



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES

Compliance Examination
For the Two Years Ended: June 30, 2013

Release Date: April 24, 2014

Summary of Findings:

Total this report	3
Total last report	3
Repeated from last report:	2

SYNOPSIS

- The State of Illinois, Office of the Treasurer (Office) has not established adequate policies and procedures related to the recruitment, management, and monitoring of the Office's internship program.
- The Office needs to improve controls over unclaimed property.

{Expenditures and Activity Measurers are summarized on the reverse page.}

OFFICE OF THE TREASURER
NONFISCAL OFFICER RESPONSIBILITIES
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2013

EXPENDITURE STATISTICS	2013	2012	2011
Total Expenditures (All Funds).....	\$ 3,182,576,079	\$ 5,026,592,545	\$ 4,461,782,632
Appropriated Expenditures.....	\$ 3,009,404,553	\$ 4,917,087,170	\$ 4,326,182,979
% of Total Expenditures.....	94.6%	97.8%	97.0%
General Revenue Fund & State Pension Fund			
Personal Services.....	\$ 7,571,611	\$ 7,790,724	\$ 7,377,090
Other Payroll Costs (FICA, Retirement).....	3,080,271	2,592,771	2,162,050
Inspector General.....	98,400	78,671	128,084
Refunds.....	145,700	8,500,000	8,500,000
All Other Operating Expenditures.....	5,171,610	5,720,860	4,426,098
Total General Revenue & State Pension Expenditures.....	\$ 16,067,592	\$ 24,683,026	\$ 22,593,322
General Obligation Bond Fund			
Payment of Principal.....	\$ 1,527,070,751	\$ 1,465,673,439	\$ 2,954,355,030
Payment of Interest.....	1,446,975,292	1,471,336,869	1,327,718,494
Payment to Escrow Agent.....	-	1,934,434,704	-
Total General Obligation Bond Fund Expenditures.....	\$ 2,974,046,043	\$ 4,871,445,012	\$ 4,282,073,524
General Obligation Bond Rebate Fund - Arbitrage Rebate Pymts.....	\$ -	\$ 237,119	\$ -
Estate Tax Refund Fund - Estate Tax Refunds.....	\$ 13,440,082	\$ -	\$ -
Bank Services Trust Fund - Banking Service Fees.....	\$ 3,067,288	\$ 3,371,639	\$ 4,012,691
Charitable Trust Stabilization Fund - Awards and Grants.....	\$ 640	\$ -	\$ -
Capital Litigation Trust Fund - Capital Litigation Payments.....	\$ -	\$ 1,554,668	\$ 10,486,233
Matured Bond and Coupon Fund - Matured Bonds & Interest Pymts....	\$ 170,000	\$ 2,235,000	\$ 167,500
Estate Tax Collections Distributive Fund - Pymts to Counties.....	\$ 2,612,908	\$ 13,560,706	\$ 6,849,709
Nonappropriated Expenditures.....	\$ 173,171,526	\$ 109,505,375	\$ 135,599,653
% of Total Expenditures.....	5.4%	2.2%	3.0%
IPTIP Administrative Trust Fund	\$ 3,072,015	\$ 2,897,865	\$ 2,792,468
Protest Fund	\$ 53,521,693	\$ 14,552,206	\$ 58,008,855
Unclaimed Property Trust Fund	\$ 108,105,477	\$ 88,620,140	\$ 67,222,933
Municipal Economic Development Fund	\$ 315,630	\$ 376,868	\$ 379,827
College Savings Plan Administration Fund	\$ 811,463	\$ 846,007	\$ 1,104,858
Administration Chamber vs. Filan Fund.....	\$ -	\$ -	\$ 1,003,000
Claims Fund - Chamber vs. Filan Fund	\$ -	\$ -	\$ 3,228,790
Convention Center Support Fund	\$ 7,345,248	\$ 2,212,289	\$ 1,858,922
Average Number of Employees (not examined).....	167	173	180
SELECTED ACTIVITY MEASURES (not examined)	2013	2012	2011
Number of Warrants Issued.....	4,789,267	6,053,283	7,696,559
Number of Warrants Paid.....	4,709,864	5,988,401	7,672,943
Amount of Unclaimed Property Remittances Received.....	\$ 246,814,128	\$ 211,090,676	\$ 157,781,106
Number of Unclaimed Property Claims Paid.....	62,267	56,119	47,127
Amount of Unclaimed Property Claims Paid.....	\$ 134,903,495	\$ 115,768,619	\$ 90,645,539
TREASURER			
During Examination Period: Honorable Dan Rutherford			
Currently: Honorable Dan Rutherford			

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

NEED TO IMPROVE CONTROLS OVER INTERNSHIP PROGRAM

During testing, the auditors inquired about various policies and procedures associated with the Office's internship program. Auditors noted a lack of detailed policies and procedures regarding the recruitment, management, and monitoring of the internship program. During testing, the following deficiencies were noted:

Cost-benefit analysis not performed

- The Office did not perform and document a detailed cost-benefit analysis to determine appropriate intern staffing needs.

No applications on file

- Eight of 11 (73%) interns tested did not have an application on file.

Missing documentation in intern personnel files

- Eleven of 11 (100%) interns tested did not have proper documentation that they met specific job qualifications as no specific job descriptions, qualifications, or hiring practices had been established by the Office. (Finding 1, pages 9-10)

We recommended the Office adopt formal documented policies and procedures and enhance its controls over the Office's internship program.

Treasurer agrees with auditors

The Treasurer agreed with the finding and recommendation and stated they will develop policies and procedures for the hiring of interns.

NEED TO IMPROVE CONTROLS OVER UNCLAIMED PROPERTY

The Office did not have adequate controls over unclaimed property. We noted the following deficiencies:

Firearms not transferred to State Police

- The Office did not transfer firearms to the Department of State Police. During testing, we noted the Office had 30 firearms in its unclaimed property inventory as of June 30, 2013. These 30 firearms were contained in 11 safe deposit boxes and were received between April 26, 2010 and April 29, 2013. The last time the Office transferred firearms to the Department of State Police was on June 25, 2010.

Official notices of unclaimed property not published timely

- Five of 11 (45%) safe deposit box owner notifications were published in a newspaper from 165 to 346 days after the statutory publication deadline.

Auction notices not published timely

- Three of 5 (60%) auction notices were published between 8 and 17 days late.

Item sold at auction for less than reserve amount

- One of 25 (4%) items tested was sold for \$135 less than the reserve amount. (Finding 3, pages 13-14)

We recommended the Office enhance its controls over the safeguarding of unclaimed property.

Treasurer agrees with auditors

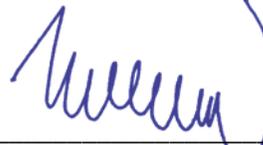
The Treasurer agreed with the finding and recommendation and stated they have enhanced unclaimed property controls.

OTHER FINDING

The remaining finding pertains to conducting employee performance appraisals timely and lack of job descriptions for some employees. We will review the Office's progress toward the implementation of our recommendations in our next examination.

AUDITORS' OPINION

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



WILLIAM G. HOLLAND
Auditor General

WGH:TMH

SPECIAL ASSISTANT AUDITORS

McGladrey LLP were our special assistant auditors for this engagement.