

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

Compliance Examination
For the Two Years Ended June 30, 2021

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, 2021**

Table of Contents

	<u>Page</u>
Office of the Treasurer's Officials	1
Management Assertion Letter	3
Compliance Report	
Summary	5
Independent Accountant's Report on State Compliance and on Internal Control Over Compliance	7
Schedule of Findings	
Current Findings – State Compliance	10
Prior Findings Not Repeated	21

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

**Compliance Examination
For the Two Years Ended June 30, 2021**

Office of the Treasurer's Officials

Treasurer	The Honorable Michael W. Frerichs
Chief of Staff	Mr. G. Allen Mayer
Deputy Treasurer & Chief Investment Officer* (July 1, 2019 to June 30, 2021)	Mr. Rodrigo Garcia
Deputy Treasurer** (July 1, 2021 to Present)	Vacant
Chief Investment Officer (<i>Acting</i>)** (July 1, 2021 to March 31, 2022)	Mr. Joseph Aguilar
Chief Investment Officer (April 1, 2022 to Present)	Mr. Joseph Aguilar
General Counsel & Ethics Officer (<i>Acting</i>) (July 1, 2019 to November 30, 2019)	Mr. Chris Flynn
General Counsel & Ethics Officer (December 1, 2019 to Present)	Ms. Laura Duque
Executive Inspector General for the Illinois State Treasurer (July 1, 2019 to December 31, 2019) (January 1, 2020 to February 17, 2020) (February 18, 2020 to October 15, 2021) (October 16, 2021 to November 18, 2021) (November 19, 2021 to March 25, 2022) (March 26, 2022 to April 7, 2022) (April 8, 2022 to Present)	Mr. Raymond Watson Vacant Mr. Dennis Rendleman Mr. Chris Flynn Mr. Gary Shadid Vacant Ms. Heather Stone
Chief Internal Auditor	Ms. Leighann Manning
Director of State Investments and Banking* (July 1, 2019 to June 30, 2021)	Ms. Elizabeth Turner
Chief Banking Officer (<i>Acting</i>)** (July 1, 2021 to March 31, 2022)	Ms. Elizabeth Turner
Chief Banking Officer (April 1, 2022 to Present)	Ms. Elizabeth Turner
Director of Fiscal Operations (July 1, 2019 to June 30, 2021) (July 1, 2021 to Present)	Ms. Deborah Miller Mr. Wes Howerton
Chief Fiscal Officer (<i>Acting</i>)** (July 1, 2021 to March 31, 2022)	Ms. Deborah Miller
Chief Fiscal Officer (April 1, 2022 to Present)	Ms. Deborah Miller

*Position was eliminated as of July 1, 2021

**New position as of July 1, 2021

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

**Compliance Examination
For the Two Years Ended June 30, 2021**

Office of the Treasurer's Offices

The Office of the Treasurer had the following administrative office locations during the year:

Executive Office
State Capitol
219 State House
Springfield, Illinois 62706

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

Operational Divisions
Illinois Business Center
400 West Monroe, Suite 401
Springfield, Illinois 62704

Unclaimed Property Division
Myers Building
1 W. Old State Capital Plaza, 1st & 4th Floors
Springfield, Illinois 62701

Operational Divisions
Marine Bank Building
1 East Old State Capitol Plaza
Springfield, Illinois 62701



OFFICE OF THE ILLINOIS STATE TREASURER
MICHAEL W. FRERICHS

MANAGEMENT ASSERTION LETTER

Crowe LLP
Certified Public Accountants
3601 Wabash Avenue Suite 103
Springfield, IL 62711

June 14, 2022

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 (Office) Non-Fiscal Officer Responsibilities. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Office's compliance with the following specified requirements during the two-year period ended June 30, 2021. Based on this evaluation, we assert that during the years ended June 30, 2020, and June 30, 2021, the Office has materially complied with the specified requirements listed below:

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Office has complied, in all material aspects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.

State Capitol
Room 219
Springfield, IL 62706
Phone: (866) 458-7327
Fax: (217) 785-2777
TTY: (866) 877-6013

555 West Monroe Street
14th Floor
Chicago, IL 60661
Phone: (866) 458-7327
Fax: (312) 814-5930
TTY: (866) 877-6013

Marine Bank Building
1 East Old State Capitol Plaza
Springfield, IL 62701
Phone: (866) 458-7327
Fax: (217) 524-3822
TTY: (866) 877-6013

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

Yours truly,

State of Illinois Office of the Treasurer

SIGNED ORIGINAL ON FILE

The Honorable Michael Frerichs
State Treasurer

Mr. G. Allen Mayer
Chief of Staff

Ms. Laura Duque
General Counsel & Ethics Officer

Ms. Deborah Miller
Chief Fiscal Officer

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

**Compliance Examination
For the Two Years Ended June 30, 2021**

State Compliance Report

Summary

The State compliance testing performed during this 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*.

Accountant's Report

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	6	5
Repeated findings	4	3
Prior recommendations implemented or not repeated	2	0

Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2021-001	10	New	Lack of Controls over State Property Reporting	Significant Deficiency and Noncompliance
2021-002	12	2015*/2011	Lack of Controls over Unclaimed Property	Significant Deficiency and Noncompliance
2021-003	14	2019/2017	Lack of Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2021-004	16	2019/2003	Noncompliance with Office Personnel Policies and Procedures	Significant Deficiency and Noncompliance

*The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance for the two years ended June 30, 2017 and the two years ended June 30, 2019 contained a scope limitation on compliance and internal control over Unclaimed Property. No such scope limitation is included in the Independent Accountant's Report on State Compliance and on Internal Control Over Compliance for the two years ended June 30, 2021.

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

**Compliance Examination
For the Two Years Ended June 30, 2021**

Schedule of Findings - Continued

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2021-005	18	2019/2019	Lack of Controls over Agency Fee Imposition Reports	Significant Deficiency and Noncompliance
2021-006	20	New	Inadequate Controls over Petty Cash Fund	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	21	2019/2019	Lack of Adequate Controls over the Review of Internal Controls over Service Providers	Material Weakness and Material Noncompliance
B	21	2019/2015	Noncompliance with Office Vehicle Policies and Procedures	Significant Deficiency and Noncompliance

Exit Conference

The Office waived on exit conference in correspondence from Leighann Manning, Chief Internal Auditor, on June 2, 2022. The responses to the recommendations were provided by Leighann Manning, Chief Internal Auditor, in a correspondence dated June 9, 2022.

**Independent Accountant's Report
on State Compliance and on Internal Control Over Compliance**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois (State), Office of the Treasurer, NonFiscal Officer Responsibilities' (Office) with the specified 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, 2021. Management of the Office is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Office's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Office has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Office has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Office has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Office are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Office on behalf of the State or held in trust by the Office 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Office complied, with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Office complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Office's compliance with the specified requirements.

In our opinion, the Office complied with the specified requirements during the two years ended June 30, 2021, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2021-001 through 2021-006.

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

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Office is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Office's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Office's compliance with the specified requirements and to test and report on the Office's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. *A material weakness* in internal controls is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2021-001 through 2021-006 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.

The Office's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Office's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
June 14, 2022

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance

2021-001 FINDING: (Lack of Controls over State Property Reporting)

The Office of the Treasurer (Office) did not exercise adequate control over the capitalization and subsequent depreciation of a newly acquired building resulting in inaccurate property reporting.

During our review of the Form SCO-538 – Capital Asset Summary (SCO-538), we noted the following deficiencies:

- The Illinois Office of Comptroller (IOC) version SCO-538, which is the version including revisions made by IOC after initial agency submission, and for testing purposes, considered the final version of the SCO-538, did not appropriately reflect the ending asset balance for buildings as of June 30, 2020 or June 30, 2021. The Office's C-15 and underlying support accurately reported the buildings value as \$1,986,000.68 and \$6,076,112.68 as of June 30, 2020 and June 30, 2021, respectively. The SCO-538 incorrectly reported the value of buildings as \$2,090,000 and \$6,362,000 as of June 30, 2020 and June 30, 2021, respectively.
- The Office depreciated the building using the straight-line depreciation method; however, the Office did not utilize a placed in-service month / Capital Development Board (CDB) transfer month as the start date for depreciation and rather depreciated the building for one full year. As a result, the Office overstated depreciation by approximately \$126,787.

According to the Statewide Accounting Management System (SAMS) Manual, Procedure 03.30.30, CDB reports projects considered to be substantially complete to agencies via the CDB Agency Turnover Report. Each agency is responsible for recording the capital assets transferred from CDB on their agency books and records.

SAMS Manual, Procedure 27.20.38, States the purpose of the SCO-538 is to ensure all capital assets of State agencies are reported in the State of Illinois' GAAP financial statements.

SAMS Manual, Procedure 03.30.40, notes the IOC recommends agencies use the Full-Month Convention for determining the service date to be utilized when calculating depreciation. The Full-Month Convention allows for the Office to depreciate an asset for an entire month, regardless of when received.

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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or 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 include timely, documented reconciliations.

Office officials stated the overstatement of the building value was due to oversight in edits made to the SCO-538 by the IOC during review of the annual reporting of capital assets to the IOC. The Office misinterpreted rules and recommendations when implementing its processes in the valuation and depreciation for the above asset.

Failure to exercise adequate controls over the capitalization and depreciation of property increases the potential for under or over-valuation of Office assets. (Finding Code No. 2021-001)

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-001 FINDING: (Lack of Controls over State Property Reporting) - Continued

Recommendation

We recommend the Office implement adequate controls over capitalization and depreciation of capital assets.

Office Response

The Office accepts the recommendation. The STO is working with the IOC to correct the Capital Asset Summary (SCO-538) to match the Office's submitted C-15 building value. The Office based depreciation on operational use of the building and improvements. The quarterly CDB transfer report is based on contractor pay progress reports that typically include delays in processing. The Office will review capital asset reporting processes for improvement. Further, the Office's intergovernmental agreement with CDB is expiring and the Office expects to manage building improvements directly, which will avoid any future discrepancy between CDB and the Office in reporting.

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-002 FINDING: (Lack of Controls over Unclaimed Property)

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

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

- Two of 60 (3%) tangible items selected as held in the Office's unclaimed property vault as of June 30, 2021 were no longer held by the Office and had been sold or destroyed in a prior year.
- Two of two (100%) mutual fund reconciliations and one of three (33%) security share reconciliations tested were not completed in a timely manner ranging from 112 to 311 days after month end. The December 2019 and June 2020 mutual fund reconciliations were completed 240 and 311 days after month end, respectively. The June 2020 share reconciliation was completed 112 days after month end.
- One of three (33%) cash reconciliations and one of three (33%) security share reconciliations did not have an identifiable date of reconciliation or review to determine timeliness of completion.
- The Office did not reconcile the Unclaimed Property Management System (KAPS) expenditures for unclaimed property claims disbursements to Illinois Office of Comptroller expenditure records in Fund 482, Unclaimed Property Trust Fund, in a timely manner. For Fiscal Year 2021, the Office had not reconciled the months of February 2021 through June 2021 as of April 30, 2022.

According to the Office's UP Custody Safekeeping Policies and Procedures, once a tangible item is sold through a UP auction, the UP database is updated to include the sale information. The Policies and Procedures also document all tangible items to be destroyed are inventoried in the UP database prior to destruction.

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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or 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 include timely, documented reconciliations.

Office officials stated the two tangible items were from 30 and 43 years ago and involved paper records. The two items had not been updated in the electronic records due to human error. The delay in mutual fund reconciliations was due to limitations due to the Pandemic. The two reconciliations were not dated due to human error. Reconciliations were not completed timely due to the substantial increase in transaction volume.

Failure to exercise adequate controls over unclaimed property increases the potential for possible loss or theft of unclaimed property. Failure to reconcile received unclaimed property records to safekeeping records could result in unresolved differences and increases the risk of possible loss or theft of unclaimed property. (Finding Code No. 2021-002, 2015-003*, 2013-003, 11-1)

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-002 FINDING: (Lack of Controls over Unclaimed Property) - Continued

Recommendation

We recommend the Office enhance its controls over the safeguarding of unclaimed property to ensure policies and procedures are followed. Further, the Office should improve controls over reconciliation completion and review.

Office Response

The Office accepts the recommendation. The tangible items that were no longer held by the Office with corresponding records not updated were caused by human error. The errors were made possible by the lack of auction reconciliation automation and the transition from paper to electronic records. The system's constraints that existed 30 and 43 years ago, enabling the human error, has been addressed in the decades since the occurrences. The Office will review our processes to improve controls over reconciliation completion and review.

***See note on page 5.**

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-003 FINDING: (Lack of Controls over Monthly Reconciliations)

The Office of the Treasurer (Office) did not maintain adequate controls over monthly reconciliations.

The Office expended \$3.488 billion and \$6.030 billion in Fiscal Years 2020 and 2021, respectively. During our sample testing of Fiscal Year 2020 and 2021 reconciliations between Illinois Office of Comptroller (IOC) records and the Office's records, we noted the following:

- The Office was not able to supply support of Monthly Obligation Activity Report (SC15) reconciliations for two of five (40%) months tested.
- The Office did not perform monthly reconciliations of the Agency Contract Report (SC14) for three of five (60%) months tested.
- One of five (20%) Monthly Obligation Activity Report (SC15) reconciliations tested was not performed within 60 days. The reconciliation was completed 102 days after month-end.
- One of five (20%) Agency Contract Report (SC14) reconciliations tested was not performed within 60 days. The reconciliation was completed 83 days after month-end.
- One of five (20%) Monthly Appropriation Status Report (SB01) reconciliations tested was not performed within 60 days. The reconciliation was completed 102 days after month-end.
- One of five (20%) Object Expense/Expenditures by Quarter Report (SA02) reconciliations tested was not performed within 60 days. The reconciliation was completed 102 days after month-end.
- One of five (20%) Monthly Appropriation Transfer Report (SB03) reconciliations tested was not performed within 102 days. The reconciliation was completed 75 days after month-end.

During our sample testing of Fiscal Years 2020 and 2021 locally held fund reconciliations, we reviewed four months of reconciliations for each of the Office's eight locally held funds. During our testing, we noted the Office did not perform monthly reconciliations for their Locally Held Fund 1111. Rather, the Office performed quarterly reconciliations for the fund.

Statewide Accounting Management System (SAMS) Manual, Procedure 07.30.20, requires agencies to reconcile their records to SAMS within 60 days of month-end. In addition, 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 to provide assurance that revenues, expenditures, and transfers of assets, resources, or 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 include timely, documented reconciliations.

The Office stated the SB01, SB03, SA02 and SC15 reconciliations were not performed timely due to competing financial reporting priorities at the time reconciliations were due. The SC14 reconciliations were not completed due to staff turnover and staff oversight. The Office maintains the SC15 reconciliations were completed, but they were unable to provide support showing the reconciliations were performed. The Office stated Locally Held Fund 1111 reconciliations were performed on a quarterly basis, rather a monthly basis, due to oversight.

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-003 FINDING: (Lack of Controls over Monthly Reconciliations) – Continued

Failure to reconcile financial reports on a timely basis could result in unresolved accounting differences and increases the risk of misappropriation of State funds. (Finding Code No. 2021-003, 2019-002, 2017-001)

Recommendation

We recommend the Office develop controls to ensure monthly reconciliations are being completed and reviewed in a timely manner.

Office Response

The Office accepts the recommendation. The Office will review reconciliation processes to strengthen internal controls to ensure monthly reconciliations are being completed and reviewed in a timely manner.

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-004 FINDING: (Noncompliance with Office Personnel Policies and Procedures)

The Office of the Treasurer (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:

- Four of six (67%) employees eligible to receive a three and/or six-month performance evaluation did not receive either evaluation. Three in Fiscal Year 2020 and one in Fiscal Year 2021.
- Two of six (33%) six-month performance evaluations tested were not signed timely after the evaluation end date, ranging from 131 to 509 days past the evaluation date, both occurring in Fiscal Year 2021.
- Seven of 22 (32%) annual performance evaluations tested were not signed timely after the evaluation date, ranging from seven to 196 days past the evaluation date. Three in Fiscal Year 2020 and four in Fiscal Year 2021.
- Nine of 22 (41%) annual performance evaluations tested were missing. Six in Fiscal Year 2020 and three in Fiscal Year 2021.

The 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 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 or anniversary 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".

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. 2021-004, 2019-003, 2017-002, 2015-001, 2013-002, 11-2, 09-1, 07-2, 05-1, 03-2.)

Recommendation

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

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-004 FINDING: (Noncompliance with Office Personnel Policies and Procedures) -
Continued

Office Response

The Office accepts the recommendation and will continue to emphasize the importance of the timely completion of employee performance evaluations. The Office has implemented an 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 – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-005 FINDING: (Lack of Controls over Agency Fee Imposition Reports)

The Office of the Treasurer (Office) did not maintain adequate controls over its Agency Fee Imposition Reports.

During our State compliance examination, we noted the following issues in testing Fiscal Year 2019 and 2020 Agency Fee Imposition Reports:

- 38 of 43 (88%) reported fees during Fiscal Year 2019 totaling \$83,780,605, and 46 of 51 (90%) reported fees during Fiscal Year 2020 totaling \$70,177,711, should not have been reported as they represented fines and/or penalties imposed by County Courts and remitted to the State of Illinois and, therefore, did not meet the definition of a fee per the Statewide Accounting Management System (SAMS) Manual. In addition, the amounts reported represented amounts imposed by other agencies, not fees imposed by the Office and, therefore, should have been reported by the agency imposing the fee.
- 3 of 43 (7%) reported fees, totaling \$25,166 in Fiscal Year 2019 and 3 of 51 (6%) reported fees, totaling \$132,929 in Fiscal Year 2020 should not have been reported as they represent fees charged to other State of Illinois agencies and, therefore, do not meet the definition of a fee per the SAMS Manual.
- 2 of 43 (5%) reported fees, totaling \$2,191,972 in Fiscal Year 2019 and 2 of 51 (4%) reported fees, totaling \$2,347,187 in Fiscal Year 2020 did not list the degree to which program goals were met or the population affected by the fee.

The State Comptroller Act (15 ILCS 405/16.2) states “a State agency that imposes fees shall file an Agency Fee Imposition Report Form.” Further, SAMS Manual (Procedure 33.16.20) defines “fees” as charges by State agencies to citizens and private organizations and indicates criminal and civil penalties should not be reported on Agency Fee Imposition Reports. The SAMS Manual Procedure also requires agencies to report various elements in their Agency Fee Imposition Report, including the general population affected by the fee and the degree to which the goals of the program are met.

Office officials stated fees were reported because of fee reporting discussions including changes to the SAMS manual with the Illinois Office of Comptroller based on the concern of both Offices that not reporting fees may have an impact on fiscal reporting and the fees are an important component of a comprehensive revenue picture for the State. In addition, certain fields for two fees within the Agency Fee Imposition Reports were not populated due to oversight.

Failure to properly prepare and file Agency Fee Imposition Reports is noncompliance with SAMS Manual requirements and may limit the Illinois Office of Comptroller’s ability to prepare an accurate State-wide Fee Imposition Report. (Finding Code No. 2021-005, 2019-004)

Recommendation

We recommend the Office ensure Agency Fee Imposition Reports are filed in accordance with SAMS Manual requirements and only include fees as defined by the SAMS Manual. In addition, we recommend Agency Fee Imposition Reports include all reporting elements required by the SAMS Manual.

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-005 **FINDING:** (Lack of Controls over Agency Fee Imposition Reports) - Continued

Office Response

The Office accepts the recommendation. The Office reviewed and updated Agency Fee Imposition reporting processes based on the previous NFO audit to ensure only fees defined in the SAMS manual are included in the Agency Fee Imposition Report. Timing of the previous audit prevented implementation prior to the current NFO audit.

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

**Compliance Examination
Schedule of Findings – Current Findings
For the Two Years Ended June 30, 2021**

Current Findings – State Compliance (Continued)

2021-006 **FINDING:** (Inadequate Controls over Petty Cash Fund)

The Office of the Treasurer (Office) did not have adequate controls over filing petty cash usage reports.

During our State compliance examination of petty cash, we noted the following:

- Petty Cash Usage Reports (Form C-18) were not filed with the Illinois Office of Comptroller (IOC) for Fiscal Year 2020.

- Form C-18 was filed with the IOC 30 days after the required due date for Fiscal Year 2021.

The Statewide Accounting Management System (SAMS) Manual (Procedure 09.10.40, Section VI – F.1) states Form C-18 must be filed with the IOC no later than January 31 for the preceding calendar year.

The Office stated the late filing and lack of filing reports was due to oversight.

Late filing of Form C-18 could inhibit the IOC's ability to efficiently manage State funds. (Finding Code No. 2021-006)

Recommendation

We recommend the Office develop controls to ensure Form C-18 is being completed, reviewed and submitted to the IOC in a timely manner.

Office Response

The Office accepts the recommendation and will review our processes to ensure the C-18 is submitted in a timely fashion.

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

**Compliance Examination
Schedule of Findings – Prior Findings Not Repeated
For the Two Years Ended June 30, 2021**

A. FINDING

(Lack of Adequate Controls over the Review of Internal Controls over Service Providers)

During the prior examination, the Office of the Treasurer (Office) did not maintain adequate controls over external service providers.

During the current examination, our testing indicated the Office implemented controls over external service providers. (Finding Code No. 2019-001)

B. FINDING

(Noncompliance with Office Vehicle Policies and Procedures)

During the prior examination, the Office of the Treasurer (Office) did not maintain adequate controls over State vehicle use.

During the current examination, our testing indicated the Office implemented controls to maintain compliance with State vehicle use requirements. (Finding Code No. 2019-005, 2017-003, 2015-002)