

SPRINGFIELD OFFICE:  
ILES PARK PLAZA  
740 EAST ASH · 62703-3154  
PHONE: 217/782-6046  
FAX: 217/785-8222  
TDD: 217/524-4646



CHICAGO OFFICE:  
STATE OF ILLINOIS CENTER · SUITE 4-100  
100 WEST RANDOLPH STREET · 60601  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

5-94-53600-10

**REPORT DIGEST**

**ILLINOIS LIQUOR CONTROL COMMISSION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1994**

**SYNOPSIS**

- The Commission's internal controls over the use of license certificates are inadequate. This condition has existed since 1992.
- The Commission processed 327 vouchers ranging from \$1.49 to \$49.84 through the State disbursement system. These small transactions under \$50 would be more efficiently handled through a petty cash fund. This condition has existed since 1990.

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

INTERNET ADDRESS: [AUDITOR.GENERAL@ACCESSIL.COM](mailto:AUDITOR.GENERAL@ACCESSIL.COM)

RECYCLED PAPER · SOYBEAN INKS

**ILLINOIS LIQUOR CONTROL COMMISSION**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1994**

EXPENDITURE STATISTICS	FY 1994	FY 1993	FY 1992
• <b>Total Expenditures (All Funds)</b> . . . . .	\$2,553,080	\$1,748,050	\$1,575,750
<u>Operations Total</u> . . . . .	\$2,553,080	\$1,748,050	\$1,575,750
% of Total Expenditures . . . . .	100%	100%	100%
Personal Services . . . . .	\$1,247,676	\$1,099,756	\$1,020,639
% of Operations Expenditures . . . . .	49%	63%	65%
Average No. of Employees . . . . .	48	38	36
Other Payroll Costs (FICA, Retirement) . . . . .	\$ 369,249	\$ 343,002	\$ 188,727
% of Operations Expenditures . . . . .	14%	20%	12%
Contractual Services . . . . .	\$ 161,905	\$ 105,980	\$ 42,864
% of Operations Expenditures . . . . .	6%	6%	3%
Enforcement Enhancement Initiative . . . . .	\$ 229,216	-0-	-0-
% of Operations Expenditures . . . . .	9%	0%	0%
Retailer Education Program . . . . .	\$ 192,253	-0-	-0-
% of Operations Expenditures . . . . .	8%	0%	0%
Tobacco Study . . . . .	\$ 149,915	-0-	-0-
% of Operations Expenditures . . . . .	6%	0%	0%
All Other Operations Items . . . . .	\$ 202,866	\$ 199,312	\$ 323,520
% of Operations Expenditures . . . . .	8%	11%	20%
• <b>Cost of Property and Equipment</b> . . . . .	\$ 449,316	\$ 292,917	\$ 270,452

SELECTED ACTIVITY MEASURES	FY 1994	FY 1993	FY 1992
• License Receipts . . . . .	\$3,946,872	\$2,914,731	\$2,902,398
• Number of Licenses Issued . . . . .	26,989	23,753	23,999
• Investigations/Inspections Performed . . . . .	17,048	16,106	17,598
• Citations . . . . .	6,973	2,180	951

AGENCY DIRECTOR(S)
During Audit Period: John M. Dorgan Currently: Arabel Alva Rosales

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### INADEQUATE CONTROL OVER LICENSE CERTIFICATES

The Commission did not record the new liquor licenses issued on a daily basis and the control numbers used did not have the license number indicated. Also, forms were voided and could not be validated because they were shredded. There was no reconciliation of the number of forms used and the number of licenses issued and amount of fees collected. Without proper controls, prompt identification of unauthorized use of license forms is difficult. **This finding has been repeated since 1992.** We continue to recommend that the Commission maintain adequate internal controls by updating the tracking log daily and preparing a reconciliation between the number of forms used and the number of licenses issued, voided or duplicated as well as the amount of cash receipts. Also, voided forms should be maintained for accountability. (Finding 1, page 10) For previous agency responses see Digest Footnote 1.

Commission officials accepted our recommendation and stated that they will immediately modify procedures to ensure the tracking log of license certificates is updated on a daily basis and reconciled against deposit records. In addition, all voided or damaged certificates will be maintained for recordkeeping purposes.

### NUMEROUS SMALL VOUCHERS WERE PROCESSED THROUGH THE STATE DISBURSEMENT SYSTEM

During the audit period, 327 vouchers in amounts ranging from \$1.49 to \$49.84 totaling \$7,697 were processed through the State disbursement system instead of using the petty cash fund. **This finding has been repeated since 1990.** We continue to recommend that the Commission establish and utilize a petty cash fund to reimburse expenditures of less than \$50.00. (Finding 2, page 12) For previous agency responses see Digest Footnote 2.

Commission officials accepted our recommendation and stated they are in the process of establishing a new petty cash fund to reduce the number of vouchers under \$50.00 which must be sent through the Comptroller's Office.

### OTHER FINDINGS

The remaining findings were less significant and have been given appropriate attention by the Commission. We will review the adequacy of corrective actions during our next audit.

### AUDITORS' OPINION

Our auditors state that the June 30, 1994 and 1993 financial statements of the Dram Shop Fund (821) are fairly presented.



\_\_\_\_\_  
WILLIAM G. HOLLAND, Auditor General

WGH:ROQ

May 4, 1995

## SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	4	6
Repeat Audit Findings	2	1
Recommendations Implemented or Not Repeated	4	6

## SPECIAL ASSISTANT AUDITORS

Our special assistant auditor was Gila J. Bronner, C.P.A.

## DIGEST FOOTNOTES

### #1: INADEQUATE CONTROL OVER LICENSE CERTIFICATES - Previous Agency Responses

1992: "The Commission has placed a printing order with the Department of Central Management Services to produce license certificates imprinted with paper control numbers. These new license certificates will be delivered to the Commission on or before March 8, 1993. In addition to this, the Executive Director has reorganized the Licensing Division to insure that adequate supervision is maintained over operations in both the Chicago and Springfield offices. The Supervisor of the Licensing Division will be charged with the responsibility of developing written procedures and controls over all aspects of the licensing operation. This effort will include the development of a computer-based inventory control system that will reconcile licenses issued, licenses destroyed, licenses canceled or revoked to a central registry of paper control numbers. This system will also match records with the license-generating database (the SALOON System) to insure that there is a paper control number for each license that is issued. The licensing Supervisor will be required to reconcile records at the close of each business day to guard against loss or improper use of license certificates."

### #2: NUMEROUS SMALL VOUCHERS WERE PROCESSED THROUGH THE STATE DISBURSEMENT SYSTEM - Previous Agency Responses

1992: "The Commission has just received authorization from the Treasurer's Office to open an imprest petty cash checking account at the La Salle National Bank in Chicago. This will eliminate all of the problems incurred by vouchering bills under \$50. The new petty cash fund checking account will replace the two cash funds that now exist at the Commission. All cash balances will be deposited into this single fund, the authority for the existing petty cash accounts will be rescinded, and the new petty cash checking account will have dual signatory requirements. Procedures will be written to prevent the vouchering of payments for items under \$50."

1990: "The petty cash fund utilized by the Liquor Commission has been utilized for cash payouts, all that could be expected from a small \$100 fund. It was the Commission that pointed out to the auditors that a larger fund in conjunction with a checking account would be most helpful and cost effective. The Commission will investigate this avenue for future savings."