
REPORT DIGEST

OFFICE OF THE STATE TREASURER NONFISCAL OFFICER RESPONSIBILITIES

COMPLIANCE EXAMINATION

For the Two Years Ended:
June 30, 2009

Summary of Findings:

Total this Report: 2
Total last Report: 2
Repeated from last Report: 1

Release Date:
June 3, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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Office of the Auditor General
Illes Park Plaza
740 E. Ash Street
Springfield, IL 62703
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SYNOPSIS

- The Office of the Treasurer (Office) had not established adequate controls for securing its computer resources.

{Expenditures and Activity Measures are summarized on the reverse page

OFFICE OF THE STATE TREASURER - NONFISCAL OFFICER RESPONSIBILITIES

COMPLIANCE EXAMINATION

For The Two Years Ended June 30, 2009

EXPENDITURE INFORMATION AND STATISTICS	FY 2009	FY 2008	FY 2007
TOTAL EXPENDITURES (All Funds)	\$3,323,974,953	\$4,301,686,712	\$3,102,221,669
APPROPRIATED EXPENDITURES	\$3,201,806,024	\$4,215,273,753	\$2,994,321,165
% of Total Expenditures	96%	98%	97%
General Revenue Fund – 001 & State Pension Fund – 054			
Personal Services	\$ 6,945,875	\$ 7,231,780	\$ 7,224,796
Employee Retirement - Contributions Paid by Employer	206,505	231,053	228,854
State Contribution to State Employees' Retirement System	1,463,767	1,199,191	833,079
State Contribution to Social Security	537,254	590,717	636,143
Group Insurance	646,524	628,263	619,946
Contractual Services	2,277,420	2,856,558	3,826,462
Travel	95,330	155,300	158,632
Commodities	56,756	63,051	148,484
Printing	18,409	17,328	50,495
Equipment	17,588	38,803	94,072
Electronic Data Processing	1,614,395	1,619,730	1,917,923
Telecommunications	155,468	194,897	163,831
Operation of Auto Equipment	12,720	17,292	14,107
Inspector General	259,130	269,520	231,327
Refunds of Estate Tax & Accrued Interest thereon	8,999,403	8,999,824	8,999,997
Refunds of Accrued Interest on Protested Taxes	2,250,000	1,632,277	3,742,219
Total Expenditures – General Revenue & State Pension	<u>\$ 25,556,544</u>	<u>\$ 25,745,584</u>	<u>\$ 28,890,367</u>
General Obligation Bond Fund – 101	\$2,011,151,143	\$3,037,770,394	\$1,477,592,634
Payment of Principal	1,133,051,985	1,109,036,073	1,115,485,186
Payment of Interest	0	0	341,848,915
Payments to Escrow Agent	<u>\$3,144,203,128</u>	<u>\$4,146,806,467</u>	<u>\$2,934,926,735</u>
Total Expenditures – General Obligation Bond Fund			
Hospital Basic Services Preservation Fund - 284	\$ 0	\$ 5,000,000	\$ 0
Total Award and Grant Payments	0		
Bank Service Trust Fund – 373		\$ 5,875,677	\$ 6,025,454
Total Payments for Banking Services	\$ 5,738,250		
Capital Litigation Trust Fund – 614		\$ 9,997,256	\$ 8,339,327
Total Payments of Capital Litigation	\$ 8,690,343		
Matured Bond and Coupon Fund – 625		\$ 23,813	\$ 124,394
Total Payments of Matured Bonds and Interest	\$ 99,956		
Budget Relief Fund - 678		\$ 0	\$ 0
Total Lump sum Payments	\$ 799,481		
Estate Tax Collections Distributive Fund – 815		\$ 21,824,956	\$ 16,014,888
Total Payments to Counties	\$ 16,718,322		
UNAPPROPRIATED EXPENDITURES	\$ 122,168,929	\$ 86,412,959	\$ 107,900,504
% of Total Expenditures	4%	2%	3%
IPTIP Administrative Trust Fund - 195	\$ 2,891,995	\$ 2,699,408	\$ 3,076,638
Protest Fund - 401	\$ 40,827,237	\$ 11,832,667	\$ 24,739,761
Unclaimed Property Trust Fund - 482	\$ 77,160,803	\$ 70,266,403	\$ 79,069,494
Municipal Economic Development Fund – 650	\$ 308,810	\$ 404,101	\$ 365,848
College Savings Plan Administration Fund – 668	\$ 980,084	\$ 1,210,380	\$ 648,763
Cost of Property and Equipment	\$ 3,080,752	\$ 3,266,160	\$ 3,292,577
SELECTED ACTIVITY MEASURERS (Not examined)	FY 2009	FY 2008	FY 2007
Number of Warrants Issued	7,867,518	7,961,548	8,316,448
Number of Warrants Paid	7,740,834	7,936,315	8,144,057
Amount of Unclaimed Property Remittances Received	\$ 163,520,070	\$ 157,781,106	\$ 149,436,234
Number of Unclaimed Property Claims Paid	37,715	34,736	49,185
Amount of Unclaimed Property Claims Paid	\$ 86,374,015	\$ 81,300,409	\$ 92,193,969
STATE TREASURER			
During Engagement Period: Honorable Alexi Giannoulis			
Currently: Honorable Alexi Giannoulis			

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

COMPUTER SECURITY CONTROL WEAKNESSES

During testing of the Office's computer security environment the following weaknesses were identified:

- Highly privileged user accounts had non-expiring passwords.
- Effective mechanisms to promote security were not always activated.
- Several security policies had not been updated to reflect the current environment.
- Over reliance on key technical staff leading to segregation of duties issues, and potential loss of required technical skills if staff were to depart.
- Servers and other computer infrastructure were not held in secure locations.

Weaknesses in computer security environment were identified

Effective security provides a means for safeguarding, securing, and controlling access to facilities, hardware and software, along with the information stored in the computer system. A lack of updated security policies and lax security parameters increases the risk of unauthorized access to computerized information. (Finding 09-2, pages 12-13)

We recommended the Office review its standard security guidelines, implement and enforce a password change requirement, timely disable accounts of terminated employees and contractors, assess segregation of duties and reliance on key technical staff and review physical security controls.

Treasurer agreed with the recommendation

The Treasurer agreed with the recommendation.

OTHER FINDING

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

ACCOUNTANTS' REPORT

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

WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors on this examination were Crowe Horwath LLP.