

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

Compliance Examination
For the Two Years Ended June 30, 2017

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
For the Two Years Ended June 30, 2017**

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Treasurer's Office Officials		1
Management Assertion Letter		2
Compliance Report		
Summary		4
Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		6
Schedule of Findings		
Current Findings – State Compliance		9
Prior Findings Not Repeated		15
Supplementary Information for State Compliance Purposes		
Summary		16
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2017	1	17
Schedule of Appropriations, Expenditures and Lapsed Balances Fiscal Year 2016	2	20
Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances	3	23
Comparative Schedule of Receipts, Disbursements, and Fund Balances (Cash Basis), Locally Held Funds	4	30
Schedule of Changes in State Property	5	32
Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller	6	33
Analysis of Operations (Not Examined)		
Agency Functions and Planning Program (Not Examined)		37
Analysis of Significant Variations in Expenditures (Not Examined)		40
Analysis of Significant Variations in Receipts (Not Examined)		45
Analysis of Significant Lapse Period Spending (Not Examined)		47
Budget Impasse Disclosure (Not Examined)		49
Alternate Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)		50
Interest Costs on Fiscal Year 2016 and 2017 Invoices (Not Examined)		51
Average Number of Employees (Not Examined)		52
Service Efforts and Accomplishments (Not Examined)		53

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
For the Two Years Ended June 30, 2017**

Treasurer's Office Officials

Treasurer	Honorable Michael W. Frerichs
Deputy Treasurer	Mr. Jay Rowell
Chief of Staff	Mr. Justin Cajindos (through January 5, 2018)*
Chief Investment Officer/Chief Financial Officer	Mr. Rodrigo Garcia
General Counsel & Ethics Officer	Mr. Allen Mayer (December 1, 2017 to present) Mr. Keith Horton (through December 8, 2017)
Director of State Investment and Banking Inspector General	Ms. Elizabeth Turner Mr. Ray Watson (January 19, 2016 to present) Mr. David Wells (through December 31, 2015)
Director of Fiscal Operations	Ms. Deborah Miller (June 27, 2016 to present) Vacant (April 1, 2016 to June 26, 2016) Ms. Anita Patel (December 5, 2015 to March 31, 2016)
Chief Internal Auditor	Ms. Jessica Olive (through December 4, 2015) Ms. Leighann Manning (October 16, 2015 to present) Ms. Angela Barlett (Acting) (through September 15, 2015)

*Due to reorganization, this position has been eliminated.

The Office of the Treasurer had four locations during the year:

Executive Office
State Capitol
219 State House
Springfield, Illinois 62706

Operational Division
Illinois Business Center
400 West Monroe
Springfield, Illinois 62704

Unclaimed Property Division
Myers Building
1 West Old State Capitol Plaza, 1st & 4th Floors
Springfield, Illinois 62701

Chicago Office Legal/Programmatic
James R. Thompson Center
100 West Randolph Street, Suite 15-600
Chicago, Illinois 60601



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

March 27, 2018

Crowe Horwath LLP
3601 Wabash Avenue Suite 201
Springfield, Illinois 62711

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Office of the Treasurer, Non-Fiscal Officer Responsibilities (Treasurer, Non-Fiscal Officer). 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 Treasurer, Non-Fiscal Officer's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017 and June 30, 2016, the Treasurer, Non-Fiscal Officer has materially complied with the assertions below.

- A. The Treasurer, Non-Fiscal Officer 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 Treasurer, Non-Fiscal Officer 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 Treasurer, Non-Fiscal Officer 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 Treasurer, Non-Fiscal Officer 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.

State Capitol
Room 219
Springfield, IL 62706
Phone: (217) 782-2211
Fax: (217) 785-2777
TTY: (866) 877-6013

James R. Thompson Center
100 West Randolph Street
Suite 15-600
Chicago, IL 60601
Phone: (312) 814-1700
Fax: (312) 814-5930
TTY: (866) 877-6013

Illinois Business Center
400 West Monroe Street
Suite 401
Springfield, IL 62704
Phone: (217) 782-6540
Fax: (217) 524-3822
TTY: (866) 877-6013

Myers Building
One West Old State Capitol Plaza
Suite 400
Springfield, IL 62701
Phone: (217) 785-6998
Fax: (217) 557-9365
TTY: (866) 877-6013

- E. Money or negotiable securities or similar assets handled by the Treasurer, Non-Fiscal Officer on behalf of the State or held in trust by the Treasurer, Non-Fiscal Officer have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

State of Illinois, Office of the Treasurer

Signed Original on File

The Honorable Michael Frerichs
State Treasurer

Signed Original on File

Mr. Rodrigo Garcia
Chief Investment and Chief Financial Officer

Signed Original on File

Mr. Allen Mayer
General Counsel

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
For the Two Years Ended June 30, 2017**

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 disclaimers, but does contain a scope limitation on compliance and internal control over Unclaimed Property.

Summary of Findings

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	3
Repeated findings	2	2
Prior recommendations implemented or not repeated	1	1

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
Findings (STATE COMPLIANCE)			
2017-001	9	Lack of Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2017-002	11	Noncompliance with Treasurer's Office Personnel Policies and Procedures	Significant Deficiency and Noncompliance
2017-003	13	Noncompliance with Treasurer's Office Vehicle Policies and Procedures	Significant Deficiency and Noncompliance

Prior Findings Not Repeated

A	15	Inadequate Controls Over Unclaimed Property
---	----	---

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
For the Two Years Ended June 30, 2017**

Exit Conference

The Treasurer's Office waived an exit conference in correspondence dated February 22, 2018.

The responses to the recommendations were provided by Leighann Manning, Chief Internal Auditor, in correspondence dated March 8, 2018.

**Independent Accountant's Reports on State Compliance,
on Internal Control Over Compliance,
and on Supplementary Information
for State Compliance Purposes**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Office of the Treasurer, NonFiscal Officer Responsibilities' (Treasurer, NonFiscal Officer) 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 two years ended June 30, 2017. The management of the Treasurer, NonFiscal Officer is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Treasurer, NonFiscal Officer's compliance based on our examination.

- A. The Treasurer, NonFiscal Officer 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 Treasurer, NonFiscal Officer 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 Treasurer, NonFiscal Officer 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 Treasurer, NonFiscal Officer 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 Treasurer, NonFiscal Officer on behalf of the State or held in trust by the Treasurer, NonFiscal Officer 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Treasurer, NonFiscal Officer complied, in all material respects with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Treasurer, NonFiscal Officer complied with the specified

requirements listed above. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that our examination provides a reasonable basis for our modified opinion. Our examination does not provide a legal determination on the Treasurer, NonFiscal Officer's compliance with specified requirements.

During our examination, the Treasurer, NonFiscal Officer did not provide certain requested documentation and was unable to answer certain inquiries, related to our engagement to examine the Treasurer, NonFiscal Officer's unclaimed property division, a part of our overall engagement to examine the Treasurer, NonFiscal Officer's compliance with the specified requirements listed above. Management represented to us that they could not provide the requested documentation or answer certain inquiries at the request of law enforcement and investigatory authorities in order to avoid interference with an ongoing investigation and related legal proceedings (See *Government Auditing Standards* issued by the Comptroller General of the United States Paragraph 5.10). Access to such documentation requested and responses to our inquiries were necessary to complete our examination procedures of the unclaimed property division of the Treasurer, NonFiscal Officer. As a result, we were unable to determine compliance with the requirements listed above of the unclaimed property division of the Treasurer, NonFiscal Officer.

In our opinion, except for the possible effects of the scope limitation discussed in the preceding paragraph, the Treasurer, NonFiscal Officer complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2017-001, 2017-002 and 2017-003.

The Treasurer, NonFiscal Officer's responses to the findings identified in our examination are described in the accompanying schedule of findings. The Treasurer, NonFiscal Officer's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the Treasurer, NonFiscal Officer 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 Treasurer, NonFiscal Officer's 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 effectiveness of the Treasurer, NonFiscal Officer's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Treasurer, NonFiscal Officer's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2017-001, 2017-002 and 2017-003 that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Treasurer, NonFiscal Officer's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The Treasurer, NonFiscal Officer's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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 supplementary information for the years ended June 30, 2017 and June 30, 2016 in Schedules 1 through 6 and the Analysis of Operations Section on pages 37-53 is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017 and June 30, 2016 accompanying supplementary information in Schedules 1 through 6. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015 accompanying supplementary information in Schedules 3 and 6 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

Signed Original on File

Crowe Horwath LLP

Springfield, Illinois
March 27, 2018

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance

2017-001 Finding: Lack of Controls over Monthly Reconciliations

The Illinois Office of the Treasurer (Treasurer's Office) did not maintain adequate controls over monthly appropriation, cash receipt, and cash balance reconciliations.

The Treasurer's Office expended \$3.408 billion and \$5.105 billion and receipted \$334.189 million and \$332.747 million in Fiscal Years 2016 and 2017, respectively. During our sample testing of Fiscal Year 2016 and 2017 reconciliations between Illinois Office of the Comptroller (IOC) records and Treasurer's Office records, we noted the following:

- Three of six (50%) Monthly Appropriation Status Report (SB01) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for one or both parties.
- Two of six (33%) Monthly Cash Report (SB05) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for the individual reviewing the reconciliation.
- One of six (17%) Monthly Revenue Status Report (SB04) reconciliations tested lacked documentation supporting separation of duties between the reconciliation preparer and reviewer, as no signature was documented for the individual reviewing the reconciliation.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls so that revenues, expenditures and transfers of assets, resources, or other funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal control practices would include timely, documented reviews with a separation of duties between the preparer and the supervisor.

The Treasurer's Office officials stated that all reconciliations were reviewed by staff independent of transaction processing which was indicated by tick marks on the reconciliations. They stated absence of reviewer initials and dates on the noted reconciliations was due to staff oversight.

Failure to document the separation of duties over preparation and review of appropriation, cash receipt, and cash balance reconciliations could result in unresolved accounting differences and increases the risk of misappropriation of State funds. (Finding Code No. 2017-001)

Recommendation

We recommend the Treasurer's Office document the separation of duties over preparation and review of appropriation, cash receipt, and cash balance reconciliations.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

2017-001 Finding: Lack of Controls over Monthly Reconciliations

Treasurer's Response

We accept the recommendation. Reconciliations are performed and reviewed by separate individuals to properly segregate duties. Going forward, all reconciliations will be signed and dated by both the preparer and reviewer to document the separation of duties over the preparation and review of appropriation, cash receipt, and cash balance reconciliations.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

2017-002 Finding: Noncompliance with Treasurer’s Office Personnel Policies and Procedures

The Illinois Office of the Treasurer (Treasurer’s Office) did not consistently conduct employee performance appraisals as required by Office policies.

During our State compliance examination of employee personnel files, we noted the following:

- Five of nine (56%) employees eligible to receive a three and/or six month performance evaluation did not receive either evaluation.
- Two of nine (22%) three month performance evaluations tested were not signed timely after the evaluation end date, ranging from 16 to 152 days past the evaluation date.
- Three of nine (33%) six month performance evaluations tested were not signed timely after the evaluation end date, ranging from 22 to 157 days past the evaluation date.
- Five of 25 (20%) annual performance evaluations tested were not signed timely after the evaluation end date, ranging from 30 to 97 days past the evaluation date.
- Twelve of 25 (48%) annual performance evaluations tested were missing from the employee personnel file.

The Treasurer’s Office’s Personnel Rules (80 Ill. Adm. Code 620.420 (d)) require performance appraisals to be conducted annually for each certified employee. In addition, the Treasurer’s Office’s Employee Reference Manual states “All employees will generally be evaluated as follows: a new hire may receive two probationary evaluations: one at the end of the third month of the employee’s probationary period and/or before the conclusion of six months; annually, based on their hire date; before the end of a promotional probationary period, which is three months after promotion or transfer; and at any time deemed necessary by the immediate supervisor.”

Treasurer’s Office officials stated the performance evaluations were missing or unsigned due to oversight.

Employee performance appraisals are an effective management tool for helping employees toward common goals. Performance appraisals are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. They should serve as a foundation for salary adjustments, promotions, demotions, discharge, layoff, and recall and reinstatement decisions. (Finding Code No. 2017-002, 2015-001, 2013-002, 11-2, 09-1, 07-2, 05-1, 03-2)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

**2017-002 Finding: Noncompliance with Treasurer’s Office Personnel Policies and Procedures
(Continued)**

Recommendation

We recommend the Treasurer’s Office ensure performance appraisals are conducted in a timely manner and in accordance with the Treasurer’s Office’s rules and policies.

Treasurer’s Response

We accept the recommendation and will continue to emphasize the importance of the timely completion of employee performance evaluations. We have implemented a new online electronic performance evaluation system to help streamline the process for supervisors.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings - State Compliance (Continued)

2017-003 Finding: Noncompliance with Treasurer's Office Vehicle Policies and Procedures

The Illinois Office of the Treasurer (Treasurer's Office) did not maintain adequate controls over State vehicle use.

During our State compliance examination, we noted the following:

- Purchasing cards are available to Treasurer's Office personnel for fuel purchases while traveling in a Treasurer's Office vehicle. Treasurer's Office policy requires that a Vehicle Log be completed to track Treasurer's Office vehicle use. 62 of 279 (22%) auto purchasing card transactions tested could not be traced to a completed Vehicle Log.
- Four of 13 (31%) vehicle usage reports tested did not include documentation supporting beginning or ending fiscal year vehicle mileage. Two vehicles did not have beginning or ending mileage for fiscal year 2016 nor beginning mileage for fiscal year 2017. Two additional vehicles did not have beginning mileage for fiscal year 2016.
- The Treasurer's Office does not have a policy in place regarding take-home vehicles, including requirements for emergency use of take-home vehicles or restrictions on the use of take-home vehicles for commuting purposes.

During the prior State compliance examination, it was noted the Treasurer's Office failed to report vehicle accidents to CMS and auto vouchers lacked proper employee signatures on the charge ticket/invoice. We noted no similar exceptions during the current State compliance examination sample testing.

The Treasurer's Office's Vehicle Use Policy states that a log of beginning and ending mileage and the purpose of each trip must be maintained. The State Vehicle Use Act (30 ILCS 617/10b) requires each State agency to draft a vehicle use policy which includes provisions regarding take-home vehicles, including requirements for emergency use of take-home vehicles and restrictions on the use of take-home vehicles for commuting. The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires each State Agency to establish and maintain a system or systems of internal controls, which would include controls over the use of Treasurer's Office vehicles.

Treasurer's Office officials stated some vehicle logs were not completed and some end of year odometer readings were not captured due to employee oversight. The Vehicle Policy did not address take home vehicles because the office does not have take-home vehicles and therefore the Office did not see the need for it to be included. It will be added to the policy going forward.

Lack of controls over State vehicle use increases the risk of abuse of vehicle usage. (Finding Code No. 2017-003, 2015-002)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedule of Findings
For the Two Years Ended June 30, 2017**

Current Findings – State Compliance (Continued)

**2017-003 Finding: Noncompliance with Treasurer’s Office Vehicle Policies and Procedures
(Continued)**

Recommendation

We recommend the Treasurer’s Office review its Vehicle Use Policy to ensure it contains all required elements. In addition, the Treasurer’s Office should communicate and enforce the provisions of the Vehicle Use Policy to ensure the requirements are adhered to by Treasurer’s Office personnel.

Treasurer’s Response

We accept the recommendation. We will revisit the Vehicle Use Policy to ensure it contains all required elements. Furthermore, the Office will communicate and enforce the provisions of the Vehicle Use Policy to ensure the requirements are adhered to by Office personnel. Finally, the Office will ensure proper internal controls are in place over auto vouchers.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Prior Findings Not Repeated
For the Two Years Ended June 30, 2017**

A. Prior Finding - Inadequate Controls Over Unclaimed Property

During the prior State compliance examination, the Illinois Office of the Treasurer (Treasurer's Office) did not maintain adequate controls over unclaimed property. Auditors noted inventory items incorrectly reported on the unclaimed property Safekeeping listing, receipts and safekeeping items not deposited timely, Receipt Deposit Transmittal Forms remitted late, and claims dropped erroneously or not dropped timely.

During the current State compliance examination period, the auditors were unable to examine the Treasurer's Office's Unclaimed Property Division due to a scope limitation. Please see the scope limitation described in the Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes found on page 6 of this report. (Finding Code No. 2015-003, 2013-003, 11-1)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Supplementary Information for State Compliance Purposes
For the Two Years Ended June 30, 2017**

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- **Fiscal Schedules and Analysis:**
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Fiscal Year 2017
 - Fiscal Year 2016
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Receipts, Disbursements and Fund Balances (Cash Basis) –
Locally Held Funds
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to
Deposits Remitted to the State Comptroller

- **Analysis of Operations (Not Examined):**
 - Agency Functions and Planning Program (Not Examined)
 - Analysis of Significant Variations in Expenditures (Not Examined)
 - Analysis of Significant Variations in Receipts (Not Examined)
 - Analysis of Significant Lapse Period Spending (Not Examined)
 - Budget Impasse Disclosure (Not Examined)
 - Alternate Financing in Lieu of Appropriations and Programs
to Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 and 2017 Invoices (Not Examined)
 - Average Number of Employees (Not Examined)
 - Service Efforts and Accomplishments (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 applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017 and June 30, 2016 accompany supplementary information in Schedules 1 through 6. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to 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 Treasurer
Nonfiscal Office Responsibilities

Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances

Expenditure Authority For Fiscal Year 2017
Fifteen Months Ended September 30, 2017

Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court- Ordered Expenditures	Expenditure Authority	Expenditures Through June 30	Lapse Period Expenditures	Total Expenditures	Balance Lapsed
Appropriated Funds					
General Revenue Fund - 0001					
Ordinary and Contingent Expenses, Not Including Personal Services	\$ 3,850,000	\$ 187,515	\$ 511,827	\$ 699,342	\$ 3,150,658
Court-Ordered Operational Expenses		5,289,406	23,182	5,312,588	
Total General Revenue Fund		5,476,921	535,009	6,011,930	
State Pensions Fund - 0054					
Operational Expenses	13,133,000	10,193,401	788,423	10,981,824	2,151,176
General Obligation Bond Retirement and Interest Fund - 0101					
Payment of Principal on General Obligation Bonds and Short-Term Borrowing	1,968,091,342	1,968,091,342	-	1,968,091,342	-
Payment of Interest on General Obligation Bonds and Short-Term Borrowing	1,381,978,352	1,381,978,352	-	1,381,978,352	-
Escrow Payments on Refunding Bond Issue	1,392,723,486	1,392,723,486	-	1,392,723,486	-
Total General Obligation Bond Retirement and Interest Fund	4,742,793,180	4,742,793,180	-	4,742,793,180	-
General Obligation Bond Rebate Fund - 0107					
Arbitrage Tax Rebate Payments	1,000,000	-	-	-	1,000,000
Estate Tax Refund Fund - 0121					
Estate Tax Refunds	6,617,707	6,617,707	-	6,617,707	-
State Treasurer's Bank Service Fund - 0373					
Payments for Banking Services	8,100,000	3,625,831	1,065,146	4,690,977	3,409,023
Charitable Trust Stabilization Fund - 0435					
Operational Costs and Grants	2,000,000	424,456	250,682	675,138	1,324,862
Budget Stabilization Fund - 0686					
Ordinary and Contingent, Not Including Personal Services	2,500,000	2,081,996	279,004	2,361,000	139,000
Total Appropriated Funds		<u>\$ 4,771,213,492</u>	<u>\$ 2,918,264</u>	<u>\$ 4,774,131,756</u>	

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Office Responsibilities

Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued

Expenditure Authority For Fiscal Year 2017
Fifteen Months Ended September 30, 2017

Nonappropriated Funds	Expenditures Through June 30	Lapse Period Expenditures	Total Expenditures
State Treasurer's Administrative Fund - 0103			
Contractual Services	\$ 88	\$ 2,969	\$ 3,057
IPTIP Administrative Trust Fund - 0195			
Administrative Expenses of the Illinois Public Treasurers' Investment Pool	4,521,700	330,597	4,852,297
Metropolitan Pier and Exposition Authority Trust Fund - 0337			
Pay Surplus Revenues MPEA	10,992,727	-	10,992,727
Payment of Funds/Bond Payments	146,223,129	-	146,223,129
Total Metropolitan Pier and Exposition Authority Trust Fund	157,215,856	-	157,215,856
Protest Fund - 0401			
Refund of Monies Paid under Protest	48,590,181	-	48,590,181
Unclaimed Property Trust Fund - 0482			
Refunds of Unclaimed Property	112,070,776	3,411,925	115,482,701
College Savings Pool Administrative Trust Fund - 0668			
College Savings Plan Administrative costs	2,186,025	163,804	2,349,829
Convention Center Support Fund - 0933			
Grants to Local Governments	1,710,127	367,449	2,077,576
Total All Nonappropriated Funds	326,294,753	4,276,744	330,571,497
Total All Funds	\$ 5,097,508,245	\$ 7,195,008	\$ 5,104,703,253

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Treasurer records.

Note 2: Expenditure amounts are vouchers approved for payment by the Treasurer and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Treasurer was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Upon the passage of Public Act 100-0021 the Treasurer's Office court ordered payroll payments for the Secured Choice program were merged into the enacted appropriation within Fund 0054.

**State of Illinois
Office of the Treasurer
Nonfiscal Office Responsibilities**

**Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued**

**Expenditure Authority For Fiscal Year 2017
Fifteen Months Ended September 30, 2017**

- Note 4: The General Obligation Bond Act (30 ILCS 330/14 and 16) provides a continuing appropriation for the State's payment of principal and interest due on general obligation bonds and for the escrow payments due on refunded bonds. The Illinois Estate and Generation-Skipping Transfer Tax Act (35 ILCS 405/13) provides a continuing appropriation for the State's payment of estate tax refunds due. The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the Treasurer's Office pursuant to these statutes. Therefore, the Treasurer's Office Fiscal Year 2017 appropriation for Fund 0101 was established as the amounts submitted to the Treasurer's Office as the State's required payments of principal and interest due in Fiscal Year 2017 on general obligation bonds and escrow payments due in Fiscal Year 2017 on refunded bonds. Further, the Treasurer's Office Fiscal Year 2017 appropriation for Fund 0121 was established as the amounts submitted to the Treasurer's Office as the State's required payments of estate tax refunds due in Fiscal Year 2017.
- Note 5: Public Act 99-0524 authorized the Treasurer to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 49 includes information from Treasurer management about the number of invoices and the total dollar amount of invoices held by the Treasurer submitted against its Fiscal Year 2017 appropriation.

**State of Illinois
Office of the Treasurer
Nonfiscal Office Responsibilities**

**Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances**

**Expenditure Authority For Fiscal Year 2016
Fourteen Months Ended August 31, 2016**

Public Act 99-0491, Continuing Appropriations and Court-Ordered Expenditures	Expenditure Authority	Expenditures Through June 30	Lapse Period Expenditures	Total Expenditures	Balance Lapsed
Appropriated Funds					
General Revenue Fund - 0001					
Court-Ordered Operational Expenses		\$ 5,089,064	\$ 9,606	\$ 5,098,670	
State Pensions Fund - 0054					
Operational Cost to Administer the Illinois Secure Choice Savings Program	\$ 2,081,300	237,622	17,597	255,219	\$ 1,826,081
Operational Expenses	11,051,660	9,522,308	733,437	10,255,745	795,915
Total State Pensions Fund	13,132,960	9,759,930	751,034	10,510,964	2,621,996
General Obligation Bond Retirement and Interest Fund - 0101					
Payment of Principal on General Obligation Bonds and Short-Term Borrowing	1,630,106,341	1,630,106,341	-	1,630,106,341	-
Payment of Interest on General Obligation Bonds and Short-Term Borrowing	1,432,239,541	1,432,239,541	-	1,432,239,541	-
Total General Obligation Bond Retirement and Interest Fund	3,062,345,882	3,062,345,882	-	3,062,345,882	-
General Obligation Bond Rebate Fund - 0107					
Arbitrage Tax Rebate Payments	1,000,000	-	-	-	1,000,000
Estate Tax Refund Fund - 0121					
Estate Tax Refunds	14,367,733	14,367,733	-	14,367,733	-
State Treasurer's Bank Service Fund - 0373					
Payments for Banking Services	8,100,000	2,913,063	880,890	3,793,953	4,306,047
Charitable Trust Stabilization Fund - 0435					
Operational Costs and Grants	2,000,000	95,396	-	95,396	1,904,604
Total Appropriated Funds		<u>\$ 3,094,571,068</u>	<u>\$ 1,641,530</u>	<u>\$ 3,096,212,598</u>	

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Office Responsibilities

Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued

Expenditure Authority For Fiscal Year 2016
Fourteen Months Ended August 31, 2016

Nonappropriated Funds	Expenditures Through June 30	Lapse Period Expenditures	Total Expenditures
IPTIP Administrative Trust Fund - 0195			
Administrative Expenses of the Illinois Public Treasurers' Investment Pool	\$ 2,477,553	\$ 464,863	\$ 2,942,416
Metropolitan Pier and Exposition Authority Trust Fund - 0337			
Pay Surplus Revenues MPEA	19,442,561	-	19,442,561
Payment of Funds/Bond Payments	134,758,840	-	134,758,840
Total Metropolitan Pier and Exposition Authority Trust Fund	154,201,401	-	154,201,401
Protest Fund - 0401			
Refund of Monies Paid under Protest	21,859,228	-	21,859,228
Unclaimed Property Trust Fund - 0482			
Refunds of Unclaimed Property	123,390,095	679,144	124,069,239
College Savings Pool Administrative Trust Fund - 0668			
College Savings Plan Administrative costs	1,464,879	145,302	1,610,181
Convention Center Support Fund - 0933			
Grants to Local Governments	6,949,594	415,305	7,364,899
Total All Nonappropriated Funds	310,342,750	1,704,614	312,047,364
Total All Funds	\$ 3,404,913,818	\$ 3,346,144	\$ 3,408,259,962

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Treasurer records.

Note 2: Expenditure amounts are vouchers approved for payment by the Treasurer and submitted to the State Comptroller for payment to the vendor.

**State of Illinois
Office of the Treasurer
Nonfiscal Office Responsibilities**

**Compliance Examination
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued**

**Expenditure Authority For Fiscal Year 2016
Fourteen Months Ended August 31, 2016**

- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to “draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay.” As the Treasurer never received enacted personal services appropriations for Fund 001, the Treasurer was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016.
- Note 4: The General Obligation Bond Act (30 ILCS 330/14) provides a continuing appropriation for the State’s payment of principal and interest due on general obligation bonds. The Illinois Estate and Generation-Skipping Transfer Tax Act (35 ILCS 405/13) provides a continuing appropriation for the State’s payment of estate tax refunds due. The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the Treasurer’s Office pursuant to these statutes. Therefore, the Treasurer’s Office Fiscal Year 2016 appropriation for Fund 0101 was established as the amounts submitted to the Treasurer’s Office as the State’s required payments of principal and interest due in Fiscal Year 2016 on general obligation bonds. Further, the Treasurer’s Office Fiscal Year 2016 appropriation for Fund 0121 was established as the amounts submitted to the Treasurer’s Office as the State’s required payments of estate tax refunds due in Fiscal Year 2016.
- Note 5: Public Act 99-0524 authorized the Treasurer to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 49 includes information from Treasurer management about the number of invoices and the total dollar amount of invoices held by the Treasurer submitted against its Fiscal Year 2017 appropriation.

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances

For the Fiscal Years Ended June 30

<u>Appropriated Funds</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures	Public Act 99-0491, Continuing Appropriations, and Court-Order Expenditures	PA 98-0679, PA 98-0680
General Revenue Fund - 0001			
Expenditure Authority			<u>\$ 8,601,800</u>
Expenditures			
Personal Services	\$ 4,780,520	\$ 4,602,159	4,309,355
Employee Retirement - Contributions			
Paid by Employer	125,150	121,606	123,235
State Contribution to Social Security	350,143	335,888	317,470
Contractual Services	551,313	-	730,619
Travel	15,750	-	75,095
Commodities	2,238	-	50,930
Printing	1,206	-	7,433
Equipment	483	-	55,317
Electronic Data Processing	17,224	-	1,475,971
Telecommunications	-	-	78,451
Operation of Auto Equipment	3,931	-	8,955
Refunds of Accrued Interest on Protested Tax Cases	94,844	-	237,314
Inspector General	69,128	39,017	67,033
Total Expenditures	<u>\$ 6,011,930</u>	<u>\$ 5,098,670</u>	<u>7,537,178</u>
Lapsed Balances			<u>\$ 1,064,622</u>

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued

For the Fiscal Years Ended June 30

Appropriated Funds	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures	Public Act 99-0491, Continuing Appropriations, and Court-Order Expenditures	PA 98-0679, PA 98-0680
State Pensions Fund - 0054			
Expenditure Authority	\$ 13,133,000	\$ 13,132,960	\$ 11,051,660
Expenditures			
Regular Positions	4,262,125	4,142,905	3,397,286
Employee Retirement - Contributions			
Paid by Employer	88,639	88,160	76,205
State Contribution to State Employees' Retirement System	1,851,822	1,838,249	1,439,197
State Contribution to Social Security Group Insurance - Contributions	312,169	303,764	261,294
Paid by Employer	1,369,856	1,365,273	1,069,774
Contractual Services	2,610,210	2,476,277	1,720,448
Travel	42,150	50,743	53,689
Commodities	70,221	52,704	36,571
Printing	1,575	785	9,753
Equipment	97,278	5,192	24,459
Electronic Data Processing	152,004	17,862	829,342
Telecommunications	122,452	138,315	145,910
Operation of Auto Equipment	1,222	6,200	4,482
Prompt Pay Interest	101	24,535	-
Total Expenditures	<u>10,981,824</u>	<u>10,510,964</u>	<u>9,068,410</u>
Lapsed Balances	<u>\$ 2,151,176</u>	<u>\$ 2,621,996</u>	<u>\$ 1,983,250</u>
General Obligation Bond Retirement and Interest Fund - 0101			
Expenditure Authority	\$ 4,742,793,180	\$ 3,062,345,882	\$ 3,770,715,758
Expenditures			
Payment of Principal on General Obligation Bonds and Short-Term Borrowing	1,968,091,342	1,630,106,341	2,035,615,718
Payment of Interest on General Obligation Bonds and Short-Term Borrowing	1,381,978,352	1,432,239,541	1,514,716,627
Escrow Payments on Refunding Bond Issue	1,392,723,486	-	-
Total Expenditures	<u>4,742,793,180</u>	<u>3,062,345,882</u>	<u>3,550,332,345</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,383,413</u>
General Obligation Bond Rebate Fund - 0107			
Expenditure Authority	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Expenditures			
Arbitrage Tax Rebate Payments	-	-	-
Lapsed Balances	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued

For the Fiscal Years Ended June 30

Appropriated Funds	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures	Public Act 99-0491, Continuing Appropriations, and Court-Order Expenditures	PA 98-0679, PA 98-0680
Estate Tax Refund Fund - 0121			
Expenditure Authority	\$ 6,617,707	\$ 14,367,733	\$ 20,998,261
Expenditures			
Estate Tax Refunds	6,617,707	14,367,733	20,998,261
Lapsed Balances	\$ -	\$ -	\$ -
State Treasurer's Bank Service Fund - 0373			
Expenditure Authority	\$ 8,100,000	\$ 8,100,000	\$ 8,100,000
Expenditures			
Payments for Banking Services	4,690,977	3,793,953	3,241,771
Lapsed Balances	\$ 3,409,023	\$ 4,306,047	\$ 4,858,229
Charitable Trust Stabilization Fund - 0435			
Expenditure Authority	\$ 2,000,000	\$ 2,000,000	\$ 500,000
Expenditures			
Regular Positions	232,223	53,063	-
Employee Retirement - Contributions			
Paid by Employer	8,919	2,123	-
State Contribution to State Employees'			
Retirement System	103,567	24,205	-
State Contribution to Social Security	17,183	3,934	-
Group Insurance - Contributions			
Paid by Employer	47,674	11,511	-
Contractual Services	14,909	-	-
Travel	-	560	-
Awards and Grants	250,663	-	354
Total Expenditures	675,138	95,396	354
Lapsed Balances	\$ 1,324,862	\$ 1,904,604	\$ 499,646

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued

For the Fiscal Years Ended June 30

Appropriated Funds	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures		
Budget Stabilization Fund - 0686			
Expenditure Authority	\$ 2,500,000	\$ -	\$ -
Expenditures			
Contractual Services	1,659,906	-	-
Travel	82,655	-	-
Commodities	34,965	-	-
Printing	3,524	-	-
Equipment	27,519	-	-
Electronic Data Processing	180,198	-	-
Telecommunications	169,519	-	-
Operation of Auto Equipment	11,881	-	-
Inspector General	47,250	-	-
Prompt Payment Interest	143,583	-	-
Total Expenditures	<u>2,361,000</u>	<u>-</u>	<u>-</u>
Lapsed Balances	<u>\$ 139,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total All Appropriated Funds			
Expenditure Authority			\$ 3,820,967,479
Total Appropriated Expenditures	<u>\$ 4,774,131,756</u>	<u>\$ 3,096,212,598</u>	<u>3,591,178,319</u>
Lapsed Balances			<u>\$ 229,789,160</u>

(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued

For the Fiscal Years Ended June 30

Nonappropriated Funds	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures	Public Act 99-0491, Continuing Appropriations, and Court-Order Expenditures	PA 98-0679, PA 98-0680
State Treasurer's Administrative Fund - 0103			
Expenditures			
Contractual Services	\$ 3,057	\$ -	\$ -
IPTIP Administrative Trust Fund - 0195			
Expenditures			
Administrative Expenses of the Illinois Public Treasurer's Investment Pool	-	-	2,387,612 *
Regular Positions	1,213,721	984,150	-
Employee Retirement - Contributions			
Paid by Employer	36,586	33,112	-
State Contribution to State Employees' Retirement System	541,347	449,164	-
State Contribution to Social Security	88,847	72,694	-
Group Insurance - Contributions			
Paid by Employer	366,302	301,277	-
Contractual Services	2,518,615	1,032,756	-
Travel	21,979	30,787	-
Commodities	1,481	1,575	-
Equipment	3,870	20,373	-
Electronic Data Processing	44,270	-	-
Telecommunications	7,930	10,553	-
Operation of Auto Equipment	7,349	5,867	-
Prompt Payment Interest	-	108	-
Total Expenditures	<u>4,852,297</u>	<u>2,942,416</u>	<u>2,387,612</u>
Metropolitan Pier and Exposition Authority Trust Fund - 0337			
Expenditures			
Pay Surplus Revenues MPEA	10,992,727	19,442,561	29,580,712
Payment of Funds/Bond Payments	146,223,129	134,758,840	125,226,659
Total Expenditures	<u>157,215,856</u>	<u>154,201,401</u>	<u>154,807,371</u>
Protest Fund - 0401			
Expenditures			
Refund of Monies Paid under Protest	48,590,181	21,859,228	36,452,277
Unclaimed Property Trust Fund - 0482			
Expenditures			
Refunds of Unclaimed Property	115,482,701	124,069,239	110,214,840
			(continued)

State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities

Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued

For the Fiscal Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Nonappropriated Funds	Public Acts 99-0524 and 100-0021, Continuing Appropriations and Court-Ordered Expenditures	Public Act 99-0491, Continuing Appropriations, and Court-Order Expenditures	PA 98-0679, PA 98-0680
College Savings Pool Administrative Trust Fund - 0668			
Expenditures			
College Savings Pool Administrative Costs	\$ -	\$ -	\$ 1,057,651 *
Regular Positions	846,732	604,910	-
Employee Retirement - Contributions			
Paid by Employer	29,166	21,355	-
State Contribution to State Employees' Retirement System	377,637	275,998	-
State Contribution to Social Security	62,482	44,432	-
Group Insurance - Contributions			
Paid by Employer	222,559	171,123	-
Contractual Services	786,930	446,844	-
Travel	21,205	35,993	-
Commodities	-	3,076	-
Telecommunications	2,985	3,966	-
Operation of Auto Equipment	-	2,484	-
Prompt Payment Interest	133	-	-
Total Expenditures	<u>2,349,829</u>	<u>1,610,181</u>	<u>1,057,651</u>
Convention Center Support Fund - 0933			
Expenditures			
Grants to Local Governments	<u>2,077,576</u>	<u>7,364,899</u>	<u>2,666,697</u>
Total Nonappropriated Expenditures	<u>330,571,497</u>	<u>312,047,364</u>	<u>307,586,448</u>
Total - All Funds Expenditures	<u>\$ 5,104,703,253</u>	<u>\$ 3,408,259,962</u>	<u>\$ 3,898,764,767</u>

The Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances does not include State officers' salaries paid by the Office of the Comptroller. For the years ended June 30, 2017, 2016 and 2015, State officers' salaries paid from the Office of the Comptroller appropriation were as follows:

Salaries paid from the Comptroller's			
Illinois State Treasurer	\$ 135,669	\$ 135,669	\$ 136,257
Executive Inspector General	105,996	102,100	105,996
Total Expenditures	<u>\$ 241,665</u>	<u>\$ 237,769</u>	<u>\$ 242,253</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017 and 2016 and have been reconciled to Treasurer records.

Note 2: Expenditure amounts are vouchers approved for payment by the Treasurer and submitted to the State Comptroller for payment to the vendor.

Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Treasurer never received enacted personal services appropriations for Fund 001, the Treasurer was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal service costs during Fiscal Year 2016. As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Treasurer was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017. Upon the passage of Public Act 100-0021 the Treasurer's Office court ordered payroll payments for the Secured Choice program were merged into the enacted appropriation within Fund 0054 during Fiscal Year 2017.

Note 4: The General Obligation Bond Act (30 ILCS 330/14 and 16) provides a continuing appropriation for the State's payment of principal and interest due on general obligation bonds and for the escrow payments due on refunded bonds. The Illinois Estate and Generation-Skipping Transfer Tax Act (35 ILCS 405/13) provides a continuing appropriation for the State's payment of estate tax refunds due. The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the Treasurer's Office pursuant to these statutes. Therefore, the Treasurer's Office Fiscal Years 2016 and 2017 appropriation for Fund 0101 was established as the amounts submitted to the Treasurer's Office as the State's required payments of principal and interest due in Fiscal Years 2016 and 2017 on general obligation bonds and escrow payments due in Fiscal Year 2017 on refunded bonds. Further, the Treasurer's Office Fiscal Years 2016 and 2017 appropriation for Fund 0121 was established as the amounts submitted to the Treasurer's Office as the State's required payments of estate tax refunds due in Fiscal Years 2016 and 2017.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances - Continued**

For the Fiscal Years Ended June 30

Note 5: Public Act 99-0524 authorized the Treasurer to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 49 includes information from Treasurer management about the number of invoices and the total dollar amount of invoices held by the Treasurer submitted against its Fiscal Year 2017 appropriation.

* In previous fiscal years, Fund 0195 and Fund 0668 costs were presented as total administrative costs. In FY16 and FY17, the amounts have been presented by major object code category.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Receipts, Disbursements and Fund
Balances (Cash Basis), Locally Held Funds**

For the Two Years Ended June 30, 2017

Fund No. 1267 Pilot Mortgage Local Fund

Cash balance, July 1, 2015	\$	1
Receipts		7,290
Disbursements		7,291
		-
Cash balance June 30, 2016	\$	-
Cash balance, July 1, 2016	\$	-
Receipts		-
Disbursements		-
		-
Cash balance, June 30, 2017	\$	-
		-

Fund No. 1333 Treasurer's Securities in Safekeeping Fund

Cash balance, July 1, 2015	\$	215,081
Receipts		-
Disbursements		-
		-
Cash balance June 30, 2016	\$	215,081
Cash balance, July 1, 2016	\$	215,081
Receipts		-
Disbursements		-
		-
Cash balance, June 30, 2017	\$	215,081
		215,081

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Receipts, Disbursements and Fund
Balances (Cash Basis), Locally Held Funds - Continued**

For the Two Years Ended June 30, 2017

Fund No. 1370 Home Loan Collateral Fund

Cash balance, July 1, 2015	\$ 5,176,241
Receipts	14,900
Disbursements	<u>34,829</u>
Cash balance June 30, 2016	<u>\$ 5,156,312</u>
Cash balance, July 1, 2016	\$ 5,156,312
Receipts	33,310
Disbursements	<u>11,229</u>
Cash balance, June 30, 2017	<u>\$ 5,178,393</u>

Fund No. 1383 Hospital Basic Services Preservation Collateral Fund

Cash balance, July 1, 2015	\$ 4,399,980
Receipts	4,803
Disbursements	<u>188,149</u>
Cash balance June 30, 2016	<u>\$ 4,216,634</u>
Cash balance, July 1, 2016	\$ 4,216,634
Receipts	4,397
Disbursements	<u>96,071</u>
Cash balance, June 30, 2017	<u>\$ 4,124,960</u>

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Schedules of Changes in State Property**

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
Equipment		
Balance, beginning of fiscal year	\$ 3,653,039	\$ 3,460,059
Additions		
Purchases	307,244	494,875
Inter-agency transfers	<u>228,501</u>	<u>135,617</u>
	535,745	630,492
Deductions		
Inter-agency transfers	538,890	437,512
Inventory adjustments	<u>5,159</u>	<u>-</u>
	<u>544,049</u>	<u>437,512</u>
Balance, end of fiscal year	<u><u>\$ 3,644,735</u></u>	<u><u>\$ 3,653,039</u></u>

Note: This schedule has been reconciled to property reports submitted to the Department of Central Management Services and the Office of the Comptroller.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Cash Receipts and
Reconciliation of Cash Receipts to
Deposits Remitted to the State Comptroller**

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Revenue Fund - 0001			
Investment Income	\$ 35,087,975	\$ 23,682,088 *	\$ 23,914,614
Miscellaneous Receipts	6,381	6,238 *	7,216
Private Organizations or Individuals	655	1,451	2,872
Reimbursement From Employees for Jury Duty and Personal Phone Calls	104	53	78
Returned Collateral	-	-	910,000
Prior Year Refund/Voided Warrants	-	95	84
Total Cash Receipts per Office	<u>35,095,115</u>	<u>23,689,925</u>	<u>24,834,864</u>
Less - In Transit at End of Year	-	-	(25)
Plus - In Transit at Beginning of Year	-	25	1,460
Total Cash Receipts per State Comptroller's Records	<u>\$ 35,095,115</u>	<u>\$ 23,689,950</u>	<u>\$ 24,836,299</u>
State Pensions Fund - 0054			
Miscellaneous Receipts	\$ 32	\$ 100	\$ 171
Prior Year Refund/Voided Warrants	52	-	-
Total Cash Receipts per Office	<u>84</u>	<u>100</u>	<u>171</u>
Less - In Transit at End of Year	-	-	(15)
Plus - In Transit at Beginning of Year	-	15	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 84</u>	<u>\$ 115</u>	<u>\$ 156</u>
General Obligation Bond Retirement and Interest Fund - 0101			
Investment Income	\$ 9,518,146	\$ 5,401,949	\$ 5,635,130
Total Cash Receipts per Office	<u>9,518,146</u>	<u>5,401,949</u>	<u>5,635,130</u>
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 9,518,146</u>	<u>\$ 5,401,949</u>	<u>\$ 5,635,130</u>
Estate Tax Refund Fund - 0121			
Estate Taxes	\$ 16,370,508	\$ 18,669,872	\$ 22,273,870
Prior Year Refund/Voided Warrants	69,015	-	684,928
Total Cash Receipts per Office	<u>16,439,523</u>	<u>18,669,872</u>	<u>22,958,798</u>
Less - In Transit at End of Year	(75,787)	(381,690)	(1,225,664)
Plus - In Transit at Beginning of Year	381,690	1,225,664	225,960
Total Cash Receipts per State Comptroller's Records	<u>\$ 16,745,426</u>	<u>\$ 19,513,846</u>	<u>\$ 21,959,094</u>

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Cash Receipts and
Reconciliation of Cash Receipts to
Deposits Remitted to the State Comptroller - Continued**

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
IPTIP Administrative Trust Fund - 0195			
State and Local Government	\$ 4,754,175	\$ 2,457,526	\$ 2,647,605
Reimbursement from Employees for Jury Duty and Personal Phone Calls	-	-	102
Prior Year Refund/Voided Warrants	-	-	68
Total Cash Receipts per Office	<u>4,754,175</u>	<u>2,457,526</u>	<u>2,647,775</u>
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 4,754,175</u>	<u>\$ 2,457,526</u>	<u>\$ 2,647,775</u>
Methamphetamine Law Enforcement Fund - 0283			
Fines, Penalties, or Violations	\$ 30,804	\$ 24,761	\$ 30,807
Total Cash Receipts per Office	<u>30,804</u>	<u>24,761</u>	<u>30,807</u>
Less - In Transit at End of Year	-	-	(1,291)
Plus - In Transit at Beginning of Year	-	1,291	1,124
Total Cash Receipts per State Comptroller's Records	<u>\$ 30,804</u>	<u>\$ 26,052</u>	<u>\$ 30,640</u>
Hospital Basic Services Preservation Fund - 0284			
Returned Collateral	\$ 91,673	\$ 183,347	\$ 168,068
Total Cash Receipts per Office	<u>91,673</u>	<u>183,347</u>	<u>168,068</u>
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 91,673</u>	<u>\$ 183,347</u>	<u>\$ 168,068</u>
Treasurer's Rental Fee Fund - 0331			
Rental Income	\$ 12,934	\$ 2,199	\$ 35,928
Total Cash Receipts per Office	<u>12,934</u>	<u>2,199</u>	<u>35,928</u>
Less - In Transit at End of Year	-	-	(2,248)
Plus - In Transit at Beginning of Year	-	2,248	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 12,934</u>	<u>\$ 4,447</u>	<u>\$ 33,680</u>
Metropolitan Pier and Exposition Authority Trust Fund - 0337			
Investment Income	\$ 115,374	\$ 102,888	\$ 109,261
Total Cash Receipts per Office	<u>115,374</u>	<u>102,888</u>	<u>109,261</u>
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 115,374</u>	<u>\$ 102,888</u>	<u>\$ 109,261</u>

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Cash Receipts and
Reconciliation of Cash Receipts to
Deposits Remitted to the State Comptroller - Continued**

For the Years Ended June 30

	2017	2016	2015
Charitable Trust Stabilization Fund - 0435			
Investment Income	\$ 28,379	\$ 15,824	\$ 12,634
Total Cash Receipts per Office	28,379	15,824	12,634
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 28,379</u>	<u>\$ 15,824</u>	<u>\$ 12,634</u>
Unclaimed Property Trust Fund - 0482			
Unclaimed Assets	\$ 255,000,870	\$ 268,174,578	\$ 328,767,690
Prior Year Refund/Voided Warrants	23,050	9,821	8,501
Total Cash Receipts per Office	255,023,920	268,184,399	328,776,191
Less - In Transit at End of Year	(415,550)	(610,501)	(3,351,047)
Plus - In Transit at Beginning of Year	610,501	3,351,047	1,704,712
Total Cash Receipts per State Comptroller's Records	<u>\$ 255,218,871</u>	<u>\$ 270,924,945</u>	<u>\$ 327,129,856</u>
College Savings Pool Administrative Trust Fund - 0668			
Investment Income	\$ 22,738	\$ 4,964	\$ 480
License Fee or Registration	2,214,774	2,048,471	1,890,509
Total Cash Receipts per Office	2,237,512	2,053,435	1,890,989
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 2,237,512</u>	<u>\$ 2,053,435</u>	<u>\$ 1,890,989</u>
Rate Adjustment Fund - 0685			
Investment Income	\$ 36,178	\$ 21,493	\$ 40,297
Total Cash Receipts per Office	36,178	21,493	40,297
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 36,178</u>	<u>\$ 21,493</u>	<u>\$ 40,297</u>
Capital Projects Fund - 0694			
Investment Income	\$ 454,257	\$ 193,913	\$ 150,718
Total Cash Receipts per Office	454,257	193,913	150,718
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 454,257</u>	<u>\$ 193,913</u>	<u>\$ 150,718</u>

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Comparative Schedule of Cash Receipts and
Reconciliation of Cash Receipts to
Deposits Remitted to the State Comptroller - Continued**

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State Treasurer Court Ordered Escrow Fund - 0932			
Investment Income	\$ 4,483	\$ 2,742	\$ 2,521
Total Cash Receipts per Office	4,483	2,742	2,521
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 4,483</u>	<u>\$ 2,742</u>	<u>\$ 2,521</u>
Convention Center Support Fund - 0933			
Airport Departure Tax - Increase	\$ 2,100,931	\$ 2,399,066	\$ 2,909,126
Total Cash Receipts per Office	2,100,931	2,399,066	2,909,126
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 2,100,931</u>	<u>\$ 2,399,066</u>	<u>\$ 2,909,126</u>
MPEA Grants Fund - 0941			
Airport Departure Tax - Increase	\$ 6,302,794	\$ 7,197,197	\$ 8,727,379
Total Cash Receipts per Office	6,302,794	7,197,197	8,727,379
Less - In Transit at End of Year	-	-	-
Plus - In Transit at Beginning of Year	-	-	-
Total Cash Receipts per State Comptroller's Records	<u>\$ 6,302,794</u>	<u>\$ 7,197,197</u>	<u>\$ 8,727,379</u>
GRAND TOTAL - ALL FUNDS			
Total Cash Receipts per Office	\$ 332,246,282	\$ 330,600,636	\$ 398,930,657
Less - In Transit at End of Year	(491,337)	(992,191)	(4,580,290)
Plus - In Transit at Beginning of Year	992,191	4,580,290	1,933,256
Total Cash Receipts per State Comptroller's Records	<u>\$ 332,747,136</u>	<u>\$ 334,188,735</u>	<u>\$ 396,283,623</u>

*Note: These amounts do not agree to SAMS, Miscellaneous Receipts was increased by \$8 and Investment Income was decreased by \$8 to agree to the Office's records.

Note: This schedule represents cash receipts not reported in other Office of the Treasurer and other State agency reports. Cash receipts from inheritance/estate taxes, bond issuance, and interest income are included in a separate report-State of Illinois, Office of the Treasurer, Fiscal Officer Responsibilities.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Agency Functions and Planning Program (Not Examined)
For the Two Years Ended June 30, 2017**

The State of Illinois, Office of the Treasurer, is authorized by the State Treasurer Act (15 ILCS 505 et seq.). The State Treasurer receives the revenues and all other monies of the State of Illinois, and all other monies authorized by law to be paid to the Treasurer and safely keep the same. The Treasurer serves as the State's banker and has responsibility to protect and invest State funds. In accordance with Chapter 22 of the "Audit Guide for Performing Financial Audits and Compliance Attestation Engagements of Illinois State Agencies" (June 2017) issued by the Office of the Auditor General – State of Illinois, we evaluated the "Agency Functions and Planning Program" of the Office of the Treasurer. The following information was prepared based on that evaluation.

Treasury Functions

The principal constitutional and statutory powers related to the State of Illinois, Office of the Treasurer, Michael Frerichs, are as follows:

1. Receipt, disbursement and custody of funds in the State Treasury.
2. Investment of funds in the State Treasury.
3. Ex-officio custodianship of funds controlled by certain other agencies of the State.
4. Custody of securities deposited within the State Treasury as collateral or for safekeeping.
5. Assurance that monies are available to pay principal and interest on general obligation bonds issued by the State.
6. Administration of certain trust funds.
7. Joint administration with the Attorney General of the Illinois Estate Tax Law, including receipt and accounting for tax collections.
8. Administration of the Illinois Public Treasurer's Investment Pool (Illinois Funds).
9. Administration of the Bright Start and Bright Directions College Savings Programs.
10. Administration of Unclaimed Property.
11. Administration of the Charitable Trust grant program, along with the Charitable Trust Board.
12. Administration of the Illinois Growth and Innovation Fund (ILGIF), along with the ILGIF Advisory Counsel.
13. Administration of Illinois ABLE.
14. Administration of the Secure Choice retirement savings program, along with the Secure Choice Board.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Agency Functions and Planning Program (Not Examined) - Continued
For the Two Years Ended June 30, 2017**

To fulfill these Fiscal Responsibilities, the Treasurer's Office has been organized into the following divisions:

- Executive Office, which has ultimate administrative responsibility for the entire organization and provides control and direction of all operations.
- Accounting/Budget/Warrant Division, which is responsible for general accounting activities including the general ledger, processing accounts payable, reconciling bank accounts, and compiling budget estimates for the appropriation process. This includes the Estate Tax unit, which is responsible for the administration of the funds collected as a result of the Illinois Estate Tax law. The Accounting Division also includes the Warrant unit. The Treasurer is mandated by law to cancel and record all State warrants presented for payment. The Treasurer is also mandated by law to assure that all State warrants drawn on the State Treasury have sufficient fund balances to support the payment. All warrants that do not pass this critical test are held until sufficient monies become available.
- College Savings Division, which is under the administration of the Treasurer, provides investment opportunities available under Section 529 of the Internal Revenue Code to the general public which enables them to earn a competitive rate of return on investments to be used on qualified higher education.
- Communications Division, which provides for the creation and development of all publications and printed materials for the Treasurer's Office, as well as the development and maintenance of the Treasurer's websites.
- Civic Engagement Division, which provides outreach services promoting office programs to entities such as: elected officials, local governments, labor unions, religious groups, chambers of commerce, ethnic groups, boards and commissions, and nonprofit groups.
- Human Resources Division, which is responsible for development and implementation of a comprehensive system of human resource management for the Treasurer's Office, which includes development and publication of office policies and procedures relating to such issues as collective bargaining, ethics, a job classification system and an office pay plan.
- Illinois Funds Division, which is under the administration of the Treasurer, provides custodians of public funds with an investment opportunity which enables them to earn a competitive rate of return on fully collateralized investments, while maintaining immediate access to invested funds.
- Information Technology Division (IT), which is responsible for meeting the data processing needs of the operational divisions of the Treasurer's Office through the provision of the most up-to-date electronic solutions available in the marketplace. This division also maintains all operational systems and provides both hardware and software support for the Treasurer's distributed serve and wide area network infrastructure.
- Internal Audit Division, which is responsible for conducting a comprehensive program of internal audits under the Fiscal Control and Internal Auditing Act.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Agency Functions and Planning Program (Not Examined) - Continued
For the Two Years Ended June 30, 2017**

- Invest in Illinois Division, which oversees many programs administered by the Illinois State Treasurer's Office. These programs are community development oriented and range from assistance to farmers to economic development projects as well as the Secure Choice Retirement Program.
- Legal Division, which is responsible for handling the legal affairs of the Treasurer's Office including negotiating and drafting contracts and other legal agreements, performing legal analysis and offering legal opinions, coordinating representation of the Treasurer's Office by outside legal counsel, and providing legal support to the other divisions of the Treasurer's Office.
- Legislative Affairs Division, which is responsible for the legislative activities affecting the Treasurer's Office. Duties include developing and monitoring legislative initiatives, researching, analyzing and drafting legislation, working with the members of the General Assembly and keeping the Treasurer advised on all pertinent legislation.
- Policy and Programs Division, which oversees legislative affairs, the College Savings, Invest in Illinois, Charitable Trust grant and ABLE programs.
- Scheduling, Logistics, and Events Division, which is responsible for the scheduling and coordination of all Treasurer's Office events and special activities.
- State Portfolio & Banking Division, which is responsible for management of the short-term investment portfolio, deposits of public funds in Illinois financial institutions and the protection of public funds, collection of various fees from all State agencies, and ensuring that the State's financial obligations are paid on a daily basis.
- Operations Division, which provides administrative support through general services for such areas as printing, telecommunications, maintenance, vehicles, etc.
- Unclaimed Property Division, which is responsible for reuniting rightful owners with their lost and abandoned property and receiving and safeguarding property and personal information reported to the Illinois State Treasurer pursuant to the Illinois Uniform Disposition of Unclaimed Property Act. Unclaimed Property consists of money and other assets that are considered lost or abandoned after an owner cannot be located for a specific period of time, five years.

Treasurer's Planning Program

The Office of the Treasurer is responsible for the safekeeping and investing of monies deposited with the Office and for disbursing monies upon order of the Comptroller. The Treasurer's investment policies are governed by State statute. In addition, the Treasurer's Office has adopted its own investment practices which supplement the statutory requirements.

The Treasurer has created an Investment Policy Committee to provide guidance in the allocation of State assets within the Treasurer's investment portfolio. The committee also develops strategy for the selection of the State's depositories and designs and implements programmatic initiatives to address community development needs throughout the State.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Expenditures (Not Examined)**

For the Years Ended June 30

The Office's explanations for significant fluctuations of greater than \$20,000 and 20% in expenditures are detailed below:

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2017</u>	<u>2016</u>
General Revenue Fund (0001)		
Contractual Services Increase due to the absence of a FY16 GRF appropriation.	\$ 551,313	\$ -
Refunds of Accrued Interest on Protested Tax Cases Increase due to the absence of a FY16 GRF appropriation.	94,844	-
Inspector General Increase due to the absence of a FY16 GRF appropriation. FY17 expenditures include operating expenses for both FY16 and FY17.	69,128	39,017
State Pension Fund (0054)		
Equipment FY17 purchases of a new vehicle and security equipment.	97,278	5,192
Electronic Data Processing Increase from FY16 to FY17 attributable to purchase of new EDP equipment for Unclaimed Property	152,004	17,862
Prompt Pay Interest Decrease from FY16 to FY17 due to lack of appropriation for contracted services resulting in prompt pay incurred during FY16 not incurred during FY17	101	24,535

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Expenditures (Not Examined) - Continued**

For the Years Ended June 30

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2017</u>	<u>2016</u>
General Obligation Fund (0101)		
Payment of Principal on General Obligation Bonds and Short-Term Borrowing FY17 Purchase of US Government Obligations to establish an escrow for the purpose of refunding outstanding Illinois General Obligation Bonds.	\$ 1,968,091,342	\$ 1,630,106,340
Refunding Bond Payments Refunding bond series issued in FY17 but not in FY16.	1,392,723,486	-
Estate Tax Refund (0121)		
Estate Tax Refunds Decrease in volume and amount of refunds requested in FY17.	6,617,706	14,367,733
IPTIP Administrative Trust Fund (0195)		
Regular Positions Increased expenditures due to increased revenue due to change in fees processing by new third party administrator. The Treasurer's Office shifted Illinois Funds staff previously paid out of appropriated funds to Fund 0195	1,213,721	984,150
State Contribution to State Employees' Retirement System Increased expenditures due to increased revenue due to change in fees processing by new third party administrator. The Treasurer's Office shifted Illinois Funds staff previously paid out of appropriated funds to Fund 0195	541,347	449,164
Group Insurance - Contributions Paid by Employer Increased expenditures due to increased revenue due to change in fees processing by new third party administrator. The Treasurer's Office shifted Illinois Funds staff previously paid out of appropriated funds to Fund 0195	366,302	301,277
Contractual Services Increased expenditures due to increased revenue due to change in fees processing by new third party administrator. All fees are remitted to the Treasurer's Office in new contract and vouchered to external administrator for payment.	2,518,615	1,032,756
Electronic Data Processing Increased expenditures due to increased revenue due to change in fees processing by new third party administrator. All fees are remitted to the Treasurer's Office in new contract and vouchered to external administrator for payment.	44,270	-
Metropolitan Pier and Exposition Authority Trust Fund (0337)		
Pay Surplus Revenues MPEA Decrease due to less surplus revenue in the fund as a result of payment of bonds.	10,992,727	19,442,561
State Treasurer's Bank Service Fund (0373)		
Payments of Banking Services Increase in contracts with external investment managers.	4,690,977	3,793,953
Protest Fund (0401)		
Refund of Monies Paid under Protest The increase was due to a larger volume of refunds and larger refund amounts processed in FY17 compared to FY16.	48,590,181	21,859,228

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Expenditures (Not Examined) - Continued**

For the Years Ended June 30

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2017</u>	<u>2016</u>
Charitable Trust Stabilization Fund (0435)		
Regular Positions The Charitable Trust grant program was being fully implemented in FY17.	\$ 232,223	\$ 53,063
State Contribution to State Employees' Retirement System The Charitable Trust grant program was being fully implemented in FY17.	103,567	24,205
Group Insurance - Contributions Paid by Employer The Charitable Trust grant program was being fully implemented in FY17.	47,674	11,511
Awards and Grants Charitable Trust grant awards paid in FY17 not in FY16.	250,663	-
College Savings Pool Administrative Fund (0668)		
Regular Positions Implementation of ABLE expenses.	846,732	604,910
State Contribution to State Employees' Retirement System Implementation of ABLE expenses.	377,637	275,998
Group Insurance - Contributions Paid by Employer Implementation of ABLE expenses.	222,559	171,123
Contractual Services Implementation of ABLE expenses.	786,930	446,844
Budget Stabilization Fund (0686)		
All Expenditure Lines Budget Stabilization fund appropriation received in FY17 but not FY16.	2,361,000	-
Convention Center Support Fund (0933)		
Grants to Local Governments The decrease was due to a \$5 million annual payment to the Village of Rosemont being paid in FY16 but a lack of adequate funding to make a similar payment in FY17.	2,077,576	7,364,899

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Expenditures (Not Examined) - Continued**

For the Years Ended June 30

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2016</u>	<u>2015</u>
General Revenue Fund (0001)		
Contractual Services	\$ -	\$ 730,619
Decrease due to the absence of a FY16 GRF appropriation.		
Travel	-	75,095
Decrease due to the absence of a FY16 GRF appropriation.		
Commodities	-	50,930
Decrease due to the absence of a FY16 GRF appropriation.		
Equipment	-	55,317
Decrease due to the absence of a FY16 GRF appropriation.		
Electronic Data Processing	-	1,475,971
Decrease due to the absence of a FY16 GRF appropriation. FY16 Expenditures are for payroll costs paid under court order.		
Telecommunications	-	78,451
Decrease due to the absence of a FY16 GRF appropriation.		
Refunds of Accrued Interest on Protested Tax Cases	-	237,314
Decrease due to the absence of a FY16 GRF appropriation.		
Inspector General	39,017	67,033
Decrease due to the absence of a FY16 GRF appropriation. FY16 expenditures are for payroll costs paid under court order.		
State Pensions Fund (0054)		
Regular Positions	4,142,905	3,397,286
Increase due to FY15 contractual payroll reported as EDP, reported as payroll in FY16.		
State Contribution to State Employees' Retirement System	1,838,249	1,439,197
Increase due to FY15 contractual payroll reported as EDP, reported as payroll in FY16.		
Group Insurance - Contributions Paid by Employer	1,365,273	1,069,774
Increase due to FY15 contractual payroll reported as EDP, reported as payroll in FY16.		
Contractual Services	2,476,277	1,720,448
Increase due to increased public relations, marketing and number of publications including Unclaimed Property Program information as well as the purchase of an updated Unclaimed Property tracking system.		
Group insurance - contributions paid by employer	1,365,273	1,069,774
Increase from FY15 to FY16 attributable to implementation of expense allocations across divisions and funds.		
Electronic Data Processing	17,862	829,342
Decrease due to FY15 contractual payroll reported as EDP, reported as payroll in FY16.		
Prompt Pay Interest	24,535	-
Increase from FY15 to FY16 due to lack of appropriation for contracted services resulting in prompt pay incurred during FY16 not incurred during FY15.		

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Expenditures (Not Examined) - Continued**

For the Years Ended June 30

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2016</u>	<u>2015</u>
Estate Tax Refund Fund (0121)		
Estate Tax Refunds	\$ 14,367,733	\$ 20,998,261
The decrease was due to the timing of receipts in FY16 and an increase in revenues in FY15 allowing more of the Estate Tax Refund backlog to be paid.		
IPTIP Administrative Trust Fund (0195)		
All Expenditure Lines	2,942,416	2,387,611
Increased expenditures are attributable to an increase in revenue associated with a change in fee processing by a new third party administrator. In addition, the Office shifted Illinois Funds staff previously paid from appropriated funds to be paid from Fund 0195 in fiscal year 2016.		
Metropolitan Pier and Exposition Authority Trust Fund (0337)	19,442,561	29,580,712
Pay Surplus Revenues MPEA		
Decrease due to less surplus revenue in the fund as a result of payment of bonds.		
Protest Fund (0401)		
Refund of Monies Paid under Protest	21,859,228	36,452,277
The decrease was due to larger refund amounts processed in FY15 compared to FY16.		
Charitable Trust Stabilization Fund (0435)		
Awards and Grants, Lump Sum, and Other Purposes	95,396	354
The increase is due to the start up of the Charitable Trust grant program in FY16.		
College Savings Pool Administration Fund (0668)		
All Expenditure Lines	1,610,181	1,057,652
Increased marketing and publicity in order to grow the Program, as well as the planning of implementation of the ABLE Program.		
Convention Center Support Fund (0933)		
Grants to Local Governments	7,364,899	2,666,697
The increase was due to the \$5 million annual payment to the Village of Rosemont not being paid in FY15 due to lack of sufficient funds.		

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Cash Receipts (Not Examined)**

For the Years Ended June 30

The Office's explanations for significant fluctuations of greater than \$20,000 and 20% in cash receipts are detailed below:

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2017</u>	<u>2016</u>
General Revenue Fund (0001)		
Investment Income	\$35,087,975	\$23,682,088
Increased income attributed to the investment strategy for the State Portfolio shifting to take advantage of rising rates, higher yielding security classes and the stability of the transportation lockbox legislation.		
General Obligation Bond Retirement and Interest Fund (0101)		
Investment Income	9,518,146	5,401,949
FY17 Purchase of US Government Obligations to establish an escrow for the purpose of refunding outstanding Illinois General Obligation Bonds.		
Estate Tax Refund Fund (0121)		
Prior year refund/voided warrants	69,015	-
The Treasurer has no control over collection of prior year refunds or voided warrants. No prior year refunds were received and no warrants related to Estate Tax were voided in Fiscal Year 2016.		
IPTIP Administrative Fund (0195)		
State and Local Government	4,754,175	2,457,526
Increased revenue due to change in fees processing by new third party administrator. Fees are remitted to the Treasurer now instead of being deducted directly from account.		
Hospital Basic Services Preservation Fund (0284)		
Returned collateral	91,673	183,347
Decrease due to timing of receipts which were delayed by the merger and conversion of the bank managing the Hospital Basic Services account.		
Capital Projects Fund (694)		
Investment Income	454,257	193,913
Increased income attributed to the investment strategy for the State Portfolio shifting to take advantage of rising rates, higher yielding security classes and the stability of the transportation lockbox legislation.		

(continued)

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Variations in Cash Receipts (Not Examined) - Continued**

For the Years Ended June 30

<u>Fund, Account (if Applicable), and Explanation</u>	<u>2016</u>	<u>2015</u>
General Revenue Fund (0001)		
Returned Collateral	\$ -	\$ 910,000
The Finally Home Program earned \$1,100,000 over the initial program funding. It was determined a portion of the excess income would be transferred back to the Treasurer's Office during Fiscal Year 2015.		
Estate Tax Refund Fund (0121)		
Prior year refund/voided warrant	-	684,928
The Treasurer has no control over collection of prior year refunds or voided warrants. No prior year refunds were received and no warrants related to Estate Tax were voided in Fiscal Year 2016.		
Treasurer's Rental Fee Fund (0331)		
Rental Income	2,199	35,928
The decrease in Mobile Money rental fees resulted from overpayments in 2015.		
Capital Projects Fund (0694)		
Investment Income	193,913	150,718
Increased income attributed to the investment strategy for the State Portfolio shifting to take advantage of rising rates, higher yielding security classes and the stability of the transportation lockbox legislation.		

**State of Illinois
Office of the Treasure
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Lapse Period Spending (Not Examined)**

Fifteen Months Ended September 30, 2017

The Office's explanations for significant lapse period spending of greater than \$20,000 and 20% of total expenditures, are detailed below:

<u>Fund, Account (if Applicable), and Explanation</u>	<u>Disbursements During Lapse Period</u>	<u>Disbursements for Fifteen Months Ended September 30, 2017</u>	<u>Percentage of Expenditures in Lapse Period</u>
General Revenue Fund (0001)			
Ordinary and Contingent Expenses, Not Including Personal Services Contractual payroll services through the year did not have authority to be paid until after fiscal year end.	\$ 511,827	\$ 699,342	73%
State Treasurer's Bank Service Fund (0373)			
Payments for Banking Services Lapse period disbursements include payments for ordinary contracted banking services including depository services and bank processing fees for June 2017 as well as TDA management, investment and reporting services for 2nd through 4th quarter 2017. Banking services are billed on either a quarterly or monthly basis. Those services billed for the month of June and Q4 are paid in lapse.	1,065,146	4,690,977	22.71%
Charitable Trust Stabilization Fund - (0435)			
Awards and Grants, Lump Sum and other purposes Lapse period expenditures include payments to grantees for Charitable Trust grants awarded in fourth quarter FY17 and paid during lapse. The grants were not awarded or paid during the rest of the fiscal year. Expenditures during the fiscal year were for administrative costs associated with establishing the Charitable Trust Grant Program.	250,682	675,138	37.13%

**State of Illinois
Office of the Treasure
Nonfiscal Officer Responsibilities**

**Compliance Examination
Analysis of Significant Lapse Period Spending (Not Examined) - Continued**

Fourteen Months Ended August 31, 2016

<u>Fund, Account (if Applicable), and Explanation</u>	<u>Disbursements During Lapse Period</u>	<u>Disbursements for Fourteen Months Ended August 31, 2016</u>	<u>Percentage of Expenditures in Lapse Period</u>
State Treasurer's Bank Service Fund (0373)			
Payments for Banking Services	\$ 880,890	\$ 3,793,953	23.22%
Lapse period disbursements include payments for ordinary contracted banking services including depository services and bank processing fees for May and June 2016 as well as TDA management, investment and reporting services for January through June 2016. Banking services are billed on either a quarterly or monthly basis. Those services billed for the month of June and Q4 are paid in lapse.			

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Budget Impasse (Not Examined)**

For the Two Years Ended June 30, 2017

Article 74 of Public Act 99-0524 authorized the Office of the State Treasurer to pay Fiscal Year 2016 costs using the Office of the State Treasurer's Fiscal Year 2017 appropriations for non-payroll expenditures. In addition, Article 998 of Public Act 100-0021 authorized the Office of the State Treasurer to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Office of the State Treasurer's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The following chart shows the Office of the State Treasurer's plan to pay its prior costs using future appropriations:

FISCAL YEAR 2016 INVOICES

Fund	Fund Name	Paid from Fiscal Year 2017 Appropriations		Expected Payments from Fiscal Year 2018 Appropriations	
		Number	Dollar Value	Number	Dollar Value
0686	Budget Stabilization Fund	160	\$ 1,196,014	0	\$ -
		160	\$ 1,196,014	0	\$ -

The Office of the State Treasurer did not have any outstanding unpaid invoices from either Fiscal Year 2016 or Fiscal Year 2017 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016, and the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017, respectively.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Alternative Financing in Lieu of Appropriations and Programs to
Address Untimely Payments to Vendors (Not Examined)**

For the Two Years Ended June 30, 2017

Transactions Involving the Illinois Finance Authority

The Treasurer, Nonfiscal Officer and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Treasurer, Nonfiscal Officer's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016 and Fiscal Year 2017.

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Prompt Pay Interest Incurred (Not Examined)**

For the Two Years Ended June 30, 2017

The Treasurer plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Treasurer. The following chart shows the Treasurer's prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016 and June 30, 2017, by fund:

For the Year Ended June 30, 2016

Fund	Fund Name	Invoices	Vendors	Dollar Value
0054	State Pensions Fund	41	25	\$ 24,535
0195	IPTIP Administrative Trust Fund	1	1	108
0373	State Treasurer's Bank Service Fund	26	15	3,871
		<u>68</u>	<u>41</u>	<u>\$ 28,514</u>

For the Year Ended June 30, 2017

Fund	Fund Name	Invoices	Vendors	Dollar Value
0001	General Revenue Fund	52	27	\$ 799
0054	State Pensions Fund	4	4	101
0668	College Savings Pool Administration Fund	2	1	133
0686	Budget Stabilization Fund	291	79	30,056
		<u>349</u>	<u>111</u>	<u>\$ 31,089</u>

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Average Number of Employees (Not Examined)**

For the Years Ended June 30

TREASURER'S PERSONNEL

The average number of personnel employed at the Treasurer's Office is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Accounting/Warrant Division	18	17	18
Civic Engagement Division	16	16	16
Communications Division	6	4	2
Credit Risk Analysis	2	2	0
Executive Offices	8	8	7
Fiscal Division	4	3	0
Human Resources Division	2	3	3
Information Technology Division	12	8	4
Inspector General Division	1	1	1
Internal Audit Division	3	2	3
Invest in Illinois Division	0	2	3
Legal Division	8	6	4
Legislative Division	3	3	3
Policy and Programs Division	7	5	2
Public Affairs	1	1	0
Scheduling and Events Division	3	2	2
State Portfolio & Banking Division	17	17	17
Support Services Division	9	10	12
Unclaimed Property Division	42	41	46
Subtotal - personnel compensated through appropriated funds	<u>162</u>	<u>151</u>	<u>143</u>
Illinois Funds - IPTIP Administrative Trust Fund employees (compensated through nonappropriated State Treasury Fund)	15	16	13
College Savings Administrative Trust Fund employees (compensated through nonappropriated State Treasury Fund)	<u>2</u>	<u>3</u>	<u>4</u>
Total average number of Treasurer personnel	<u><u>179</u></u>	<u><u>170</u></u>	<u><u>160</u></u>

**State of Illinois
Office of the Treasurer
Nonfiscal Officer Responsibilities**

**Compliance Examination
Service Efforts and Accomplishments
(Not Examined)**

For the Years Ended June 30

The following table details various data representative of the Treasurer's operations:

<u>For the Fiscal Year Ended June 30</u>	<u>2017</u>	<u>2016</u>
Warrant Division		
Number of warrants issued	3,066,080	2,879,015
Number of warrants paid	2,978,191	2,765,756
Number of forgery claims paid	115	131
Amount of forgery claims paid	\$ 138,646	\$ 148,211
Number of warrants outstanding as confirmed with the Comptroller's Office	204,907	188,998
Unclaimed Property Division		
Number of written unclaimed property inquiries processed	81,360	63,752
Amount of unclaimed property remittances received	\$ 260,553,830	\$ 254,001,887
Number of unclaimed property claims paid	58,028	53,375
Amount of unclaimed property claims paid	\$ 159,044,376	\$ 155,088,149