

OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION

For the Year Ended June 30, 2013

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, 2013

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STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

AGENCY OFFICIALS

Comptroller	Judy Baar Topinka
Chief of Staff	Nancy Kimme
Assistant Comptroller – Operations	Steve Valasek
Deputy Chief of Staff – Programs	Cory Jobe
Assistant Comptroller – Fiscal Policy and Information Technology	Markus Veile
Chief Legal Counsel	Alissa Camp
Director of Internal Audit	Tracy Allen

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



STATE OF ILLINOIS • OFFICE OF THE COMPTROLLER
JUDY BAAR TOPINKA

MANAGEMENT ASSERTION LETTER

December 12, 2013

Sikich LLP
132 S. Water Street, Suite 300
Decatur, Illinois 62525

Ladies and 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, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013, 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.

JAMES R. THOMPSON CENTER
100 WEST RANDOLPH, SUITE 15-500
CHICAGO, ILLINOIS 60601-3252
312/814-2451

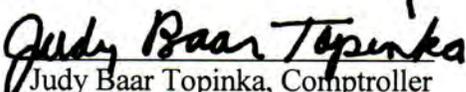
STATE CAPITOL
SPRINGFIELD, ILLINOIS 62706-0001
217/782-6000

LAND OF LINCOLN BUILDING
325 WEST ADAMS
SPRINGFIELD, ILLINOIS 62704-1871
217/782-6084



Yours truly,

Illinois Office of the Comptroller



Judy Baar Topinka, Comptroller



Steven Valasek, Assistant
Comptroller, Operations



Alissa Camp,
Chief Legal Counsel

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

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.

ACCOUNTANT’S REPORT

The Independent Accountant’s 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</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Repeated findings	1	1
Prior recommendations implemented or not repeated	1 0	1 0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (<i>GOVERNMENT AUDITING STANDARDS</i>)			
2013-001	9	Late payment of statutorily mandated transfers	Material Noncompliance

FINDINGS (STATE COMPLIANCE)

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2013-001	9	Late payment of statutorily mandated transfers	Material Noncompliance
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EXIT CONFERENCE

An exit conference was declined by Office personnel in correspondence dated December 12, 2013. Responses to the recommendations were provided by Tracy Allen, Director of Internal Audit, in correspondence dated December 12, 2013.



132 South Water Street, Suite 300 • Decatur, IL 62523

**INDEPENDENT ACCOUNTANT'S 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, 2013. 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.

Our examination was conducted 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 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.

As described in item 2013-001 in the accompanying schedule of findings, the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities did not comply with requirements regarding statutory mandated transfer of funds. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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 State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities’ effectiveness of 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 deficiency in 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 in internal control 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. *A significant deficiency in 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities’ response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Office of the Comptroller – Fiscal Officer Responsibilities’ response and, accordingly we express no opinion on the response.

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 Analysis of Operations Section is presented for purposes of additional analysis. We have not applied procedures to the accompanying supplementary information in the Analysis of Operations section, and accordingly, we do not express an opinion or provide any assurance on it.

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.



Decatur, Illinois
December 12, 2013

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES

SCHEDULE OF FINDINGS – *GOVERNMENT AUDITING STANDARDS*
Year Ended June 30, 2013

2013-001. **FINDING** (Late Payment of Statutorily Mandated Transfers)

The Illinois Office of the Comptroller (Comptroller) did not make all statutorily mandated transfers from the General Revenue Fund within established timeframes, as required.

The Comptroller had a system in place to identify and record inter-fund transfers it was required to make. During the fiscal year ended June 30, 2013, the Comptroller timely recorded within the Statewide Accounting Management System (SAMS) the receivables and related payables for transfers of money in the State Treasury to be made between State of Illinois’ funds. However, not all transfers were made timely. During fiscal year 2013, we noted 380 transfers from the General Revenue Fund to various other funds that were made greater than 30 days after the statutorily mandated transfer date. Transfers that were made between one and 30 days after the statutorily mandated transfer date were excluded from the information provided in this finding. The following summary concerning late payment of statutorily mandated transfers from the General Revenue Fund highlights the delays of making such transfers in fiscal year 2013 compared to fiscal year 2012 and fiscal year 2011:

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011
• Number of late transfers	380 transfers	398 transfers	327 transfers
• Range of days transfers were late	33 to 416 days	34 to 529 days	31 to 454 days
• Total volume of late transfers, in dollars	\$2.82 billion	\$2.45 billion	\$2.21 billion
• Late transfers outstanding as of and paid after June 30	\$616 million	\$1.11 billion	\$889 million

Comptroller management stated, as they did during the prior examinations, that the late payment of transfers occurred because of cash management decisions and prioritization that was required due to the lack of available cash in the State Treasury. Further, some statutory provisions relating to transfers contain language such as “as soon as practicable” or “as soon as possible”. The Comptroller stated that approximately 139 of the FY13 transfers totaling \$1.06 billion contained this type of language.

Failure to make inter-fund transfers within applicable timeframes represents noncompliance with State law, and untimely transfers of monies may have delayed the receiving fund’s use of appropriated funds. (Finding Code No. 2013-001, 12-1, 11-1, 10-1, 09-1)

RECOMMENDATION

We recommend the Office of the Comptroller make transfers within timeframes established by applicable statute. While we realize that lack of available funds in the State Treasury requires prioritization and cash management decisions, we recommend the Office of the Comptroller continue in its efforts to make transfers in as timely manner as possible.

AGENCY RESPONSE

The Office accepts the recommendation. Taking into account the financial condition of State funds, the Office will continue in its efforts to make transfers in the timeliest manner possible.

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2013

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

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have not applied procedures to the supplementary information in the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES
AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)
SYSTEM NARRATIVE
FISCAL YEAR 2013

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. Pre-audit 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 Fiscal solicits budget information from the Chief of Staff and the 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/her 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 Fiscal.

The Director of Budget and Fiscal, in conjunction with the Chief of Staff, 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 Chief of Staff 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 Director of Budget and Fiscal allocates the money actually appropriated to the Office for the year. This process is normally concluded in June.

The Directors are responsible for reporting potential budget issues to the Assistant Comptroller and/or the Director of Budget and Fiscal. 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).

The Office's key programmatic priorities and strategic objectives are as follows.

1. Continue implementation of Public Act 97-348 to move State vendors to the direct deposit of payments, including expansion of the Enhanced Vendor Remittance site.
2. Continue implementation of the Local Debt Recovery System to allow for State payments to be offset against debt for local units of government. Increase the number of online submissions of local government data by providing field training and additional outreach programs for local officials.
3. Work to expand "The Ledger", a user-friendly one-stop-shop for financial information by adding all contracting information that details award and completion dates, amounts, scopes of service and names of any and all subcontractors.

4. Continue implementation of the POWER (Providing Opportunities for Work through Education and Resources) Program which was created to expand the State's contractor network while helping our small and minority-owned businesses thrive. It teaches business owners about the Illinois certification and procurement process, provides counseling and guidance from leading executives, and alerts members of State contract opportunities.
5. Continue implementation of the State Reciprocal Program with the Federal government to allow for federal payments to be offset against State debt and State payments to be offset against federal debt.

As a mechanism for evaluating Office activities in relation to strategic objectives, the Office has developed a project management infrastructure for the Statewide Accounting Management System (SAMS) and an internal Service Efforts and Accomplishments (S.E.A.) 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

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

For the Year Ended June 30, 2013

Department of Healthcare and Family Services	\$ 184,958,711
Department of Central Management Services	47,614,349
Department of Aging	2,823,964
Department of Human Services	2,096,932
Department of Corrections	742,259
Court of Claims	696,794
State Board of Education	296,125
Department of Juvenile Justice	128,511
Department of Commerce and Economic Opportunity	117,930
Illinois State Police	94,650
Department of Revenue	49,004
Department of Transportation	40,695
Office of the Secretary of State	28,166
General Assembly	22,731
Department of Agriculture	18,019
Legislative Information System	17,976
Illinois Mathematics and Science Academy	16,440
Office of the Comptroller	13,585
Department of Public Health	13,416
Supreme Court	12,952
Department of Natural Resources	9,546
Governor's Office of Management and Budget	5,191
Office of the Treasurer	4,518
Illinois Legislative Printing Unit	4,155
Architect of the Capitol	4,054
Office of the Inspector General	3,197
Office of the State Appellate Defender	2,910
State Board of Elections	2,823
Department of Veterans' Affairs	2,651
Illinois Emergency Management Agency	2,057
Department of Military Affairs	1,770
Judicial Inquiry Board	982
Legislative Reference Bureau	919
Historic Preservation Agency	917
Office of the State's Attorneys Appellate Prosecutor	818

STATE OF ILLINOIS
OFFICE OF THE COMPTROLLER
FISCAL OFFICER RESPONSIBILITIES

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

For the Year Ended June 30, 2013

Commission on Government Forecasting and Accountability	\$ 663
Illinois Criminal Justice Information Authority	586
Illinois Board of Higher Education	562
Illinois Legislative Research Unit	530
Procurement Policy Board	424
Office of the Auditor General	365
Executive Ethics Commission	341
Prisoner Review Board	338
Capital Development Board	267
Department of Labor	217
Illinois Labor Relations Board	142
Department of Human Rights	141
State University Civil Service Merit Board	111
Commission on Human Rights	93
Illinois Educational Labor Relations Board	82
Deaf and Hard of Hearing Commission	67
Joint Committee on Administrative Rules	60
Department of Financial and Professional Regulation	48
Illinois Attorney General	33
State Police Merit Board	<u>8</u>
Total Interest Paid on Late Vendor Payments	\$ <u><u>239,854,795</u></u>

The State Prompt Payment Act (30 ILCS 540/3-2) requires State agencies to pay interest on proper vendor bills which are paid late, as defined in the Act.