



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
FISCAL OFFICER RESPONSIBILITIES

**Financial Audit and Compliance Examination
For the Year Ended: June 30, 2012**

Release Date: March 28, 2013

Summary of Findings:

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

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, 2012.

SYNOPSIS

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

{Financial data is summarized on the reverse page.}

OFFICE OF THE STATE TREASURER - STATE OF ILLINOIS
FISCAL OFFICER RESPONSIBILITIES
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2012

ASSETS, LIABILITIES AND ACCOUNTABILITIES	JUNE 30, 2012	JUNE 30, 2011
Assets and Other Debits		
Cash and Cash Equivalents.....	\$ 5,090,441,627	\$ 4,997,766,939
Deposits and Investments, short-term.....	5,077,429,622	5,376,672,160
Deposits and Investments, long -term.....	1,563,266,201	983,537,972
Securities Lending Collateral.....	4,556,511,251	3,456,373,500
Other Assets.....	6,608,653	11,109,247
Amount of Future General Revenues Obligated for Debt Service.....	<u>41,857,190,114</u>	<u>42,830,269,965</u>
TOTAL ASSETS AND OTHER DEBITS.....	<u>\$ 58,151,447,468</u>	<u>\$ 57,655,729,783</u>
 Liabilites and Accountabilities		
Liabilities for Balances on Deposit.....	\$ 10,435,650,636	\$ 10,133,290,649
Obligations Under Securities Lending.....	4,556,511,251	3,456,373,500
General Obligation Indebtedness.....	43,147,375,394	44,056,541,264
Accountabilities.....	<u>11,910,187</u>	<u>9,524,370</u>
TOTAL LIABILITIES AND ACCOUNTABILITIES.....	<u>\$ 58,151,447,468</u>	<u>\$ 57,655,729,783</u>
 FINANCIAL HIGHLIGHTS		
Investment income earned.....	\$ 46,705,110	\$ 49,888,444
Average yield on investments (unaudited).....	0.42%	0.48%
Increase (decrease) in investment base from prior year (unaudited)...	\$ (198,360,116)	\$ 1,731,429,920
Total amount of estate tax collections (unaudited).....	\$ 234,863,879	\$ 122,243,610
Total amount of estate tax distributions (unaudited).....	\$ 13,560,706	\$ 6,849,709
Total amount of estate tax refunds (unaudited).....	\$ 8,354,300	\$ 8,354,278
# of warrants issued, countersigned and recorded (unaudited).....	6,053,283	7,696,559
# of warrants cancelled, paid and recorded (unaudited).....	5,988,401	7,672,943
\$ of warrants issued, countersigned and recorded (unaudited).....	\$ 75,195,678,895	\$ 75,615,948,996
STATE TREASURER		
During Engagement Period: Honorable Dan Rutherford		
Currently: Honorable Dan Rutherford		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

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 establish an Identity Protection Policy (Policy) as required by the Identity Protection Act (5 ILCS 179) by June 1, 2011. Office management stated they had adopted a Policy, but due to delays in the review process, it was not finalized and implemented until November 2012.

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

The Office did not adopt an Identity Protection Policy within the time frame required by the Identity Protection Act

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

We recommended the Office comply with the statutory requirements.

The Treasurer agreed with the finding and recommendation.

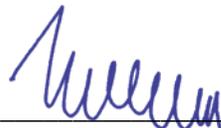
Treasurer agrees with auditors

OTHER FINDING

The other finding is reportedly being given attention by the Office. We will test the Office’s progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

The auditors stated the Office of the Treasurer, Fiscal Officer Responsibilities financial statements as of June 30, 2012 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.



WILLIAM G. HOLLAND
Auditor General

WGH:RPU:rt

SPECIAL ASSISTANT AUDITORS

McGladrey LLP were our Special Assistant Auditors for this engagement.