



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**OFFICE OF THE TREASURER**  
**NONFISCAL OFFICER RESPONSIBILITIES**

**Compliance Examination**  
**For the Two Years Ended June 30, 2015**

**Release Date: March 17, 2016**

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2011		15-3	
<b>Category 2:</b>	<b>1</b>	<b>2</b>	<b>3</b>	2003		15-1	
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
<b>FINDINGS LAST AUDIT: 3</b>							

**SYNOPSIS**

- (15-3) The Office of the Treasurer failed to exercise adequate control over unclaimed property inventory, receipts and claims.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**OFFICE OF THE TREASURER  
NONFISCAL OFFICER RESPONSIBILITIES  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2015**

EXPENDITURE STATISTICS	2015	2014	2013
<b>Total Expenditures</b> .....	\$ 3,898,764,767	\$ 3,474,740,752	\$ 3,295,933,618
OPERATIONS TOTAL.....	\$ 180,529,376	\$ 155,971,223	\$ 155,512,838
% of Total Expenditures.....	4.6%	4.5%	4.7%
Personal Services.....	7,706,641	7,810,540	7,571,611
Other Payroll Costs (FICA, Retirement).....	3,287,175	3,262,578	3,080,271
All Other Operating Expenditures.....	169,535,560	144,898,105	144,860,956
AWARDS AND GRANTS.....	\$ 354	\$ 2,237	\$ 2,613,548
% of Total Expenditures.....	0.0%	0.0%	0.1%
DEBT SERVICE.....	\$ 3,550,332,345	\$ 3,136,511,060	\$ 2,974,216,043
% of Total Expenditures.....	91.1%	90.3%	90.2%
REFUNDS.....	\$ 167,902,692	\$ 182,256,232	\$ 163,591,189
% of Total Expenditures.....	4.3%	5.2%	5.0%
<b>Total Receipts</b> .....	\$ 398,930,657	\$ 364,127,947	\$ 354,372,506
<b>Average Number of Employees (Not Examined)</b> .....	160	174	167

SELECTED ACTIVITY MEASURES	2015	2014	2013
Number of warrants issued.....	3,390,276	3,782,687	4,789,267
Number of warrants paid.....	3,278,167	3,672,793	4,709,864
Amount of unclaimed property remittances received.....	\$ 233,379,369	\$ 214,691,296	\$ 246,814,128
Number of unclaimed property claims paid.....	61,611	66,863	62,267
Amount of unclaimed property claims paid.....	\$ 150,288,218	\$ 153,573,783	\$ 134,903,495

TREASURER
During Examination Period: Honorable Dan Rutherford (through January 11, 2015); Honorable Michael W. Frerichs (beginning January 12, 2015) Currently: Honorable Michael W. Frerichs

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**CONTROLS OVER UNCLAIMED PROPERTY NEED IMPROVEMENT**

**Improved controls needed over unclaimed property inventory, receipts and claims**

The Office of the Treasurer (Office) did not exercise adequate control over unclaimed property (UP) inventory, receipts, and claims.

During our examination, the following are some of the deficiencies we noted pertaining to unclaimed property:

**\$1.5 million not deposited timely**

- 91 checks, cash or coins from investment dividends and the recovery of unclaimed property amounting to \$1,530,712.39 were not deposited timely (ranging from 1 to 17 days late) into the Treasurer’s Clearing Account.
- 39 “held-for-appraisal” safekeeping items amounting to \$17.99, were not deposited timely (ranging from 130 to 5,258 days late) into the Treasurer’s Clearing Account.
- Thirteen of 68 (19%) claims tested were not dropped in a timely manner, ranging from 123 to 195 days past the last correspondence with the claimant.

**Claims not dropped timely**

**Prior finding issues addressed**

During the current year examination we noted from our sample testing pertaining to the prior engagement finding that:

- The Office published official notices of unclaimed property for firearms timely in a newspaper for general circulation;
- Firearms were remitted to the State Police in accordance with State statute and internal policy;
- The Office advertised sales of abandoned property at least three weeks in advance of the sale; and
- The Office followed its policies and procedures pertaining to reserve values at auction. (Finding 3, pages 12-13) **This finding was first reported in 2011.**

We recommended the Office enhance its controls over the safeguarding of unclaimed property to ensure policies and procedures are followed. Further, the Office should improve controls over deposits to ensure they are made on a timely basis in compliance with the Act.

**The Treasurer agrees with auditors**

Office officials accepted our recommendation and indicated they must confirm that mutual fund sales were processed accurately before they can deposit the sales proceeds and are seeking administrative relief from the required timeframe for making these types of deposits. Further, they indicated they are addressing the other issues noted in the finding. (*For previous Treasurer’s response, see Digest Footnote #1*)

## **OTHER FINDINGS**

The remaining findings are reportedly being given attention by the Office of the Treasurer. We will review the Office of the Treasurer's progress towards the implementation of our recommendations in our next engagement.

## **ACCOUNTANT'S OPINION**

Our special assistant auditors conducted a compliance examination of the Treasurer's Nonfiscal Officer Responsibilities, for the two years ended June 30, 2015, as required by the Illinois State Auditing Act. The accountant's stated the Office of the Treasurer complied, in all material respects, with the requirements described in the report.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JAF

## **SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this compliance examination were RSM US LLP.

## **DIGEST FOOTNOTES**

### **#1 - INADEQUATE CONTROLS OVER UNCLAIMED PROPERTY**

The Treasurer agrees with the finding and recommendation. The Office will enhance its controls over the safeguarding of unclaimed property by:

- Publishing official notices of unclaimed property in a newspaper of general circulation;
- Transferring unclaimed firearms to the State Police in accordance with statute and internal policy, per the Treasurer's directive, but not to exceed 15 years after receipt;
- Advertising sales of abandoned property at least three weeks in advance of the sale; and
- Following policies and procedures pertaining to reserve values at auctions.