 1-10-2011), Honorable Dan Rutherford<br>(beginning 1-10-2011) |                                 |                                 |
| Currently: Honorable Dan Rutherford  |                                 |                                 |

**FINDING, CONCLUSION, AND**  
**RECOMMENDATION**

**NONCOMPLIANCE WITH MANDATED DUTIES**

The Illinois Office of the Treasurer (Office) did not comply with duties mandated by State statute. The following issues were noted during testing:

- The Office could not provide documentation of approval from the Governor for certain investments required by the Deposit of State Moneys Act (15 ILCS 520/22.5). Within the Deposit of State Moneys Act, specific reference is made a number of times stating, “the Treasurer may, with the approval of the Governor,” invest State money in various permitted investments. Office personnel stated the Treasurer sends a monthly report to the Governor on activities including investments of all types, as well as fund balances. In addition, the Treasurer’s web site is updated weekly, and contains all information on weekly investments.
- The Office did not comply with the Public Funds Investment Act (30 ILCS 235/2.5) specifically, the Office did not adopt an investment policy to govern all investments by State agencies including investments held outside of the State Treasurer’s Office. The current published investment policy of the Office indicates it only applies to investments in the State Treasury. The Office’s staff attributed the issue to the Office having a different interpretation of the Public Funds Investment Act.
- The Office did not file their revolving door policy with the Executive Ethics Commission as required by the State Officials and Employees Ethics Act (5 ILCS 430/5-45(c)). Office management stated that they thought that this was filed under the previous administration, until Office staff was notified otherwise by the auditors.

**Documentation of approval from the Governor for certain investments could not be provided**

**The Office did not adopt an investment policy to govern all investments by State agencies**

**Office did not file their revolving door policy with the Executive Ethics Commission**

Failure to comply with mandated responsibilities is noncompliance with statutory requirements and does not fulfill the legislative intent. (Finding Code No. 11-1, pages 10-12)

We recommended the Office comply with the statutory requirements or seek change to the legislation.

**Treasurer agrees with auditors**

The Treasurer agreed with the finding and recommendation.

**AUDITORS' OPINION**

The auditors stated the Office of the Treasurer, Fiscal Officer Responsibilities financial statements as of June 30, 2011 and for the year then ended were presented fairly in all material respects. The auditors noted the financial statements have been prepared using accounting practices prescribed by joint agreement of the Illinois Office of the Comptroller and the Illinois Office of the Treasurer, which practices differ from accounting principles general accepted in the United States of America.



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WILLIAM G. HOLLAND  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

McGladrey & Pullen LLP were our Special Assistant Auditors for this engagement.