

Letters to the Editor: June 26

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Comptroller Dan Hynes and his office are not defendants in the lawsuit brought by funeral directors against the Illinois Funeral Directors' Association. There are more than 40 defendants in that lawsuit, but Hynes and his office are not among them. A recent State Journal-Register article and follow-up editorial left a different impression.

The problems with the trust and the resulting lawsuit center on insurance policies the IFDA acquired in an investment scheme during the 1980s and 1990s, before Dan Hynes was comptroller.

The IFDA overstated the actual value of the trust and those insurance policies. The IFDA promised, credited and paid out higher than market interest rates to funeral directors who placed consumer funds with the IFDA trust. The IFDA, as an incentive for participating in its insurance investment scheme, gave 100 or so funeral directors \$25,000 life insurance policies at no cost to those directors.

The IFDA took nearly \$10 million more in fees from the trust than the law entitled it. The IFDA provided annual reports and supporting documentation that did not indicate any financial problems with the trust. Those reports — as well as reports to its members — were fiction.

In 2005, a comptroller's audit uncovered IFDA wrongdoing. The comptroller's office is using its regulatory powers to force the IFDA to repay the nearly \$10 million in question. Because of the comptroller's actions, other state and federal authorities also have begun regulatory actions.

Contrary to published reports, the comptroller's office did not know about the deficits until 2005. In the years prior, the IFDA deliberately submitted annual reports that falsely represented the trust's status. IFDA board members knew about the financial problems, and they covered them up to regulators and apparently also to many of the IFDA's members.

Some funeral home directors who are upset about their association's fiscal shenanigans have tried to blame the comptroller. That blame is misplaced. The comptroller's office protected consumer monies and individual funeral homes by avoiding panic and a run on the trust while transitioning the trust to proper regulation.

Although it may be difficult for some IFDA members to accept the fact that the IFDA made bad investments and overstated the trust's value, a run on the trust would have resulted in more disastrous outcomes. It should be noted that these same funeral homes were benefiting financially from this scheme until it was uncovered and stopped by the comptroller.

The comptroller's office takes its responsibilities seriously. From 2001-03, an examination of two national conglomerates by the comptroller resulted in the return of more than \$2 million to consumers.

But there seems to be an ongoing misunderstanding regarding the comptroller's regulatory authority. The comptroller's office issues licenses to entities that sell prearranged funeral goods and services. **The IFDA was not a seller.**

The comptroller audits those entities — funeral homes and cemeteries — to ensure the money collected from consumers is entrusted. It does not audit the banks, insurance companies, trusts or other entities — **such as the IFDA** — where those consumer funds are entrusted. Those responsibilities are placed with other regulatory agencies.

As a regulator, Hynes goes out of his way to avoid conflicts of interest. He does not accept campaign contributions from cemeteries and funeral homes. Nor has he ever accepted contributions from the IFDA. The same cannot be said of others who have criticized his efforts.

The comptroller will continue to protect consumer interests. Legislation that imposes greater fiduciary responsibilities and better protections for consumers to avoid these trust issues has been approved by the legislature and is awaiting the governor's signature. The comptroller's office is continuing its enforcement actions and aiding other investigations and regulatory actions.

Make no mistake, the damage to the IFDA trust was done by the deliberate actions of those who managed it long before Dan Hynes ever became comptroller. To imply that the illegal actions by the IFDA and others are somehow the fault of Dan Hynes and his administration is unfair and flat-out wrong.

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Clout skews everything in relation to 'performance'

I am writing in response to comments made by former state Rep. Bill Edley in an article on potential state firings in Friday's State Journal-Register.

Edley says he and others like him "should be judged on how we perform." But he misses the point about how he got his job, which now pays \$112,716 annually. It's clout that gets these guys their fat jobs.