

# REPORT DIGEST

## DEPARTMENT OF FINANCIAL INSTITUTIONS

### FINANCIAL AND COMPLIANCE AUDIT For the Two Years Ended: June 30, 1996

#### Summary of Findings:

Total this audit	13
Total last audit	20
Repeated from last audit	5

Release Date:



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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### SYNOPSIS

- ◆ The Department improperly reimbursed an employee \$8,738 and \$9,652 during fiscal years 1995 and 1996 for commuting mileage.
- ◆ The Department did not comply with the provisions of the Fiscal Control and Internal Auditing Act.
- ◆ The Department did not consistently enforce the provisions of the Transmitters of Money Act.
- ◆ The Department did not submit accurate fixed asset reports to the Comptroller's Office.
- ◆ The Department did not maintain adequate controls over unclaimed property.

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

**DEPARTMENT OF FINANCIAL INSTITUTIONS**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1996**

EXPENDITURE STATISTICS	FY 1996	FY 1995	FY 1994
<b>! Total Expenditures (All Funds).....</b>	<b>\$11,910,019</b>	<b>\$11,813,683</b>	<b>\$11,183,892</b>
<b>OPERATIONS TOTAL.....</b>	<b>\$11,910,019</b>	<b>\$11,813,683</b>	<b>\$11,183,892</b>
% of <b>Total</b> Expenditures.....	100%	100%	100%
Personal Services.....	\$5,741,124	\$5,446,846	\$5,050,777
% of Operations Expenditures.....	48.2%	46.1%	45.2%
Average No. of Employees.....	153	153	148
Other Payroll Costs (FICA, Retirement).....	\$1,562,590	\$1,529,320	\$1,413,336
% of Operations Expenditures.....	13.1%	13.0%	12.6%
Contractual Services.....	\$2,583,470	\$2,349,877	\$2,286,206
% of Operations Expenditures.....	21.7%	19.8%	20.4%
Electronic Data Processing.....	\$732,423	\$1,000,241	\$996,921
% of Operations Expenditures.....	6.2%	8.5%	8.9%
Expenses to Process Additional Claims....	\$643,841	\$861,009	\$903,067
% of Operations Expenditures.....	5.4%	7.3%	8.1%
All Other Operations Items.....	\$646,571	\$626,390	\$533,585
% of Operations Expenditures.....	5.4%	5.3%	4.8%
<b>! Cost of Property and Equipment.....</b>	<b>\$1,695,121</b>	<b>\$1,703,342</b>	<b>\$1,627,906</b>

SELECTED ACTIVITY MEASURES(unaudited)	FY 1996	FY 1995	FY 1994
<b>! CONSUMER CREDIT DIVISION</b>			
Number of licenses.....	1,025	923	844
Number of exams performed.....	1,069	941	799
<b>! CURRENCY EXCHANGE DIVISION</b>			
Number of licenses.....	706	707	708
Number of exams performed.....	800	724	713
<b>! CREDIT UNION DIVISION</b>			
Number of state chartered credit unions.....	514	535	551
Number of exams performed.....	528	559	590
<b>! UNCLAIMED PROPERTY DIVISION</b>			
Number of inquiries processed.....	61,704	37,329	49,216
Number of claims paid.....	20,252	16,705	15,248
Number of exams performed.....	148	173	197

AGENCY DIRECTOR(S)
During Audit Period: Mr. Frank Casillas Currently: Mr. Frank Casillas

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**EMPLOYEE REIMBURSED FOR COMMUTING  
MILAGE**

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**The Department improperly designated an employee's headquarters as his residence on the TA-2 Headquarters Report**

During our testing of staff travel we noted one employee had received reimbursement for mileage expenses for the employee's commute from his residence to the Springfield office. The Department reimbursed the employee's mileage because it had improperly designated the employee's residence as his headquarters on the TA-2 Headquarters Report.

According to Illinois Travel Regulation Council (Subpart A, Section 3000.140), "headquarters" is defined as "The post or duty station at which official duties require the employee to spend the largest part of working time." During fiscal year 1995 the employee worked 215 out of 246 (87%) days at the Springfield office, and worked there 212 out of 234 (91%) days during fiscal year 1996. The Department reimbursed the employee for commuting mileage expense of \$8,738 (31,650 miles) during fiscal year 1995 and \$9,652 (32,175 miles) during fiscal year 1996.

We recommended the Department designate an employee's headquarters in compliance with Illinois Travel Regulation Council rules. (Finding 1, page 11)

The Department agreed with the finding and stated it will comply with Illinois Travel Regulation council rules. The Department indicated the semi-annual TA-2 reports will be prepared based upon reviews conducted with division supervisors and it will monitor travel vouchers submitted by employees.

**FISCAL CONTROL AND INTERNAL AUDITING ACT**

The Department did not comply with the Fiscal Control and Internal Auditing Act. We noted the following:

- ◆ Audits of all 13 major systems of accounting and administrative control were not conducted.
- ◆ Formal reviews of the design of major modifications to

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**None of the 13 major systems were reviewed**

the electronic data processing system were not performed.

- ◆ The required annual internal audit plan was prepared but was not approved by the Director. In addition, the required written report of the internal auditing results was not prepared.

We recommended the Department comply with the FCIAA requirements. (Finding 2, page 12)

The Department agreed with the finding and responded it had hired a new Internal Auditor and established an Audit Committee to work with the Internal Auditor to ensure compliance with FCIAA requirements.

### **INCONSISTENT ENFORCEMENT OF THE TRANSMITTERS OF MONEY ACT**

The Department did not enforce penalties for the late submittal of renewal applications and financial statements as required by the Transmitters of Money Act. This Act regulates persons in the State who are engaged in the business of selling or issuing payment instruments, transmitting money, or exchanging for compensation payment instruments or money of the United States government or of a foreign government.

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**Department did not enforce penalties for the late submittal of renewal applications and financial statements**

In our testing of 30 licensee files we found the following:

- ◆ Three instances where the Department received renewal applications after the December 1 deadline with no documentation to show the Department fined the applicant or granted an extension. The Department could have assessed penalties of \$230 for late filing.
- ◆ One instance where the Department received a renewal application beyond the allowed date of acceptance. The Department approved the renewal although the Act requires late applicants to apply for a new license.
- ◆ Three licensees submitted financial statements after the April 30 deadline. However, we found no evidence the Department assessed a penalty or granted an extension to the licensees. Penalties of \$680 could have been assessed.

- ◆ Two instances where licensees paid \$130 in penalty fees for late submittal of financial statements; however, the Department later returned the payments explaining to the licensees that a determination had not been made on whether a penalty fee was warranted.
- ◆ One licensee submitted the audited financial statements of its parent company but did not submit financial statements of a subsidiary as required by the Act.
- ◆ One licensee submitted 1993 financial statements instead of the required 1994 financial statements.

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**Department developed an internal policy not to levy penalties for late submittal of applications and financial statements**

Department officials stated the Department had developed an internal policy not to levy penalties for the first year the Act became effective due to the short time between the January 1, 1995 enactment and April 30 deadlines for financial statements.

We recommended the Department consistently enforce the provisions of the Transmitters of Money Act by assessing and collecting fees for renewal applications and financial statements submitted after statutory deadlines. (Finding 5, page 18)

The Department agreed with the recommendation.

### **INACCURATE FIXED ASSET REPORTING**

The Department did not submit accurate fixed asset reports to the Comptroller's Office. We noted the following reporting deficiencies:

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**Ending balances on fixed asset reports were overstated \$41,952 and understated \$16,498 for fiscal years 1996 and 1995 respectively**

- ◆ The ending balance on the fixed asset report was overstated \$41,952 at June 30, 1996 and understated by \$16,498 at June 30, 1995.
- ◆ Fiscal year 1996 and 1995 Quarterly Fixed Asset reports were completed based on equipment expenditures instead of information from the Department's property records.

CUSAS procedure 29.20.10 requires that an agency's quarterly fixed asset report reflect the information reported in the agency's records as of the reporting date. The State Property Control Act (30 ILCS 605/4) requires each agency

head to be accountable for property items under his jurisdiction and control through the maintenance of property records.

We recommended the Department submit fixed asset reports in accordance with the procedures outlined in CUSAS. (Finding 7, page 22) **This finding has been repeated since 1992.** For previous Department responses see digest footnote number 1.

The Department agreed to the finding and indicated they had purchased a new fixed asset tracking system which will generate the information necessary to comply with CUSAS. In addition, the Department stated procedures will be implemented to ensure the fixed asset reports are completed accurately.

### **CONTROLS OVER UNCLAIMED PROPERTY**

Controls over unclaimed property maintained on the Department's premises were not adequate. We noted the following:

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**Department did not have adequate control over access to unclaimed property**

- ◆ The Department did not have adequate control over access to unclaimed property maintained in the “outer area” of the vault. The vault consists of an inner area and an outer area, both are locked. Unclaimed property in the outer area is stored in boxes, property in the inner area is stored in locked cabinets.
  
- ◆ An inventory of unclaimed property items stored in the vault was not performed by an independent person. An inventory was performed by an employee who had access to the locked vault.

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**Inventory of unclaimed property items stored in the vault was not performed by an independent person**

We recommended the Department strengthen its controls over unclaimed property and provide dual controls for the safekeeping of assets. In addition, we recommended that an inventory of unclaimed property held in the vault be performed on a regular basis by an independent person. (Finding 9, page 24) **This finding has been repeated since 1992.** For previous Department responses see report digest footnote number 2.

The Department agreed with the finding and indicated

it has taken steps to establish dual control over tangible unclaimed property. In addition, the Internal Auditor will take an inventory of the vault on an annual basis.

### **OTHER FINDINGS**

The remaining findings were less significant and corrective action is in progress. We will review the Department's progress toward implementing our recommendations during our next audit.

Ms. Tina Neely, Internal Auditor and Mr. Ron Letterly, MIS Manager provided the Department's responses to our findings and recommendations.

### **AUDITORS' OPINION**

Our auditors have stated the Department's financial statements for its nonshared and locally held funds as of and for the years ended June 30, 1996 and 1995 are fairly stated in all material respects.

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WILLIAM G. HOLLAND, Auditor General

WGH:RPU:pp

### **SPECIAL ASSISTANT AUDITORS**

Geo. S. Olive & Co. LLC were our special assistant auditors for this audit.

#### DIGEST FOOTNOTE

##### #1 INNACCURATE FIXED ASSET REPORTING - Previous Department Responses.

1992: "We concur with the recommendation. The quarterly fixed asset reports are corrected as of the current quarter."

1994 : "The Department is currently developing a new data base for tracking equipment items. Equipment inventory procedures are currently under review, and changes will be made to ensure the accuracy of the equipment inventory balance. The quarterly fixed asset report for 12/31/94 reflects the Department's inventory records."

##### #2 CONTROLS OVER UNCLAIMED PROPERTY - Previous Department Responses.

1992: "The Department feels sound fiscal control procedures exist with the general

handling of vault items. Limitations of available staff prohibits an even further segregation of duties. A new automated system has been developed and is being implemented in the Safe Deposit Box Unit. This system provides a detailed tracking mechanism of all items in the vault, their removal for sale, and the return for safekeeping of items not sold. All property is now always stored in the locked cabinets.”

1994: “A large increase in volume of property taken in during the audit period resulted in the Department running out of storage space in the locked cabinets within the inner vault area. Some of the property was stored in the outer vault area which does have an alarm lock on the door and is not part of the general access area of the office. The Department has taken bids for remodeling construction work on the vault area which will allow for an increase in the amount of limited access storage area subject to dual control.” (Response continues with explanations concerning modifying its EDP system and correcting safe deposit inventory system records.)

