STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

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

Sikich LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

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DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

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STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

AGENCY OFFICIALS

Secretary:	
September 2005 to present	Mr. Dean Martinez
Chief of Staff:	
December 2005 to January 2008	Mr. Andrew Fox
Chief Fiscal Officer:	
June 2006 to April 2007	Mr. Tony Goldstein (acting)
April 2007 to present	Mr. Tony Goldstein
Chief Legal Counsel:	
June 2006 to August 2007	Ms. Gina DeCiani
August 2007 to November 2007	Mr. Scott Seder (acting)
November 2007 to March 2008	Mr. Scott Seder
March 2008 to present	Mr. Kevin Connor
Director of Human Resources:	
July 2004 to November 2007	Mr. Richard Foxman
Director of Administrative Services:	
September 2005 to present	Mr. James Marron
Director of Information Technology:	
July 2004 to February 2007	Mr. Dom Greco (acting)
February 2007 to present	Mr. Dom Greco
Director of Legislative Affairs:	
December 2005 to December 2006	Ms. Heather Wright
March 2007 to present	Ms. Melissa Hansen
Director of the Division of Professional Regulation:	
July 2004 to present	Mr. Dan Bluthardt
Director of the Division of Financial Institutions:	
November 2005 to August 2007	Ms. Gina DeCiani (acting)
August 2007 to February 2008	Mr. Brent Adams (acting)
February 2008 to present	Mr. Robert Meza

Director of the Division of Insurance:

April 2005 to present	Mr. Michael McRaith

Director of the Division of Banking:

July 2004 to January 2007	Mr. D. Lorenzo Padron
January 2007 to May 2007	Mr. Andrew Fox (acting)
May 2007 to present	Mr. Jorge Solis

Agency offices are located at:

320 West Washington Street
3rd Floor
Springfield, IL 62786

James R. Thompson Center
100 West Randolph, 9th Floor
Chicago, IL 60601

500 East Monroe Street
Springfield, IL 62701

122 South Michigan Avenue, 19th Floor
Chicago, IL 60604

Illinois Department of Financial and Professional Regulation

Office of the Secretary

ROD R. BLAGOJEVICH
Governor

DEAN MARTINEZ
Secretary

May 13, 2008

MANAGEMENT ASSERTION LETTER

Sikich LLP
Certified Public Accountants & Advisors
1000 Churchill Road
Springfield, IL 62702

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 Agency. 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 Agency's compliance with the following assertions during the year ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Agency has materially complied with the assertions below.

A. The agency 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 agency 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 agency 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 agency 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 agency on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Department of Financial and Professional Regulation

Dean Martinez

Dean Martinez, Secretary

Tony Goldstein, Chief Fiscal Officer

Kevin Connor, General Counsel

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

COMPLIANCE REPORT

SUMMARY

Effective July 1, 2004, Executive Order Number 6 (2004) abolished the Department of Professional Regulation (DPR), Department of Insurance (DOI), Department of Financial Institutions (DFI) and Office of Banks and Real Estate (BRE) and transferred all the rights, powers and duties vested in these Agencies to the newly created Department of Financial and Professional Regulation.

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

Number of	Compliance Report	Prior Compliance Report
Findings	18	29
Repeated findings	18	22
Prior recommendations implemented or not repeated	11	12

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description
07-1	15	Division of Professional Regulation enforcement activities not performed timely and/or not sufficiently documented
07-2	19	Deficiencies identified in controls over interagency agreements

Item No.	Page	Description
07-3	21	Failure to reconcile Department receipt records to the Illinois Office of the Comptroller records in a timely manner
07-4	23	Failure to reconcile Department expenditure and fund records to the Illinois Office of the Comptroller records in a timely manner
07-5	25	Deficiencies identified with the CLEAR computer system
07-6	27	Time sheets not maintained for union employees in compliance with the State Officials and Employees Ethics Act
07-7	28	Employee performance evaluations not performed on a timely basis
07-8	29	Failure to enforce travel rules
07-9	31	Inaccurate property control records
07-10	33	Controls over telecommunication services and expenditures
07-11	35	Controls over vehicle reporting and operation of automotive equipment expenditures
07-12	37	Department Boards not fully staffed
07-13	44	Failure to ensure receipt of annual statements from viatical settlement providers
07-14	45	Untimely approval or denial of life, accident, and/or health insurance policy forms
07-15	46	Residential mortgage license examinations not conducted in accordance with statutory requirements
07-16	48	Failure to establish a Savings Bank Examiner Training Foundation
07-17	49	Noncompliance with Residential Mortgage License Act of 1987
07-18	51	Recommendations presented in the Management Audit of Group Workers' Compensation Self-Insured Pools not implemented

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

Item No.	Page	Description
07-19	53	Administrative processes not fully consolidated
07-20	53	Inadequate controls over the Division of Financial Institution's Consumer Credit Section
07-21	53	Currency exchange licensees not submitting annual reports in a timely manner
07-22	54	Untimely refunds issued to insurance companies for overpayment of annual privilege tax
07-23	54	Inadequate internal and administrative controls over locally held funds
07-24	54	Voucher processing, approval and payment
07-25	54	Certification of license and automotive liability coverage
07-26	55	Lack of an adequate disaster contingency plan for computer systems
07-27	55	Formal written summary reports not provided to health care facilities
07-28	55	Failure to comply with the Home Medical Equipment and Services Provider License Act
07-29	55	Failure to enforce ethics continuing professional education requirements for certified public accountants

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Department personnel at an exit conference on April 25, 2008. Attending were:

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

Dean Martinez	Secretary
Tony Goldstein	Chief Fiscal Officer
Jane Bachman	Audit Liaison
Kevin Connor	Chief Legal Counsel
Robert Wagner	Counsel, Division of Insurance
Jeanine Hamm	Assistant Human Resources Director, H & R Shared Services
James Marron	Director of Administrative Services
Dom Greco	Director of Information Technology
Dan Bluthardt	Director of the Division of Professional Regulation
Robert Meza	Director of the Division of Financial Institutions
Jack Messmore	Chief Deputy Director, Division of Insurance
Michael Hessler	Deputy Director, Division of Insurance
Jorge Solis	Director of the Division of Banking

OFFICE OF THE AUDITOR GENERAL

Teresa Davis	Audit Manager

SIKICH LLP

Nick Appelbaum	Partner
Leslie Ruyle	Manager
Sarah Sullivan	Senior Accountant

Responses to the recommendations were provided by Dean Martinez, Secretary, in letters dated May 5, 2008 and May 12, 2008.

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INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Financial and Professional Regulation's 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 year ended June 30, 2007. The management of the State of Illinois, Department of Financial and Professional Regulation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Department of Financial and Professional Regulation's compliance based on our examination.

A. The State of Illinois, Department of Financial and Professional Regulation 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 State of Illinois, Department of Financial and Professional Regulation 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 State of Illinois, Department of Financial and Professional Regulation 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 State of Illinois, Department of Financial and Professional Regulation 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 State of Illinois, Department of Financial and Professional Regulation on behalf of the State or held in trust by the State of Illinois, Department of Financial and Professional Regulation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination 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; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Department of Financial and Professional Regulation's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Department of Financial and Professional Regulation's compliance with specified requirements.

As described in finding 07-1 in the accompanying schedule of State findings, the State of Illinois, Department of Financial and Professional Regulation did not comply with requirements regarding:

C. The State of Illinois, Department of Financial and Professional Regulation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Department of Financial and Professional Regulation to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the State of Illinois, Department of Financial and Professional Regulation complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2007. However, the results of our procedures disclosed other instances of noncompliance, 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 State findings as findings 07-2 through 07-4, and 07-6 through 07-18.

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

Internal Control

The management of the State of Illinois, Department of Financial and Professional Regulation 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 State of Illinois, Department of Financial and Professional Regulation's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures 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 State of Illinois, Department of Financial and Professional Regulation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Financial and Professional Regulation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of State findings as items 07-1 through 07-11, 07-14, 07-15, and 07-17 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of State findings, we consider items 07-1 and 07-3 through 07-5 to be material weaknesses.

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

The State of Illinois, Department of Financial and Professional Regulation's response to the findings identified in our examination are described in the accompanying schedule of State findings. We did not examine the State of Illinois, Department of Financial and Professional Regulation's response and, accordingly, we express no opinion on it.

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 as listed in the table of contents as Supplementary Information for State Compliance Purposes 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 2007 Supplementary Information for State Compliance purposes, except for information on Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2006 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
May 13, 2008

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the Security Deposit Fund – 1109 of the State of Illinois, Department of Financial and Professional Regulation, as of June 30, 2007, and have issued our report thereon dated May 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Department of Financial and Professional Regulation's internal control over financial reporting of the Security Deposit Fund – 1109 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Department of Financial and Professional Regulation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Department of Financial and Professional Regulation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Department of Financial and Professional Regulation's Security Deposit Fund – 1109 financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
May 13, 2008

07-1 **<u>FINDING</u>:** (Division of Professional Regulation enforcement activities not performed timely and/or not sufficiently documented)

The Department's Division of Professional Regulation's Enforcement Unit did not perform and/or document enforcement activities in a timely or sufficient manner.

The Department has established and implemented guidelines and time frames for significant investigation, prosecution, and probation/compliance activities of the Enforcement Unit. Since the Department did implement guidelines to ensure that the investigation and prosecution activity is initiated and completed within reasonable time parameters, we used their guidelines and time frames as the criteria for our tests.

We reviewed 33 investigation files and noted the following deficiencies:

- In 5 out of 33 (15%) case files reviewed, the Investigative Reports were not generated within 30 days of the investigative activity. The completion of the investigative reports ranged from 37 to 167 days late.

- In 2 out of 33 (6%) case files reviewed, the Chief of Investigations did not review the initial claim and delegate the case to an investigator or supervisor within 10 business days of receipt. The completion of the Chief of Investigations' review ranged from 41 to 50 days late.

- In 2 out of 33 (6%) case files reviewed, we noted that the Investigator did not interview the complaining witness within 30 calendar days from the date assigned to the case. For both of the cases, the interviews were 70 and 142 days late.

- In 2 out of 33 (6%) case files reviewed, the Regulatory Administration and Enforcement System (RAES) printout report was not maintained in the file.

- In 1 out of 33 (3%) case files reviewed, an Investigative Summary Report was not included in the file.

- In 1 out of 33 (3%) case files reviewed, an Investigative Report was not included in the file.

- In 1 out of 33 (3%) case files reviewed, no acknowledgement letter was sent to the complainant witness.

- In 1 out of 33 (3%) case files reviewed, the Chief of Investigations did not receive the initial claim from the Complaint Intake Unit (CIU) within 10 business days of the receipt of the complaint.

- In 1 out of 33 (3%) case files reviewed, significant investigative activities, including investigator case assignment, acknowledgement to complainant, and determination of license status, had not been completed within 90 days of receiving the complaint.

- In 1 out of 33 (3%) case files reviewed, we noted the Investigative Report in the case files was not signed by the Director.

We reviewed 35 prosecution files and noted the following deficiencies:

- In 3 out of 35 (9%) case files reviewed, the acknowledgement letter sent to the complainant was not maintained in the case file. Therefore, we were unable to determine if one was completed or filed within 30 days of initial receipt.

- In 2 out of 35 (6%) case files reviewed, we noted the Consent Order in the case file was not signed by the Director following review by the attorney.

- In 2 out of 35 (6%) case files reviewed, the Notice of Formal Complaint, the Notice of Informal Conference, and the Notice of Disciplinary Hearing were not maintained in the file.

- In 2 out of 35 (6%) case files reviewed, an Investigative Report was not included in the file.

- In 2 out of 35 (6%) case files reviewed, an Investigative Summary Report was not included in the file.

- In 1 out of 35 (3%) case files reviewed, we noted the Investigative Reports were not signed by the Investigative Supervisor.

- In 1 out of 35 (3%) case files reviewed, the required complaint intake documentation was not in the file.

- In 1 out of 35 (3%) case files reviewed, no acknowledgement letter sent to the complainant witness was maintained in the file.

- In 1 out of 35 (3%) case files reviewed, significant required documents, including consent order, Notice of Formal Complaint, Investigative Report, and Investigative Summary Report were not maintained in the file.

We reviewed 7 probation files and noted the following deficiencies:

- In 4 out of 7 (57%) case files reviewed, the Chief of Probation Investigations did not review the file and assign the case to a probation investigator within 10 days of the Consent Order. The completion of the Chief of Probation Investigations' review ranged from 12 to 34 days late.

The activity of investigators and attorneys should be performed within reasonable time frames to allow for the accumulation of competent and sufficient evidence relating to complaints and to provide for timely prosecution of licensees. Furthermore, good internal controls require the Department to enforce its internal policies and procedures and maintain adequate documentation. The State Records Act (5 ILCS 160/8) states in part, "The head of each agency shall cause to be made and preserved records containing adequate and proper documentation of the…decisions…and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities."

The Department's Enforcement Unit outlined several corrective courses during fiscal year 2006. However, implementation of these corrective courses started during the current fiscal year, and were still in process as of the end of fiscal year 2007.

In carrying out the Department's mission to serve, safeguard, and promote the public welfare, the Department has a responsibility to expeditiously discipline licensees who violate the governing regulations to prevent further harm to the public. Continued deficiencies in the enforcement process could place the public at risk to licensees who are not fulfilling their responsibilities. (Finding Code No. 07-1, 06-3, 05-5, DPR 04-12)

RECOMMENDATION:

We recommend the Department comply with the State Records Act and maintain the documentation required within its Enforcement Unit files. Further, we continue to recommend the Department allocate the resources necessary to comply with its internal guidelines for the Enforcement Unit to ensure that case files and the Regulatory Administration and Enforcement System reflect necessary and significant investigative, prosecution, and probation/compliance activities in the Department within its established time frames.

DEPARTMENT RESPONSE:

The Department concurs with the auditor's finding that certain Division of Professional Regulation activities were not performed timely and/or were not appropriately documented. The Department further concurs with the auditor's recommendation that Division of Professional Regulation investigators and prosecutors should perform and document their activities within the timeframes and in the manner set forth in the Department's policy manual.

It is important to note that not all aspects of an investigation or prosecution are within the control of the Division of Professional Regulation. To that end, the Department has, in the exercise of its control of the investigation and prosecution processes, undertaken revision of the Investigation and Probation sections of its Enforcement Policy Manual. The Division is currently in the process of completing similar revisions to the Manual's Prosecution section.

Chiefs of each unit, Investigation, Prosecution and Probation, now conduct monthly reviews of enforcement files using new policy guidelines to ensure accuracy and timeliness.

Additionally, the Department continues to work on development of enhancements to the ILES system to expand data reporting capabilities, assist management in investigator and prosecutor oversight, and create additional features to help investigators and prosecutors complete their work within specified timeframes.

It is believed that these steps have further enhanced the Department's ability to investigate and prosecute violations of the acts and rules.

07-2 FINDING: (Deficiencies identified in controls over interagency agreements)

The Department's controls over interagency agreements were deficient.

During our examination of three interagency agreements (two between the Department and the Governor's Office of Management and Budget and one between the Department and the Department of Healthcare and Family Services), the following deficiencies were noted:

- 3 out of 3 (100%) interagency agreements tested, totaling $106,750, were not signed by all necessary parties before the effective date. The agreements were signed 105-296 days late.

- 2 out of 3 (67%) interagency agreements tested pertaining to legal services, totaling $74,978, did not include supporting documentation detailing the methodology used for determining the percent allocation to be paid by the Department for billing of shared services.

The Department enters into multiple agreements with other State Agencies and other units of government. The purpose of these agreements is to assist the Department in fulfilling its mandated mission. In order to assess whether the agreement is reasonable, appropriate, and sufficiently documents the responsibilities of the appropriate parties, the agreement needs to be approved prior to the effective date, include proper documentation supporting the percent allocation used for billings, and include proper support for payments to vendors. Statewide Accounting Management System (Procedure 15.10.40) requires contracts to be reduced to writing and filed with the Illinois Office of the Comptroller within 15 days of execution.

Department personnel stated the Department was a party to the Agreement and shared in the costs in connection with employment and labor litigation issues relating to the Agency.

Prudent business practices require the approval of agreements prior to the effective date and proper documentation supporting the billing and payment of services. (Finding Code No. 07-2, 06-2)

RECOMMENDATION:

We recommend the Department ensure all interagency agreements are approved by an authorized signer prior to the effective date of the agreement. Further, the Department should require all interagency agreements include methodology supporting the percent allocation and the billing of shared services.

DEPARTMENT RESPONSE:

The Department concurs in the auditor's statement of the results of testing and has modified its process to ensure that all interagency agreements to which it is a party describe the method of allocating the vendor payment obligation. Further, the Department will endeavor to ensure that all interagency agreements to which it is party are approved prior to the effective date.

07-3 **FINDING:** (Failure to reconcile Department receipt records to the Illinois Office of the Comptroller records in a timely manner)

The Department did not perform timely reconciliations of Department receipt records to the Illinois Office of the Comptroller records, as required by the Statewide Accounting Management System (SAMS).

During the engagement period, the Department's receipts totaled $508,122,989. Receipts are collected by the Department through five different cash systems. Our testing of monthly receipt reconciliations of Department records to the Comptroller's Monthly Revenue Report noted the Department failed to perform timely receipt reconciliations for all twelve months of fiscal year 2007 for Division of Professional Regulation funds. All monthly reconciliations were not started until after the end of fiscal year 2007 (July 2007) and not completed until September 2007. Additionally, reconciliations for the months of January through June 2007 for the Division of Banking's Savings and Residential Finance Regulatory Fund (0244) were not started until after the end of fiscal year 2007 (July 2007) and not completed until October 2007.

SAMS (Procedure 25.40.20) requires an Agency to perform a timely monthly reconciliation of receipt account balances and notify the Comptroller's Office of any corrections or unreconcilable differences.

Implementation of one Department-wide receipt reconciliation form would assist the Department with timely and accurate receipt reconciliations. Also, implementation of a centralized cash system would allow for one individual within the Department the responsibility for the monthly receipt reconciliations, instead of four separate individuals performing four separate types of monthly reconciliations at different times.

Department personnel stated the timeliness and accuracy of receipt reconciliations are complicated due to the use of several legacy financial systems and the current implementation process of the Integrated Licensing and Enforcement System (ILES) for the Division of Professional Regulation. The implementation of the ILES has been initiated, but was not completed as of June 2007.

Failure to properly reconcile cash receipts could lead to unresolved differences between Department and Comptroller records and to inaccurate financial reporting. (Finding Code No. 07-3, 06-7, 05-7, DPR 04-5, 03-10, BRE 04-3)

RECOMMENDATION:

We recommend the Department ensure monthly reconciliations are performed in accordance with SAMS procedures to ensure accurate financial reporting.

DEPARTMENT RESPONSE:

Concur. The Department will continue to work to consolidate and standardize the reconciliation process to ensure monthly receipt reconciliations are performed in a timely manner.

07-4 FINDING: (Failure to reconcile Department expenditure and fund records to the Illinois Office of the Comptroller records in a timely manner)

The Department did not perform timely reconciliations of Department expenditure and fund records to the Illinois Office of the Comptroller records, as required by the Statewide Accounting Management System (SAMS).

During our testing of monthly expenditure reconciliations of Department records to the Comptroller's Monthly Appropriation Status Report, we noted the following:

- The Department failed to perform timely expenditure reconciliations of Department records for three separate funds. Expenditures for these funds totaled $33,000,654 during the engagement period. The reconciliations for the months of September 2006 through April 2007 were performed one to seven months late for two funds related to the Division of Professional Regulation. The reconciliations for the months of February 2007 through April 2007 were performed one to three months late for one fund related to the Division of Banking.

  SAMS (Procedure 11.40.20) requires an Agency to perform a monthly reconciliation and notify the Comptroller's Office of any unreconcilable differences.

During our testing of monthly fund reconciliations of Department records to the Comptroller's Cash Report, we noted the following:

- The Department failed to timely perform fund cash reconciliations for all twelve months of fiscal year 2007 for Division of Professional Regulation funds. The reconciliations for July 2006 through June 2007 were performed between June 2007 and October 2007.

- The Department failed to timely perform cash reconciliations for six months of the fiscal year for Division of Banking funds. The reconciliations for the month of January 2007 through June 2007 were performed four months after the fiscal year end.

  SAMS (Procedure 9.40.30) requires an Agency to perform a monthly reconciliation of ending cash balance and notify the Comptroller's Office of any unreconcilable differences.

Department personnel stated the reconciliations were prepared untimely due to loss of staff within the Division of Fiscal and Accounting, the time required to implement a reconciliation process, and the inability to catch up on the back log of activity as a result of the staff shortages.

Failure to properly reconcile expenditure and fund records could lead to unresolved differences between Department and Comptroller records and to inaccurate financial reporting. (Finding Code No. 07-4, 06-08, 05-10)

RECOMMENDATION:

We recommend the Department ensure all monthly expenditure and fund reconciliations are performed in accordance with SAMS procedures to ensure accurate financial reporting.

DEPARTMENT RESPONSE:

Concur. The Department will continue to work to consolidate and standardize the reconciliation process to ensure monthly expenditure reconciliations are performed in a timely manner.

07-5 FINDING: (Deficiencies identified with the CLEAR computer system)

The Department's Division of Banking's (Division) Credentialing Licensing Enforcement and Regulation (CLEAR) system had significant deficiencies.

The CLEAR system was implemented in February 2003. CLEAR is an enterprise-wide computerized licensing, enforcement and regulatory system, which replaced the Division's outdated legacy systems, and processes approximately $40 million in receipts per year. The system was developed by a contractor with a total cost of approximately $1 million.

During our review of the Division, we found the CLEAR system was not meeting the needs of the Division. The following problems with the system were identified:

- Inability to accurately count fees and reconcile to dollar amounts.

- General policies and procedures for revenue processing with the CLEAR system have not been developed to make the CLEAR system more user friendly for Department staff.

The CLEAR system was implemented without the use of system development standards that require adequate testing and security controls to ensure the accuracy and integrity of the system.

Department management stated it is currently working with the contractor responsible for the development of the CLEAR system to develop an additional financial system component that will provide for adequate documentation and to address other deficiencies within the system. Additionally, the Department has moved information related to the Real Estate section maintained on the CLEAR system to the Division of Professional Regulation's new Integrated Licensing and Enforcement System (ILES).

Prudent business practices dictate projects are properly evaluated and approved, thoroughly tested, consistently documented, sufficiently secure and meet the needs of the user. (Finding Code No. 07-5, 06-18, 05-18, BRE 04-2)

RECOMMENDATION:

We recommend the Department's Division of Banking continue to work with the contractor to conclude its evaluation of the CLEAR system and develop a corrective action plan to enhance the system to ensure that it meets the needs of the users.

<u>DEPARTMENT RESPONSE</u>:

Concur. However, the vendor made the required changes available to the Agency on Monday, December 03, 2007. We were attempting to correct the problems that both previous auditors and the Agency had detailed. Much of the testing is now complete and we are working to correct a few minor bugs. The vendor was on site April 28 to May 1, 2008. We will begin implementation on the ILES system on May 2008. Implementation on the CLEAR system will be completed by June 30, 2008.

07-6 FINDING: (Time sheets not maintained for union employees in compliance with the State Officials and Employees Ethics Act)

The Department is not maintaining time sheets for union employees in compliance with the State Officials and Employees Ethics Act (Act).

The Department expended $45,454,049 for payroll and had an average of approximately 601 union employees during fiscal year 2007.

The Act requires the Department to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

The Department's official timekeeping system is the Central Management Services (CMS) payroll system, which tracks time using a "negative" approval, whereby the employee is assumed to be working unless noted otherwise. No time sheets for the CMS system documenting the time spent each day on official State business to the nearest quarter hour were maintained.

The Department has implemented an additional timekeeping system that is primarily used to track time for merit compensation employees. This system does track time employees spend on State business, but is not used for union employees and is not the official timekeeping system for the Department. It is also not reconciled to the official CMS timekeeping system. Department management stated they plan to extend the additional system to the union employees in fiscal year 2008.

By not maintaining appropriate time sheets, the Department is not monitoring union employees' time spent on official state business as required to comply with the Act. (Finding Code No. 07-6, 06-11, 05-12, DPR 04-7, DFI 04-2)

RECOMMENDATION:

We recommend the Department amend its policies to require all employees to maintain time sheets in compliance with the Act.

DEPARTMENT RESPONSE:

The Department concurs that at the time of the audit the Department did not maintain time sheets for union employees. On July 2, 2007, however, the Department implemented the Ethics Timekeeping Work Diary for all employees, so this finding has been corrected.

07-7 **<u>FINDING</u>:** (Employee performance evaluations not performed on a timely basis)

The Department did not conduct employee performance evaluations on a timely basis.

During our testing, we noted that 18 out of 25 (72%) employees sampled did not have a performance evaluation performed on a timely basis. These untimely evaluations were completed between 2 to 169 days late.

The Illinois Administrative Code (80 Ill. Adm. Code 302.270(d)) requires performance records to include an evaluation of employee performance prepared by each agency not less often than annually. In addition, the Illinois Administrative Code (80 Ill. Adm. Code 310.450(c)) requires that evaluations be completed prior to when annual merit increases are awarded.

The Department sends out an initial notification to the supervisor to remind them that evaluations are due, but evaluations continue to be untimely.

Without performance evaluations there is no documented basis for promotion, demotion, discharge, layoff, recall, or reinstatement. (Finding Code No. 07-7, 06-12, 05-13, DPR 04-6, 03-4, 01-4, 99-17, 97-20, 95-17, 93-26, BRE 04-9)

<u>RECOMMENDATION</u>:

We continue to recommend the Department implement controls to ensure evaluations are completed on a timely basis and hold management personnel accountable for completing employee performance evaluations on a timely basis.

<u>DEPARTMENT RESPONSE</u>:

The Department concurs with the auditor's finding that employee performance evaluations are often not performed on a timely basis. The Administrative and Regulatory Shared Services Center, which is responsible for the evaluation process for the Department of Financial and Professional Regulation, Department of Central Management Services, and the Department of Revenue, is developing internal controls to ensure evaluations are prepared on a timely basis. Such controls will help ensure that management is held accountable for the timely completion of employee performance evaluations.

07-8 <u>FINDING</u>: (Failure to enforce travel rules)

The Department did not enforce the travel regulations outlined within the *Travel Guide for State of Illinois Employees* (Travel Guide), codified by the Illinois Administrative Code (80 Ill. Adm. Code 2800), that was developed by the Governor's Travel Control Board.

During our review of travel vouchers, we noted the following exceptions:

- We noted 7 of 7 (100%) out-of-country examiner travel vouchers tested, totaling $50,110 were not approved in advance by the Chairman of the Governor's Travel Control Board. One of the vouchers was for travel to London in order to review the regulation of prescription drugs and the reinspection of certain sites. Travel to London occurred November 13 - 17, 2006, but was not approved by the Chairman of the Governor's Travel Control Board until April 6, 2007.

  There was no approval from the Governor's Travel Control Board for the remaining six out-of-country travel instances. Two vouchers were for travel to London to conduct examinations of a Department regulated bank's international operations. Travel to London occurred October 27 - November 18, 2006 and April 27 – May 13, 2007. Three vouchers were for travel to conduct targeted examinations of additional bank international operations. Travel for this purpose included travel to London and Ireland from October 27 – November 18, 2006, travel to Singapore, Bangalore, and London from January 20 – February 20, 2007, and travel to London from April 27 – May 12, 2007. The final voucher was for travel to Amsterdam relating to banking regulation. Travel to Amsterdam occurred September 8 – 14, 2006.

  The Illinois Administrative Code (80 Ill. Adm. Code 2800.700(b)) requires the Department to obtain approval from the Chairman of the Governor's Travel Control Board 30 days in advance of the departure date.

- We noted 1 of 7 (14%) out-of-country examiner travel vouchers tested did not adequately distinguish the Department's portion of meals incurred. The receipts attached to the voucher included the expenses incurred by the entire party attending the meal and then were divided by the total number of attendees to evenly allocate the expenses among those present. The traveler did not indicate on the receipts the actual charges incurred for each of the meals.

  The Illinois Administrative Code (80 Ill. Adm. Code 2800, Appendix A) indicates that out-of-country travel costs shall be reimbursed at "actual reasonable." The requests for meal reimbursements were not for "actual" charges incurred as they were based on estimates and these charges could not be determined as "reasonable" as the number of attendees at each meal was not evident from the attached receipts.

When an insurance examiner working for the Division of Insurance performs an out-of-state examination of an insurance company, the examiner shall receive reimbursement for travel from the insurance company. The reimbursement rates shall comply with Federal travel guidelines. We tested a sample of 25 out-of-state insurance examination travel vouchers for compliance with travel policies established by the U.S. General Services Administration and noted the following:

- 2 out of 25 (8%) travel vouchers tested failed to follow the federal travel reimbursement guidelines for lodging expenses. These vouchers resulted in an overpayment totaling $142.

- 1 out of 25 (4%) travel vouchers tested contained an overcharge for mileage reimbursement. This voucher included 88 miles overcharge resulting in overpayments totaling $39.

The Illinois Insurance Code (215 ILCS 5/408(3)) requires that all lodging and travel expenses shall be in accordance with applicable travel regulations published by the Department of Central Management Services and approved by the Governor's Travel Control Board, except that out-of-state lodging and travel expenses related to examinations shall be in accordance with travel rates prescribed under paragraph 301-7.2 of the Federal Travel Regulations for reimbursement of subsistence expense incurred during official travel.

Department officials stated that the Travel Control Board approvals for out-of-country travel were not obtained prior to travel due to a key fiscal employee being on leave of absence and the remaining fiscal employees were unaware of the requirement to obtain approvals. They further stated the instances of incorrect voucher completion were due to human error and Department oversight.

Failure to comply with travel rules and regulations could result in excessive or unauthorized travel. (Finding Code No. 07-8, 06-13, 05-14, DPR 04-2)

RECOMMENDATION:

We continue to recommend the Department establish effective controls over travel including adequate approval of travel requests and review of both in-state and out-of-state travel vouchers prior to reimbursement. The Department should have employees reimburse insurance companies for all travel overcharges that are identified.

DEPARTMENT RESPONSE:

Concur. Additional controls have been put in place by the Department to address this finding.

07-9 FINDING: (Inaccurate property control records)

The Department did not maintain complete and accurate property control records.

The Department had property and equipment totaling $13,498,600 at June 30, 2007. We selected a sample of 100 equipment items from 23 Department locations as of June 30, 2007 to test whether the equipment was in the correct location and was properly maintained on the Department's inventory system. As a result of our testing, we noted the following:

- 7 of 100 (7%) items were located at sites other than the location listed on the Department's property control listing.

- 6 of 100 (6%) items were obsolete or unusable, but still maintained on the property control listings.

- 3 of 100 (3%) items totaling $1,209 could not be located by Department personnel.

- 1 of 100 (1%) item value reported on Department's property control listing was overstated by $18,681 based on supporting invoices.

During our review of the *Agency Report of State Property* forms (C-15) submitted to the Illinois Office of the Comptroller for fiscal year 2007, we noted the Department reported incorrect additions and deletions. The C-15 forms understated additions by $147,958 and understated deletions by $14,596. These errors led to inaccurate amounts reported on the Department's *Capital Asset Summary* form (SCO-538) submitted to the Comptroller for GAAP reporting purposes.

The State Property Control Act (30 ILCS 605/4 and 6.02) requires the Department be accountable for the supervision, control and inventory of all property under its jurisdiction and control. In addition, the Statewide Accounting Management System (SAMS) (Procedure 29.10.10) requires agencies to keep detailed records of property supporting amounts provided to the Office of the Comptroller. Furthermore, good internal control procedures require the proper tracking of property and equipment. The Department has procedures to track the movement of equipment throughout the Department, but these procedures were not followed in all cases.

Department management stated that many of the property control issues noted above were a result of errors during the consolidation of legacy agencies' property control systems into one system. Additional errors were due to oversight on the part of the property control supervisor. A revised C-15 form was prepared and submitted to the Office of the Comptroller.

Failure to maintain accurate property control records increases the potential for theft or misappropriation of State assets. In addition, property improperly included on the Department's inventory may result in inaccurate fixed asset reports and misstated financial information. (Finding Code No. 07-9, 06-14)

RECOMMENDATION:

We recommend the Department implement procedures to ensure property control records are accurate, including frequent physical observation and reconciliation to property control records. Also, the Department should delete all obsolete or unusable items and transfer those items to the Department of Central Management Services Surplus Property.

DEPARTMENT RESPONSE:

Concur. However, the Department notes the following:

Bullet Point #3: Two of the three items identified as the basis for the finding: P04220 Chair Red Plastic; and F01170 Dell Desktop, have been located as the result of the ongoing inventory of agency equipment. While the agency strives for precision in all administrative processes, management believes that given the large volume of property utilized and managed, the flaws described ("3 of 100 [3%] items totaling $1,209 could not be located by Department personnel[,]" are not material.

Bullet Point #4: The item identified as the basis for the finding has been transferred to CMS as a surplus item with the correct value.

Reporting of the C-15 (Fixed Assets): The Department has implemented reconciliation procedures in an effort to eliminate inaccuracies in future C-15 reports.

07-10 **<u>FINDING</u>:** (Controls over telecommunication services and expenditures)

The Department did not maintain adequate controls over telecommunication services and expenditures.

The Department expended $893,351 for telecommunications services during fiscal year 2007. During our testing, we noted the following:

- In 13 out of 40 (33%) invoice vouchers for telephone, pager, and cell phone charges tested, the Department did not perform a timely review of the vendor invoice and monitor charges for services and expenditures to ensure unnecessary expenditures were eliminated, proper service was provided and misuse of telecommunications services did not occur. We noted the Department's review of charges for services were six to eleven months after the statement date. The Department paid these invoices prior to receiving approval from the responsible reviewer. In addition, 27 of the 40 (67%) vouchers tested were either not sent out to be reviewed or not returned to the fiscal office if reviewed.

- The Department had not distributed detailed telecommunication billings related to August 2006 through June 2007 to agency supervisors until after the end of the fiscal year.

- During our review of telephone credit card cancellations, we noted the Department failed to submit any *Telephone Credit Card Request* forms to the Department of Central Management Services after employee separation. During our review of separated employees, we noted nine separated employees with telephone credit cards, none of which were cancelled by the Department.

- During our review of pager assignments, we noted 11 of 11 (100%) of pagers were not returned to the Agency upon separation of the employee. Monthly pager service was not canceled for 10 of 11 (91%) of these pagers.

- The Department does not have a formal policy related to the approval and usage of the Department's cellular phones and pagers.

The Department of Central Management Services (DCMS), Division of Telecommunications, "A Guide to Services and Procedures" (November 2003) (Guide), requires each agency to appoint a Telecommunications Coordinator, designated by the Agency's director or executive officer, to interface with DCMS on all telecommunications needs. Specific responsibilities of a telecommunications coordinator are: review all communications requests within the Agency to ensure compliance with DCMS and Agency guidelines; determine user needs and approve requests for service and equipment which are in compliance with established guidelines; coordinate on all projects involving telecommunications services, including submitting completed service request forms; develop a program for monitoring services and expenditures to ensure that unnecessary expenditures are eliminated and a proper level of service is provided; and monitor the use of telecommunications services by the Agency for the specific purposes of identifying the misuse of telecommunications services and any need for instruction and/or training.

Subsequent to Department consolidation, one individual has been temporarily assigned the Telecommunications Coordinator responsibilities in addition to normal duties. The Department has not staffed this position permanently.

According to Department personnel, billings were distributed and approved untimely due to difficulties in determining supervisory responsibility for individual billings. Additionally, pagers and calling cards were not properly canceled due to oversight.

The Department's telephone usage policy provides guidelines for appropriate usage of the State's telephone system. This policy does not include any guidelines for the Department's cellular phones assigned to employees of the Department.

These weaknesses could lead to excessive or unnecessary expenditures for telecommunications services. (Finding Code No. 07-10, 06-15, 05-15, DPR 04-9, 03-8, BRE 04-10)

RECOMMENDATION:

We recommend the Department devote adequate resources and develop a formal policy for the timely review of telecommunications services and expenditures, along with a cell phone and pager usage policy. Further, the Department should appoint a permanent Telecommunications Coordinator to ensure monitoring of charges and services, as well as adherence to DCMS guidelines and Department policies.

DEPARTMENT RESPONSE:

Concur. However, the Department notes that it has taken the following remedial actions to address the points raised:

1st and 2nd Bullet Points: The Department has dedicated additional resources to consolidate billing information, distribute invoices and obtain approval from responsible reviewers in a timely manner.

3rd Bullet Point: All telephone calling cards have been cancelled.

4th Bullet Point: All pager lines identified by the auditor have been terminated.

5th Bullet Point: The Department anticipates implementing an appropriate curative policy in the near future.

07-11 **<u>FINDING</u>:** (Controls over vehicle reporting and operation of automotive equipment expenditures)

The Department did not maintain adequate controls over vehicle reporting and operation of automotive equipment expenditures.

During previous examinations, we noted the Department had not standardized its policies and procedures and relied on various legacy agency vehicle policies and procedures. In its previous response, the Department stated it was in the process of reviewing and approving an extensive policy to address ongoing audit issues.

During the current examination, Department officials stated no extensive vehicle policies and procedures were developed. They stated the Department now relies on the Illinois Administrative Rules promulgated by the Department of Central Management Services (DCMS) (44 Ill. Adm. Code 5040) as its vehicle policies. These rules are general in nature and without additional internal written policies and procedures, little guidance exists for employees on timing and completion of various automotive forms.

We generally followed DCMS rules and existing legacy policies to test controls over vehicle reporting and operation of automotive equipment expenditures.

During our testing of the Department's accident reports filed, vehicle maintenance records, and automotive invoice vouchers processed during the examination period, we noted the following:

- In 1 out of 13 (8%) accident files reviewed, the "Motorist's Report of Illinois Motor Vehicle Accident" form (SR-1) on the Illinois Motorist Report was not submitted by the employee; therefore, we were unable to determine if the form was filed with the Department within two working days, as required by existing Department vehicle policies.

- In 7 out of 13 (54%) accident files reviewed for the examination period, the "Motorist's Report of Illinois Motor Vehicle Accident" form (SR-1) with an Auto Liability Uniform Cover Letter was not filed with DCMS' Risk Management within seven calendar days of the accident, as required by the DCMS' Vehicle Policy. The forms were filed from 3 to 53 days late.

- In 17 out of 65 (26%) automotive invoice vouchers tested, the expenses incurred were not reported on the Monthly Automotive Cost Report for that particular State vehicle.

- In 1 out of 65 (2%) automotive invoice vouchers tested, an automobile description, license plate number, vehicle ID, or any other means to identify the State vehicle used was not given on the supporting documentation.

- In 7 out of 25 (28%) vehicles tested for proper vehicle maintenance, an oil change was not performed once every 5,000 miles, as required by existing Department vehicle policies. We noted the mileage at the time of the oil change ranged from 5,589 to 10,543 miles.

In a response to a prior finding, the Department stated it would ensure future accident files were completed, reviewed and maintained by departmental staff and filed with DCMS and the Illinois Department of Transportation in a timely manner. Current delays in reporting were a result of drivers reporting information to the Vehicle Coordinator in an untimely manner.

Department officials further stated there were several issues contributing to the problems noted including procedures not being followed, a lack of standardized procedures during the examination period, and a need to more efficiently allocate resources.

Department officials were unresponsive when questioned as to why the Department was unable to compel employees to follow existing policies and procedures as noted in the previous five compliance examinations dating back to fiscal year 2003.

Failure to have specific Department policies and procedures may result in misappropriation of assets, misuse of State funds or undue liability to the Department or State for inappropriate use of State vehicles. (Finding Code No. 07-11, 06-16, 05-16, DPR 04-10, 03-9, BRE 04-7)

RECOMMENDATION:

We recommend the Department revise, review and approve a Vehicle Policy to ensure adequate controls over the operation of automotive equipment and expenditures. Further, Department management should communicate the policies to all employees and implement disciplinary actions for noncompliance to ensure that employees comply with Department policies over the operation of automotive equipment and expenditures.

DEPARTMENT RESPONSE:

Concur. The Department continues to work to reduce reporting delays and assure compliance with appropriate maintenance standards.

Bullet Points #1 - #4: The Department has implemented and is enforcing standardized reporting procedures across Divisions.

Bullet Point #5: The Department has also implemented a procedure to provide employees with supplemental notice of required State-owned vehicle maintenance.

07-12 **<u>FINDING</u>:** (Department Boards not fully staffed)

The Secretary of the Department did not appoint the required number of members to the various Boards in order to fill vacancies.

- The Secretary of the Department did not appoint two members to the Social Work Examining and Disciplinary Board in order to fill vacancies. A vacancy existed for one licensed social worker and one licensed clinical social worker since January 2004. The Clinical Social Work and Social Work Practice Act (Act) (225 ILCS 20/6) requires the Secretary appoint a Social Work Examining and Disciplinary Board consisting of 9 persons who shall serve in an advisory capacity to the Secretary. The Board shall be composed of 6 licensed clinical social workers…, two licensed social workers, and one member of the public who is not regulated under this Act or a similar Act and who clearly represents consumer interests.

- The Secretary of the Department did not appoint 5 members to the Board of Nursing in order to fill vacancies. Vacancies existed for one LPN educator, one public member, one APN (CRNA), one LPN, and one APN (CNM). The Nurse Practice Act (Act) (225 ILCS 65/50-65) requires the Secretary to solicit recommendations from nursing organizations and appoint the Board of Nursing which shall consist of 13 members, one of whom shall be a practical nurse; one of whom shall be a practical nurse educator; one of whom shall be a registered professional nurse in practice; one of whom shall be an associate degree nurse educator; one of whom shall be a baccalaureate degree nurse educator; one of whom shall be a nurse who is actively engaged in direct care; one registered professional nurse actively engaged in direct care; one of whom shall be a nursing administrator; 4 of whom shall be advanced practice nurses representing CNS, CNP, CNM, and CRNA practice; and one of whom shall be a public member who is not employed in and has no material interest in any health care field. In addition, the Act requires that the membership terms be for 3 years … No member shall be appointed to more than 2 consecutive terms.

- The Department's Division of Professional Regulation was not in compliance with the provisions of the Pharmacy Practice Act of 1987 (Act) (225 ILCS 85/10) regarding the State Board of Pharmacy. During our testing we noted one of nine (11%) positions (licensed pharmacist) has been vacant since December 2005 and two of nine (22%) positions (licensed pharmacist) were held by individuals with terms that expired April 2004 and April 2007. The Act requires the Governor to appoint members to the State Board of Pharmacy. The Board shall consist of 9 members, 7 of whom shall be licensed pharmacists…in good standing in this State, a graduate of an accredited college of pharmacy or hold a Bachelor of Science degree in Pharmacy and have at least 5 years' practical experience in the practice of pharmacy. There shall be 2 public members, who shall be voting members, who shall not be licensed pharmacists in this State or any other state.

- The Secretary of the Department did not appoint members to the Board of Orthotics, Prosthetics, and Pedorthics (Board). During our testing we noted that four of six (67%) positions were held by individuals with expired terms. We also noted that two of six (33%) positions (public member and consumer) have been vacant since October 2006 and February 2001. The Orthotics, Prosthetics, and Pedorthics Practice Act (Act) (225 ILCS 84/25) requires the Secretary of the Department to appoint 6 voting members to the Board. Three members shall be practicing licensed orthotists, licensed prosthetists, or licensed pedorthists. These members may be licensed in more than one discipline and their appointments must equally represent all 3 disciplines. One member shall be a member of the public who is a consumer of orthotic, prosthetic, or pedorthic professional services. One member shall be a public member who is not licensed under this Act or a consumer of services licensed under this Act. One member shall be a licensed physician.

- The Department's Division of Financial Institutions was not in compliance with the provisions of the Currency Exchange Act (Act) (205 ILCS 405/22.03) regarding the Board of Currency Exchange Advisers. During our testing we noted that seven out of seven (100%) board positions were vacant. We noted that one position has been vacant since January 1997, two positions have been vacant since January 1998, two positions have been vacant since January 1999, and two positions have been vacant since January 2001. Department personnel stated they were unaware of when the Board last met. The Act requires the Governor to appoint 7 members to the Board of Currency Exchange Advisers. The Board is composed of no more than 4 of whom may be members of the same political party, 3 persons who are familiar with and associated in the field of currency exchanges, 2 of whom shall have been actively engaged in the management of currency exchanges for at least 5 years prior to the date of appointment; one person who is a public aid recipient at the time of appointment; and 3 persons who shall represent the public. The Act further requires the Board to have the following duties:

    - To obtain from the Director such reports concerning the supervision and regulation of currency exchanges as they consider desirable.
    - To advise the Governor and the Director on problems concerning currency exchanges.
    - To foster the interest and cooperation of currency exchanges in improvement of their services to the people of the State of Illinois.
    - To advise of the Governor and the Director upon appointments and employment of personnel in connection with the supervision and regulation of currency exchanges.

- The Department's Division of Banking was not in compliance with the provisions of the State Banking Act (Act) (205 ILCS 5/78) regarding the State Banking Board. The Act requires the Governor to appoint members to the State Banking Board of Illinois with the advice and consent of the Senate. The Board should consist of the

Commissioner as its chairman and 16 additional members divided into 3 classes designated as Class A members, Class B members, and Class C members. During our testing we noted the following:

- One of four (25%) Class A positions were vacant. The Act requires that Class A consist of 4 persons, none of whom shall be an officer or director of or owner, whether direct or indirect, of more than 5% of the outstanding capital stock of any bank.

- Nine of ten (90%) Class B positions were vacant. The Act requires that Class B consist of 10 persons who at the time of their respective appointments shall have had not less than 10 years banking experience.

- One of two (50%) Class C positions were vacant. The Act requires that Class C consist of 2 persons who shall be at-large members representing the banking industry generally.

- The Secretary of the Department did not appoint two members, who are Licensed Certified Public Accountants, and one member who is not a licensed member, to the Public Accountant Registration Committee in order to fill vacancies that have existed since November 2006, May 2007 and August 2006, respectively. In addition, one public accountant position was held by an individual whose term expired in January 2003. The Illinois Public Accounting Act (Act) (225 ILCS 450/2.05) requires the Secretary to appoint a Public Accountant Registration Committee consisting of 7 persons, who shall be appointed by and shall serve in an advisory capacity to the Secretary. Six members must be licensed public accountants or Licensed Certified Public Accountants in good standing and must be actively engaged in the practice of public accounting in this State and one member must be a member of the public who is not licensed under this Act or a similar Act of another jurisdiction and who has no connection with the accounting or public accounting profession.

- The Secretary of the Department did not appoint a member to the Massage Licensing Board in order to fill a vacancy. A vacancy existed for one of six (17%) massage therapist member positions since May 2006. The Massage Licensing Act (Act) (225 ILCS 57/35) requires the Secretary to appoint a Massage Licensing Board which shall serve in an advisory capacity to the Secretary. The Board shall consist of 7 members, of whom 6 shall be massage therapists with at least 3 years of experience in massage. One of the massage therapist members shall represent a massage therapy school from the private sector and one of the massage therapist members shall represent a massage therapy school from the public sector. One member of the Board shall be a member of the public who is not licensed under this Act or a similar Act in Illinois or another jurisdiction.

- The Department's Division of Professional Regulation was not in compliance with the provisions of the Real Estate License Act of 2000 (Act) (225 ILCS 454/25-10). We noted that one of six (17%) positions (actively engaged broker or salesperson) has been vacant since October 2006 and two of three (67%) positions (public members) have been vacant since October 2003 and October 2005, respectively. Additionally, four of six (67%) positions were held by individuals with terms that expired in October 2006. The Act requires the Governor to appoint 9 persons to the Board. Members shall be appointed to the Board subject to the following conditions:

  (1) All members shall have been residents and citizens of this State for at least 6 years prior to the date of appointment.
  (2) Six members shall have been actively engaged as brokers or salespersons or both for at least the 10 years prior to the appointment.
  (3) Three members of the Board shall be public members who represent consumer interests.

  In addition, the Act requires the members' terms be 4 years and the expiration of their terms shall be staggered. Appointments to fill vacancies shall be for the unexpired portion of the term. A member may be reappointed for successive terms but no person shall be appointed to more than 2 terms or any part thereof in his or her lifetime.

- The Department's Division of Financial Institutions was not in compliance with the provisions of the Debt Management Service Act (Act) (205 ILCS 665/15.1-15.3) regarding the Board of Debt Management Service Advisors. During our testing, we noted that three out of five (60%) board positions were vacant. We noted that 2 positions have been vacant since November 2005 and 1 position has been vacant since February 2006. Additionally, two of five (40%) positions were held by individuals with terms that expired in July 2004 and July 2005. Department personnel stated they were unaware of when the Board last met. The Act requires the Governor to appoint 5 members to the Board of Debt Management Service Advisors. The majority of the members shall be active in a debt management or consumer credit counseling service. The Act further requires that Board members shall be appointed for terms to expire on July 1, 3 years subsequent to the date of appointment.

- The Department's Division of Professional Regulation was not in compliance with the provisions of the Real Estate License Act of 2000 (Act) (225 ILCS 454/30-10). During our testing, we noted that 1 of 7 (14%) position (licensee) on the Advisory Council has been vacant since December 2005. Additionally, 3 of 7 (43%) positions were held by individuals with terms that expired in October 2003 (1 position) and October 2006 (2 positions). The Act requires the Governor to appoint 7 members to an Advisory Council within the Department's Division of Professional Regulation. The members shall serve 4 year staggered terms but no more than 8 years in a lifetime. Three of the members shall be licensees who are current members of the

Real Estate Administration and Disciplinary Board, one member shall be a representative of an Illinois real estate trade organization who is not a member of the Board, one member shall be a representative of a licensed pre-license school or continuing education school, and one member shall be a representative of an institution of higher education that offers pre-license and continuing education courses. The Director shall serve as the chairman of the Advisory Council, ex officio, without vote.

- The Department's Division of Professional Regulation was not in compliance with the provisions of the Illinois Dental Practice Act (Act) (225 ILCS 25/6). During our testing, we noted that 4 of 11 (36%) positions (3 dentists and 1 dental hygienist) were held by individuals with terms that expired in October 2005 (1 position), December 2006 (2 positions) and April 2007 (1 position). The Act requires the Director to appoint members to the Board of Dentistry. The Board shall consist of eleven persons, 8 of whom have been dentists for a period of 5 years or more; 2 of whom have been dental hygienists for a period of 5 years or more, and one public member. The Board members shall serve a 4-year term and no member shall serve more than 2 full terms in his or her lifetime.

Department management stated they are currently reviewing qualified candidates to fill the vacancies. Department management stated it is difficult to find willing candidates to fill the positions. Reappointments were not made due to oversight.

Failure to appoint Board members may prevent the Boards from carrying out their mandated duties of regulating these professions or companies in accordance with the Acts cited. Board members should be appointed in a timely manner in order to properly formulate the function of the Boards as intended. A full board is necessary to properly conduct meetings and operate effectively and efficiently. (Finding Code No. 07-12, 06-28, 05-25, BRE 04-16)

RECOMMENDATION:

We recommend the Secretary appoint qualifying members to these Boards as required by the Acts cited and reappoint applicable Board members in a timely manner. In those cases where the Governor's Office is required to appoint the Board members we recommend the Department work with the Governor's Office to fill Board vacancies by appointing qualified members to the Boards.

DEPARTMENT RESPONSE:

Concur. The Department concurs with the auditors finding regarding insufficiencies in staffing certain advisory boards. However, the Department requests that the following improvements be noted:

Social Work Examining and Disciplinary Board: The one licensed social worker vacancy noted in the finding was filled in April 2008.

Board of Nursing: Of the five vacancies indicated in the finding, three were filled in April 2008 (LPN Educator, APN/CRNA and public member). The Department has identified qualified candidates for the two remaining vacancies; at present both are moving through the appointment process.

State Board of Pharmacy: The deficiencies noted in the finding are currently being addressed. We will continue to work with the Governor's Office to address term expirations and vacancies by identifying and reviewing qualified candidates.

Board of Orthotics, Prosthetics and Pedorthics: Of the deficiencies noted in the finding, the consumer member position was filled April 2008. We are working to identify qualified candidates in a continuing effort to address term expirations and vacancies.

Public Accountant Registration Committee: Of the deficiencies noted in the finding, the public member vacancy was filled January 2008. We are reviewing qualified candidates in a continuing effort to address term expirations and vacancies.

Massage Licensing Board: The vacancy noted in the finding was filled January 2008.

Real Estate Administration and Disciplinary Board: The deficiencies noted in the finding are currently being addressed. We will continue to work with the Governor's Office to address term expirations and vacancies by identifying and reviewing qualified candidates.

Real Estate Education Advisory Council: The deficiencies noted in the finding are currently being addressed. We will continue to work with the Governor's Office to address term expirations and vacancies by identifying and reviewing qualified candidates.

Board of Dentistry: The deficiencies noted in the finding are currently being addressed. We are reviewing qualified candidates in a continuing effort to address term expirations.

State Banking Board: The restrictive asset categories established for State Banking Board membership, which require the appointment of members from institutions classified by asset size, has made the appointment of qualified members from each such category difficult. In response, the Department introduced legislation (HB 4898) to reduce the size of the Board, eliminate the requirement that members be appointed from institutions within each of several specific asset categories, and provide for the continuing service of members whose terms have expired until their successors are appointed and qualified. We believe that passage of this legislation will eliminate the problem of multiple vacancies on this Board.

Board of Currency Exchange Advisors: The Division of Financial Institutions agrees with the recommendation regarding the vacancies on the Board of Currency Exchange Advisors. Since the FY06 audit, letters have been sent out to potential candidates for each of the subject boards and numerous applications were processed. As a result, five (5) candidates were selected for recommendation to the Governor for the Currency Exchange Advisors Board.

Debt Management Advisors Board: The Division of Financial Institutions agrees with the recommendation regarding the vacancies on the Debt Management Advisors Board. Since the FY 06 audit, DFI sent letters out to potential candidates for each of the subject boards and numerous applications were processed. As a result, four (4) candidates were selected for recommendation to the Governor for the Debt Management Advisors Board.

07-13 **FINDING:** (Failure to ensure receipt of annual statements from viatical settlement providers)

The Department failed to receive annual statements from viatical settlement providers.

During our examination of annual statements received by the Department for the calendar year ended December 31, 2006, we noted that the Department failed to receive annual statements in a timely manner from 10 of 13 (77%) viatical settlement providers licensed by the State. The statements were received between 20 and 221 days late. Additionally, the Department did not assess any penalties for statements that were not filed timely.

The Viatical Settlements Act (Act) (215 ILCS 158/25) requires each viatical settlement provider to file with the Director on or before March 1 of each year an annual statement containing such information as the Director may prescribe by rule. A viatical settlement provider is an organization that contracts with a person who owns a life insurance policy that insures the life of a person with a catastrophic or life threatening illness. The viatical settlement provider pays compensation that is less than the expected death benefit of the insurance policy in return for the policy owner's assignment of the death benefit to the viatical settlement provider.

The Department has adopted rules regarding specific statements to be filed with the Department and has statutory authority to assess penalties for annual statements that were not filed timely under the Illinois Insurance Code (215 ILCS 5/401.5 and 215 ILCS 5/403A). However, because the Department only assesses late filing penalties to providers that have filed untimely and have experienced viatical settlement transactions during the calendar year, statements continue to be filed late. Many years, providers do not experience any viatical settlement transactions.

The Code was enacted to protect the interests of the public. Failure to require timely annual statements reduces the Department's ability to perform accurate market analysis in the area, because these annual statements are an integral part of that analysis to determine marketplace activities. (Finding Code No. 07-13, 06-23, 05-26, DOI 04-2)

RECOMMENDATION:

We recommend the Department assess fines or penalties for a provider's failure to submit the required forms in a timely manner or seek legislative remedy from statutory requirements.

DEPARTMENT RESPONSE:

Concur. The companies that failed to file with the Division of Insurance did not perform any viatical settlements last year. All viatical statements for the period ending March 1, 2008, have been received whether they did settlements or not. We also support HB 4941, which will require greater reporting and assist in out market analysis.

07-14 FINDING: (Untimely approval or denial of life, accident, and/or health insurance policy forms)

The Department's Division of Insurance failed to approve/deny life, accident, and/or health insurance policy forms submitted by insurance companies in a timely manner as required by the Illinois Insurance Code.

During our testing, we noted that 21 out of 25 (84%) policy forms reviewed were not approved or denied on a timely basis. These policy forms were approved or denied between 20 to 281 days later than the maximum 90 day time period.

The Illinois Insurance Code (Code) (215 ILCS 5/143) requires the Director to approve or disapprove any such form within 60 days after submission unless the Director extends by not more than an additional 30 days the period within which he shall approve or disapprove any such form by giving written notice to the insurer of such extension before expiration of the initial 60 days period.

Department personnel stated that the policy forms were not being approved or disapproved within the required timeframe due to a shortage in staff. In addition, many of these reviews are complex and lengthy.

By not approving or disapproving life, accident, or health insurance policy forms in a timely manner as required by the Code, insurance companies are delayed from distributing their products to the market. (Finding Code No. 07-14, 06-24)

RECOMMENDATION:

We recommend the Department implement procedures to ensure life, accident, and/or health insurance policy forms are properly approved or disapproved in a timely manner as required by the Code.

DEPARTMENT RESPONSE:

Concur. The new filings that the Division of Insurance is receiving are becoming more complex and lengthy as companies file new products to keep up with their competitors. Last year, the Department implemented an expedited review process that should improve the timeliness of approvals.

07-15 FINDING: (Residential mortgage license examinations not conducted in accordance with statutory requirements)

The Department failed to timely conduct examinations of the affairs of residential mortgage licensees.

The Residential Mortgage License Act of 1987 (Act) (205 ILCS 635/4-2) requires the Commissioner to conduct examinations of the business affairs of a licensee for compliance with the Act. The Illinois Administrative Code (38 Ill. Adm. Code 1050.425) requires the Commissioner conduct examinations at intervals based on the licensee's rating. Examinations are to occur 12 to 36 months from the initial examination based on their previous examination composite rating.

During our testing, we noted examinations had not been conducted timely for 746 of the 1,578 (47%) residential mortgage licensees required to have an examination. The 746 examinations were late as follows:

- 161 were 1 to 5 months late
- 119 were 6 to 10 months late
- 127 were 11 to 15 months late
- 70 were 16 to 20 months late
- 108 were 21 to 25 months late
- 79 were 26 to 30 months late
- 82 were 31 to 48 months late

Department personnel stated due to staff shortages, the Department has not been able to complete all examinations in the required timeframe. Although additional examiners were hired during the year, much of their initial time was spent on training and educational courses due to the highly technical industry.

Failure to conduct examinations could result in licensees conducting business not in compliance with the Residential Mortgage License Act. (Finding Code No. 07-15, 06-22, 05-24, BRE 04-14)

RECOMMENDATION:

We recommend the Department ensure examinations are conducted within the required timeframe and to ensure licensees are in compliance with the Residential Mortgage License Act.

DEPARTMENT RESPONSE:

Concur. Additional examiners were added from the HB 4050 Program to assist with the backlog of examinations. The past audit finding was mainly due to out-of-state examinations that had travel restrictions. Since the audit finding, the Department has received approval from the Governor's Office for out-of-state examination travel. The Department will continue to ensure examinations are conducted within the required timeframe and that licensees are in compliance with the Residential Mortgage Act of 1987.

07-16 <u>FINDING</u>: (Failure to establish a Savings Bank Examiner Training Foundation)

The Department's Division of Banking did not establish a Savings Bank Examiner Training Foundation.

The Savings Bank Act (205 ILCS 205/9007) requires that a Savings Bank Examiner Training Foundation be established for the purpose of funding and overseeing the training of savings bank examiners. The Foundation shall be governed by a 15-member board of trustees and shall promulgate regulations to govern the formation, administration, and activities of the Foundation.

Department officials stated they did not feel the Foundation was necessary and is seeking legislation to remedy the statutory requirement. Currently, the Department employs no savings bank examiners, as these duties are performed by financial institutions examiners.

By not complying with the Savings Bank Act, the Department is not funding and overseeing the training of savings bank examiners as required by the General Assembly. (Finding Code No. 07-16, 06-20, 05-22, BRE 04-8, 02-6)

<u>RECOMMENDATION</u>:

We continue to recommend the Department enforce the provisions of the Savings Bank Act until legislative remedy to the statutory requirement is obtained.

<u>DEPARTMENT RESPONSE</u>:

Concur. The Department will continue to seek the passage of legislation to delete Section 9007 from the Savings Bank Act, which will repeal the requirement to establish a Savings Bank Examiner Training Foundation.

07-17 <u>FINDING</u>: (Noncompliance with Residential Mortgage License Act of 1987)

The Department's Division of Banking (Division) was not in compliance with provisions of the Residential Mortgage License Act of 1987 (Act) (205 ILCS 635).

We noted the following:

- The Commissioner did not appoint two members to the Residential Mortgage Board in order to fill vacancies. Vacancies existed for the two public members since January and March 2007.

  The Act (205 ILCS 635/1-5) requires the Commissioner of Banks and Real Estate to appoint 5 members to the Residential Mortgage Board. The majority of persons on the Board shall have no financial interest in any residential mortgage business and one member shall be a representative of the Mortgage Banking Trade Association and one member shall be a representative of the Mortgage Broker Trade Association.

  Department management stated they are currently reviewing qualified candidates to fill the vacancy, as one of the public members was appointed in September 2007. Department management stated it is difficult to find willing candidates to fill the positions.

- Three out of 5 (60%) Board members did not file a statement with the Commissioner regarding current business transactions or other affiliations with licensees under the Act for 2007. In addition, two out of 5 (40%) Board members did not file the statement in a timely manner. These statements were filed 53 and 70 days late.

  The Act (205 ILCS 635/1-5(c)) requires each member of the Residential Mortgage Board file annually, no later than February 1, with the Commissioner a statement of his or her current business transactions or other affiliations with any licensee under this Act.

  Department management stated the Conflict of Interest Statements were not filed timely or at all due to the Board members delay in signing the statements and the timing of board appointments.

- A sample of 25 licensees was selected from a universe of 2,016 licensees. According to the Agency's "MB – Audits Received Report – MB Only Report" as of June 30, 2007, thirteen (52%) of the licensees tested did not submit an annual audit report within 90 days of their fiscal year end. The Commissioner did not cause an audit of any of the licensees, as required by law, to be made due to the untimely filing of annual audit reports. The reports were filed from 2 to 138 days late.

  The Act (205 ILCS 635/3-2(d)) requires that the most recent audit report be filed with the Commissioner within 90 days after the end of the licensee's fiscal year. The Act (205 ILCS 635/3-2(e)) also states that if any licensee required to make an audit fails to cause an audit to be made, the Commissioner shall cause the same to be made by a certified public accountant at the licensee's expense. The Commissioner shall select such certified public accountant by advertising for bids or by such other fair and impartial means as he or she establishes by regulation.

Department management stated that the Examination staff review the reports as they come in, but the Licensing Section must input the reports. The date the reports are received is logged manually and approximately 1,700 licensees have December 31 year-ends, so between March and April the Department has a large volume of statements to input. Although letters are sent if audit reports are late, the Division did not have adequate staffing to keep up with the input on a timely basis.

Failure to enforce the Act results in Board members serving with potential conflicts of interest that are unidentified. Failure to obtain recent audit reports from licensees or to cause an audit to be made results in the Division having inadequate financial information to properly regulate residential mortgage lenders. (Finding Code No. 07-17, 06-21, 05-23, BRE 04-12, 02-3)

RECOMMENDATION:

We continue to recommend the Department implement procedures to ensure compliance with provisions of the Residential Mortgage License Act of 1987.

DEPARTMENT RESPONSE:

Concur. Residential Mortgage Board members' terms have been renewed and new members have been appointed to the Board. Conflict of interest declarations have also been filed with the Department in a timely manner. Additionally, the Department has developed written procedures to ensure that all Mortgage Banking licensees' Annual Reports are received.

07-18 FINDING: (Recommendations presented in the Management Audit of Group Workers' Compensation Self-Insured Pools not implemented)

The Department did not fully implement two of nine recommendations presented in the Management Audit of Group Workers' Compensation Self-Insured Pools (Management Audit) conducted by the Office of the Auditor General.

The audit was released in January 2003, pursuant to Legislative Audit Commission Resolution Number 121. The following are findings and issues raised in the audit that have not been fully implemented.

- The Management Audit found that there were pools in liquidation and some active pools that included members with dissimilar risk characteristics. The Workers' Compensation Pool Law (215 ILCS 5/107a.03) enacted effective January 1, 2001 requires all pools to be comprised of members with homogenous risks. However, neither the statutes nor Department rules define homogenous. One Department official was quoted in the Management Audit that "It is impossible to accurately predict losses when the subjects for coverage present a virtual potpourri of risks and exposures thereby undermining the credibility of available statistics regarding frequency and severity of losses." Having members with dissimilar risk characteristics creates the potential for unexpected risks, as claims could greatly exceed the premium rates collected for expected losses. According to Department officials, this issue will be resolved by regulations currently in draft form. (Recommendation 4)

- The Management Audit found that 12 of the 23 pools licensed at December 31, 2001, either reported gross annual payrolls under $10,000,000, or did not disclose payrolls in their annual statements at all. Effective January 1, 2001, the Workers' Compensation Pool Law (215 ILCS 5/107a.07) requires the Department in evaluating the financial strength of pools to consider "The gross annual payroll of members, which must be at least $10,000,000." The purpose of the statute is to assist in the evaluation of the financial strength and solvency of a pool, gross annual payroll being an indicator of financial strength. The greater the payroll, the greater the ability a pool has to spread the risk of substantial claims. Of the 9 active pools as of June 30, 2007, all had annual gross payrolls in excess of the statutory requirement. The Department has indicated that pools in runoff (not active) lack payroll. According to Department officials, this issue will be resolved by regulations currently in draft form. (Recommendation 5)

In the prior examination, we noted that the Group Self-Insurers Workers' Compensation Fund assets did not appear to be sufficient to cover estimated claims against the Fund. (Recommendation 9) During the current examination period, we noted that assets now appear adequate to cover all estimated claims against the Fund as the Department reached settlements with the applicable pools and collected $1.1 million of the $1.3 million of assessments ordered. Department personnel also indicated that there are no actual or pending claims against the Fund.

While the Department has implemented many of the recommendations presented in the Management Audit of Group Workers' Compensation Self-Insured Pools, it has not yet promulgated the suggested rules with respect to Recommendations 4 and 5. By promulgating the suggested rules, the Department will have the necessary authority to enforce appropriate standards on homogeneous memberships. (Finding Code No. 07-18, 06-29, 05-34, DOI 04-3)

<u>RECOMMENDATION</u>:

We recommend the Department:

- Continue in its efforts to enact final rules to define homogeneous for pool membership, and monitor the pool members for homogeneous risks on an ongoing basis; and

- Continue in its efforts to enact final rules that would set forth a process to follow in the event that a pool has less than the required gross payroll.

<u>DEPARTMENT RESPONSE</u>:

Concur. The Department plans to introduce the appropriate rules during 2008.

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

07-19 **FINDING:** (Administrative processes not fully consolidated)

During the prior engagement period, the Department had not consolidated many aspects of its administrative processes as intended by Governor's Executive Order Number 6 (2004) (Executive Order).

During the current period, the Department has consolidated substantially all of the administrative processes. As noted in our current State compliance findings, there are numerous findings repeated from the prior examination. However, the cause of the findings is no longer a failure to consolidate administrative processes, but generally staff shortages. The only significant accounting process yet to be consolidated is the receipts function. Again, current weaknesses identified with receipts reconciliations and processing is not a consolidation issue. As a result, this finding is not repeated. (Finding Code No. 06-1, 05-1)

07-20 **FINDING:** (Inadequate controls over the Division of Financial Institution's Consumer Credit Section)

During the prior engagement period, the Department's Division of Financial Institution's Consumer Credit Section did not comply with various statutory requirements of the Department. Deficiencies included untimely performance of examinations, untimely submission of annual reports, and untimely submission of annual license fees.

During the current period, our sample testing did not disclose any instances where the Department did not perform examinations on a timely basis, require the timely submission of annual reports, or require the timely submission of annual license fees. (Finding Code No. 06-4, 05-6)

07-21 **FINDING:** (Currency exchange licensees not submitting annual reports in a timely manner)

During the prior engagement period, the Department's Division of Financial Institution's Currency Exchange Section did not ensure licensees submitted annual reports to the Department in a timely manner in compliance with the Currency Exchange Act.

During the current period, our sample testing did not disclose any instances where the Department did not ensure annual reports were submitted in a timely manner. (Finding Code No. 06-5)

07-22 **<u>FINDING</u>:** (Untimely refunds issued to insurance companies for overpayment of annual privilege tax)

During the prior engagement period, the Department failed to issue timely refunds to insurance companies for overpayment of the annual privilege tax as required by the Illinois Insurance Code (Code).

During the current period, we noted the Department reviewed outstanding refunds due to insurance companies and issued refunds in compliance with the Code (215 ILCS 5/412 (1)). (Finding Code No. 06-6)

07-23 **<u>FINDING</u>:** (Inadequate internal and administrative controls over locally held funds)

During the prior engagement period, we noted weaknesses in internal controls over the three locally held funds maintained by the Department's Division of Professional Regulation. Deficiencies included incompatible responsibilities, inaccurate reports, untimely report filings, lack of independent review, manual accumulation of data, non-performance of monthly reconciliations, and untimely deposit of cash on hand.

During the current period, controls over the administration of locally held funds improved and our sample testing did not disclose any instances where the Division failed to report accurate information in a timely manner, perform monthly reconciliations, or deposit cash on hand. (Finding Code No. 06-9)

07-24 **<u>FINDING</u>:** (Voucher processing, approval and payment)

During the prior engagement period, the Department did not maintain adequate controls over the processing, approval and payment of vouchers as required by the Illinois Administrative Code and Department Policy.

During the current period, our sample testing indicated the Department implemented procedures to properly process, approve and pay vouchers. (Finding Code No. 06-10, 05-11, DPR 04-8, 03-7, BRE 04-15)

07-25 **<u>FINDING</u>:** (Certification of license and automotive liability coverage)

During the prior engagement period, the Department did not properly certify license and automotive liability coverage, certify vehicle assignments, and revise its Vehicle Policies in compliance with the Illinois Vehicle Code (Code).

During the current period, the Department implemented procedures to properly certify license and automotive liability coverage and vehicle assignments in compliance with the Code. (Finding Code No. 06-17, 05-17, DPR 04-11, 03-5, 01-7)

07-26 <u>FINDING</u>: (Lack of an adequate disaster contingency plan for computer systems)

During the prior engagement period, the Department did not have a current, tested disaster contingency plan that addresses the recovery of computer systems for all of its divisions.

During the current period, the Department implemented a disaster contingency plan that adequately addressed the computer systems of all of its divisions. (Finding Code No. 06-19, 05-19)

07-27 <u>FINDING</u>: (Formal written summary reports not provided to health care facilities)

During the prior engagement period, the Department did not ensure the Medical Disciplinary Board (Board) sent formal written summary reports of final actions taken upon disciplinary files to the required facilities, boards, associations and insurers as required by the Medical Practice Act of 1987 (Act).

During the current period, we noted the Department sought legislative remedy. Public Act 95-0639 removed this requirement from the Act. (Finding Code No. 06-25, 05-27, DPR 04-16, 03-14)

07-28 <u>FINDING</u>: (Failure to comply with the Home Medical Equipment and Services Provider License Act)

During the prior engagement period, the Department failed to conduct mandatory inspections and set a fee for the inspections in accordance with the Home Medical Equipment and Services Provider Act (Act).

During the current period, we noted the Department sought legislative remedy. Public Act 95-0703 removed this requirement from the Act. (Finding Code No. 06-26, 05-32, DPR 04-21)

07-29 <u>FINDING</u>: (Failure to enforce ethics continuing professional education requirements for certified public accountants)

During the prior engagement period, the Department did not enforce the ethics continuing professional education (CPE) requirement for certified public accountants (CPA).

During the current period, we noted the Department granted a variance to all the effected individuals in accordance with the Illinois Administrative Code (68 Ill. Adm. Code 1420.110) (Finding Code No. 06-27)

Management Audit of the Flu Vaccine Procurement and the I-SaveRx Program (September 2006)

Illinois House of Representatives Resolution Number 394 directed the Auditor General to conduct a management audit of the process followed in negotiating and entering into the contract with Ecosse Hospital Products Limited and in establishing and operating the I-SaveRx Program. Regarding the contract with Ecosse Hospital Products Limited, the Resolution directed the Auditor General to determine the roles played by the Office of the Governor and the Special Advocate for Prescription Drugs in negotiating and entering into the flu vaccine contract. Regarding the I-SaveRx Program, the Auditor General was to determine the procedures applicable to, and the agencies responsible for, establishing and operating the Program and whether the entities involved in the Program followed all applicable laws, regulations, policies and procedures.

The management audit contained three recommendations to the Department. During the period covered by this compliance examination, we noted the Department had made progress in implementing some of the recommendations. However, certain recommendations were only partially implemented by the Department as follows:

- *The Department should ensure that I-SaveRx pharmacies are authorized under the Pharmacy Practice Act. Inspections of these pharmacies should be conducted by duly authorized pharmacy investigators as required under the Act.*

  During the current examination period, according to a Department official, pharmacies operating in the I-SaveRx program were not authorized or licensed under the Pharmacy Practice Act. According to the Department, the lack of licensure is because the “Act does not provide for licensing pharmacies located outside the United States and its territories.” Practicing, or attempting to practice, pharmacy without being licensed under the Pharmacy Practice Act is a violation of State law punishable by a fine not to exceed $5,000 for each offense. (225 ILCS 85/5.5) Given that the I-SaveRx pharmacies have not been authorized under the Act, the finding is repeated.

  All eleven of the I-SaveRx pharmacies inspections completed during fiscal year 2007 were completed by the Department’s Director of Drug Compliance – a duly authorized official.

- *The Department should ensure that inspection forms of pharmacies inspected for the I-SaveRx Program: are filled out properly with all requirements completed; indicate whether the pharmacy has been approved and, if not, the reasons for not approving; and are reviewed by someone other than the person who performed the initial inspection.*

During the current examination period, there were eleven pharmacies inspected as part of the I-SaveRx program. Our review of the inspection forms found that progress had been made in the completion of the forms, although the form itself had changed as inspections occurred later in fiscal year 2007. However, we did note that 2 of 11 inspection forms did not indicate the approval of the pharmacy (one in New Zealand and one in Australia) by the inspector. The New Zealand pharmacy did fill prescriptions for the I-SaveRx program during fiscal year 2007.

During fiscal year 2007, the Department identified four individuals who were duly authorized pharmacy inspectors that were utilized by the Department to conduct pharmacy inspections. None of those four individuals conducted any of eleven inspections of the I-SaveRx program pharmacies that occurred during fiscal year 2007. The Director of Drug Compliance conducted all eleven inspections of I-SaveRx pharmacies during the period.

We reviewed twelve **Illinois pharmacy inspections** completed by the duly authorized Department staff and noted that **all inspections**, upon completion, **were reviewed** by the Director of Drug Compliance. We also noted that **none of the eleven inspections** of I-SaveRx pharmacies conducted by the Director of Drug Compliance **were reviewed** by anyone from the Department.

Given that the Department still does not utilize supervisory review for the inspection of I-SaveRx pharmacies, the finding is repeated.

- *With respect to travel the Department should: take the steps necessary to ensure that its staff seek documented prior approval when traveling out of State or out of country, as outlined in the Governor's Travel Control Board Travel Guide for State Employees; should take the steps necessary to ensure that its staff follow travel regulations when being reimbursed for per diem when traveling out of country, or seek appropriate exceptions to the travel regulations; and should refrain from using monies from the Illinois State Pharmacy Disciplinary Fund for travel to out-of-country pharmacies if those pharmacies are not licensed under the State Pharmacy Act and would not be considered ordinary and contingent expenses of the Department.*

  The issue of seeking prior approval for travel that is out-of-country has been the topic of current and previous findings at the Department (Finding Code 07-8, 06-13). Given that the issue has been repeated in another finding it will not be addressed as part of the follow up to the management audit.

  The management audit noted that staff from the Department did not follow the Governor's Travel Control Board regulations relative to per diem reimbursement for out-of-country travel for the I-SaveRx Program – which provides for $32 daily in per diem for travel outside of Illinois. During the current engagement, the Department indicated that it continues "to consistently follow travel regulations when being reimbursed for per diem when traveling out of the country." The foreign per diem rates used by the Department could be found on a U.S. Department of State website. State of Illinois employees that travel for the I-SaveRx Program are not being reimbursed by the federal government – federal laws prohibit such importation programs like I-SaveRx. While the

Department contends these federal rates are applicable for the out-of-country travel, these rates are not delineated in the State of Illinois travel regulations. Additionally, Department personnel are not consistent in seeking reimbursement of per diem. The Director of Drug Compliance utilized federal rates for fiscal year 2007 travel, but utilized the State travel regulation rate for a trip to Canada and Scotland in June 2006.

The Director of Drug Compliance did use the higher federal reimbursement rates when traveling on I-SaveRx business during fiscal year 2007. He was reimbursed by the State at this higher rate – resulting in $1,120 in charges above what is provided in the Governor's Travel Control Board regulations. However, under the current pharmacy benefit manager agreement, Pegasus reimburses the State for travel associated with the I-SaveRx program. The State reimburses the State employee then invoices Pegasus for the travel. On a November 2006 trip to London, the Director of Drug Compliance (in conjunction with a personal trip) was reimbursed for five days of per diem at the federal rate when he only inspected one pharmacy – a pharmacy which was not added to the approved listing of prescription dispensers for the I-SaveRx program, according to the Special Advocate for Prescription Drugs.

In the management audit, the Department disagreed with the recommendation to refrain from using monies from the Illinois State Pharmacy Disciplinary Fund for I-SaveRx travel and stated "The Illinois Pharmacy Practices Act states that the Illinois State Pharmacy Disciplinary Fund should be used for pharmacy inspections." The Department still takes the position that the use of the Illinois State Pharmacy Disciplinary Fund (Fund) for travel to out-of-country pharmacies is appropriate.

As stated in the management audit, "All fees (licensure, renewal and restoration) collected under the Wholesale Drug Distribution Licensing Act are deposited into the Illinois State Pharmacy Disciplinary Fund **for the ordinary and contingent expenses of the Department of Financial and Professional Regulation in the administration of the Act** [emphasis added]. Out-of-country pharmacies do not pay into this fund and are also not licensed under the Pharmacy Practice Act, which Illinois pharmacies must adhere to."

During fiscal year 2007, the Department used $3,968 in monies from the Fund **to reimburse the Director** of Drug Compliance for out-of-country travel for the I-SaveRx program. While Pegasus is to reimburse the State for travel we found:

- The Director of Drug Compliance was initially reimbursed from the Illinois State Pharmacy Disciplinary Fund for travel in August 2006 (and then again in September 2006 and April 2007).
- Four months later, in December 2006, Pegasus reimbursed the State for a portion of the Director's travel – the Pegasus reimbursement was deposited in the Department of Healthcare and Family Services' (DHFS) Public Assistance Recoveries Trust Fund.
- Seventeen months after the Director of Drug Compliance was initially reimbursed for travel, in mid January 2008 and after auditors had inquired, DHFS transferred $3,370 to the Department for its share of the reimbursement received from Pegasus.

Since prior approvals were not obtained for I-SaveRx travel, per diem rates were not in compliance with State travel regulations, and the Department still utilizes the Illinois Pharmacy Disciplinary Fund to reimburse travel expenses, the finding is repeated.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
Status of Program Audit
For the Year Ended June 30, 2007

Program Audit of the Department's Disciplining of Physicians (August 2006)

Illinois House of Representatives Resolution Number 16 directed the Auditor General to conduct a program audit of the disciplining of physicians who violate provisions of the Medical Practice Act of 1987. The Resolution directed the Auditor General to determine the Department's compliance with State law regarding the disciplining of physicians; the procedures for determining the need for, and nature of, any recommended disciplinary actions; process for ensuring that its recommended disciplinary actions are implemented and that any specified corrective steps are instituted; and the process for communicating results of disciplinary action to the public.

The program audit contained twenty-four recommendations to the Department. The program audit was released during the current compliance examination period and the Department has not had adequate time to implement some of the recommendations. As a result, most of our follow up was through inquiry. During the period covered by this compliance examination, we noted the Department had made progress in implementing several of the recommendations. We will test the Department's corrective action during the next compliance examination.

Recommendation

1. *The Department of Financial and Professional Regulation should log all initial claims, forward them to Medical Investigations and close them according to requirements in the Administrative Rules.*

   During the current examination period, according to a Department official, all complaints are logged in by the Complaint Intake Unit. The Department provided us with sample case chronologies from several of the cases closed by the Complaint Committee of the Medical Disciplinary Board. The support shows that initial complaints were taken, forwarded to the proper area, reviewed, and then closed.

2. *The Department of Financial and Professional Regulation and the Medical Disciplinary Board should comply with the Administrative Code provisions requiring that closure of all initial claims and complaints be approved by the Board. This approval should be documented.*

   During the program audit, the Department stated that complaints are reviewed in the closed session of the Medical Disciplinary Board meeting and the discussion of these complaints is, therefore, not included in the Medical Disciplinary Board's general minutes. The Department provided to us the Medical Disciplinary Board "Miscellaneous Case Files-Closing" report from the December 19, 2007 Medical Disciplinary Board Meeting. Included in this report are the case numbers and the reason as to the closing. The Department also stated that the Board Liaison closes the case in the ILES system.

3. *The Department of Financial and Professional Regulation should develop management controls to ensure timely completion of investigations of complaints received by the Department. These controls should be in the form of written policies which include specific timeliness requirements. Any reports required should be reviewed by management personnel to ensure accuracy.*

   During the program audit, Department officials stated they had implemented new tracking systems to signal potential timeliness issues. They also stated they are developing an automated alert system within its upgraded computer system which will generate tracking reports to assist management personnel in addressing timeliness requirements. During our inquiry with the Department, officials stated the automated tracking system is not yet in place. However, the Department has developed a new weekly report that tracks the activity of each investigator. The investigative chiefs perform monthly case reviews of the investigators. In addition, the Department officials stated the monthly statistics that are required of each investigator serves as a reminder of either aged cases or activities that need to be updated.

4. *The Department of Financial and Professional Regulation should include requirements in its procedures that prior complaint information be incorporated in files and should assure that information is included.*

   During the current examination period, according to a Department official, investigatory and prosecutory files include the Complaint Report from the Complaint Intake Unit and several ILES screens. The first screen is the complaint view screen. This screen includes the complaint number, the Respondent and Complainant's names and the nature of the complaint. The second screen is the credential screen. This screen includes the licensing and personal information of the Respondent. The third screen is the complaint – search screen. This screen lists all prior Mandatory Reports, investigations and prosecutions against the Respondent. Finally, a copy of the Complaint Acknowledgement letter is included in the file. The Department provided copies of each of the listed screens that are accessible through ILES.

5. *The Department of Financial and Professional Regulation should develop controls to ensure that all investigative activities are properly conducted and documented in both the case file and the computer system.*

   During the current examination period, according to a Department official, during routine staff meetings, staff have been reminded that activity recorded in the case file is also entered in ILES. The Department provided us with a copy of the ILES Case View Screen which summarizes each activity that has been performed and documented in the case file.

6. *The Department of Financial and Professional Regulation and the Medical Disciplinary Board should make information related to mandatory reports closed by the Board prior to investigation available to assist in the investigation and prosecution of physicians who demonstrate patterns of behavior.*

During the current examination period, according to a Department official, this information is available on the ILES Complaint – Search screen. The Department provided us with a copy of a Complaint – Search screen

7. *The Department of Financial and Professional Regulation should take the steps necessary to assist the Medical Coordinators with backlogs and improve case timeliness.*

   During the current examination period, the Department provided documentation regarding the backlog. The Department provided documentation that chronicles the monthly caseload of the Medical Coordinator's Office from November 2003 through July 2007. The average caseload fell from 257 in 2004 to 104 in 2007. They provided documentation that compares the number of cases received by the Medical Coordinators Office to the number of cases completed by the Medical Coordinator's Office in 2006. They also provided documentation that compares the number of days that it took for the Medical Coordinator's Office to complete a file. In 2003, the average was 149 days, as compared to 35 days in 2007.

8. *The Department of Financial and Professional Regulation and the Medical Disciplinary Board should develop general criteria to help guide their decisions in disciplinary actions. Such criteria would help to ensure that similar violations under similar circumstances receive similar discipline.*

   During the current examination period, according to a Department official, the Medical Disciplinary Board set up a subcommittee to establish discipline guidelines. The subcommittee will be presenting their draft to the full Medical Disciplinary Board on February 20, 2008. The Medical Disciplinary Board will review the guidelines and vote on adoption of the guidelines at a future meeting.

9. *The Department of Financial and Professional Regulation should assure that complaints received about out of state physicians are forwarded to the licensing board of the appropriate state.*

   During the current examination period, according to a Department official, they checked with the Complaint Intake Unit which indicated they have not received any complaints against out of state doctors since the Legislative Audit Commission (LAC) hearing.

10. *The Department of Financial and Professional Regulation should develop procedures for involving people making complaints in the disciplinary process.*

    During the current examination period, according to a Department official, they hired an Acting Patient Advocate Liaison for the Division of Professional Regulation. A new hire e-mail announcement sent by the Chief of Staff and provided to us stated this new position aims to provide victims, witnesses, and patients with a point of contact and liaison as they navigate the investigatory, prosecution and probation phases in the Division of Professional Regulation.

11. *The Department of Financial and Professional Regulation should develop and implement management controls to ensure that Prosecution activities are timely and properly documented.*

    During the current examination period, according to a Department official, case reviews are done on a monthly basis. The Chief of Medical Prosecutions meets individually with each of the medical prosecutors to discuss case management. The cases are then discussed according to the age of the case and the issues involved. The prosecutor has the opportunity to address any additional issues that may have arisen since the last case review. The Chief of Medical Prosecutions then enters a case review notation in ILES with a recommendation for the next action to be taken on the case.

12. *The Department of Financial and Professional Regulation should devote sufficient resources to ensure that physicians' compliance with terms of disciplinary orders are adequately monitored, including that physicians who have had their licenses suspended or revoked are not practicing. Furthermore, the Department should ensure that probation files contain all required documentation and that staff follow up when required documentation is not submitted.*

    During the current examination period, according to a Department official, a new employee and a temporary employee were hired in October 2006. They also stated that an additional probation investigator based in Springfield was hired during 2007. The Department has posted three additional probation investigator positions in January 2008. The postings ended on January 31, 2008 and CMS is in the process of grading the candidates. The Department expects that these three additional investigators will be hired within the next month.

13. *The Department of Financial and Professional Regulation should take actions to ensure that initial interviews are conducted within 30 days and adequately documented and that files receive appropriate supervisory review.*

    In its response to the program audit, the Department stated they will take appropriate steps to update their policies and procedures. During the current examination period, according to a Department official, the enforcement manual has been updated.

14. *The Department of Financial and Professional Regulation should make its Administrative Rules (68 Ill. Adm. Code 1285.225) relating to the definition of disciplinary and non-disciplinary actions consistent with requirements of the Medical Practice Act of 1987 (225 ILCS 60/2 (4)).*

    During the current examination period, according to a Department official, they were unable to have legislation passed during the past legislative session. Department officials stated they will again attempt to propose legislation to change the Medical Practice Act to clarify that non-disciplinary orders are allowed.

15. *The Department of Financial and Professional Regulation should ensure that the public is fully informed of Department disciplinary actions on a timely, accurate, and consistent basis.*

During the current examination period, according to a Department official, the Department publishes a monthly disciplinary report that is posted on the Department's website the following month. We viewed the Department's website www.idfpr.com to ensure that the disciplinary reports were posted online. The last posting was for December 2007. The Department will send out a hard copy of the report to anyone who requests this. The Department will automatically send the report via e-mail to anyone who requests to be put on the monthly mailing list.

16. *The Department of Financial and Professional Regulation should send required summary reports of final actions taken upon disciplinary files to every licensed health care facility, medical association, and liability insurer as required by the Medical Practice Act of 1987.*

During the program audit, it was noted that the Department, in conjunction with the Illinois Medical Society, has sought and will continue to seek an amendment to legislation (SB 2608) that will abolish the requirement that summary reports be mailed to every licensed health care facility, medical association and insurer. During the current examination period, according to a Department official, SB 360 changes the law to state that publication may be made available to the public on the Department's Internet website.

17. *The Department of Financial and Professional Regulation should continue to work to comply with amendments to the Medical Practice Act made by Public Act 94-677, including promulgating rules to accomplish these requirements.*

During the current examination period, it was noted that the Department promulgated rules related to Physician Profiling that became effective September 24, 2007. The Department has collected the profile data from over 85% of physicians and continues to do so. The Department released the physicians' profile data to the Department's website, www.idfpr.com, in April 2008.

18. *The Department of Financial and Professional Regulation should continue to work to make available to the public, through the Internet, and, if requested, in writing, a profile of each physician licensed by the Department as required by Public Act 94-677.*

During the current examination period, it was noted that the Department promulgated rules related to Physician Profiling that became effective September 24, 2007. The Department has collected the profile data from over 85% of physicians and continues to do so. The Department released the physicians' profile data to the Department's website, www.idfpr.com, in April 2008.

19. *The Department of Financial and Professional Regulation should work to assure that all members, including public members, are appointed to the Medical Disciplinary Board as required by the Medical Practice Act.*

During the current examination period, according to a Department official, there is currently one physician vacancy and two public member vacancies on the Medical Disciplinary Board. Two of the three vacancies were created when two Board members recently resigned effective December 31, 2007. The Department is currently recruiting and vetting a replacement for the physician position. As noted before, a Circuit Court struck down Public Act 94-677 as being unconstitutional. PA 94-677 created two additional public member positions on the Board. The Department is seeking legal direction as to whether or not the additional two board positions should be filled at this time.

20. *The Department of Financial and Professional Regulation should sufficiently document its decisions and activities. The Department should also ensure that the replacement system for the Regulatory Administration and Enforcement System has the capability to help management better control the adequacy of the Enforcement process.*

During the current examination period, we reviewed printouts from ILES. The various printouts from ILES contain the following information: Complaint number, respondent ID, complainant ID, and a list of the various action items that have been done with the case. We did not test physicians per se, but continued to note documentation problems during our testing of enforcement activities for other professions (see Finding 07-1).

21. *The Department of Financial and Professional Regulation should closely monitor employees engaging in secondary employment by reviewing and approving requests on an annual basis.*

During the current examination period, we reviewed the Department's Enforcement Manual as revised September 14, 2007. The manual includes a section on secondary employment. The policy states that it supersedes and amends all previously issued orders concerning secondary employment for Division employees.

22. *The Department of Financial and Professional Regulation should establish appropriate training programs for medical investigators as directed in its own policies and procedures.*

During the current examination period, according to a Department official, since the LAC hearings, the Department has provided quarterly training for the Medical Investigators. Training topics include Medical Billing Fraud and Controlled Substance Diversion. The next training is scheduled for February 22, 2008. The topics will include the handling of physical evidence and ILES updates. In addition, officials stated during fiscal years 2006 and 2007, the Department approved 52 investigator courses. Investigators are encouraged to attend training seminars on their own and only two in-state training seminars have been denied because of conflicts or inadequate course content.

23. *The Department of Financial and Professional Regulation should require its employees to disclose potential conflicts of interest as required by its Enforcement Manual.*

    During the current examination period, we reviewed a copy of the Enforcement Manual as revised September 14, 2007 that includes a section on conflicts of interest.

24. *The Department of Financial and Professional Regulation should require employees, including medical investigators, to prepare timesheets as required by the State Officials and Employees Ethics Act. Timesheets should also help management to more closely monitor medical investigators' time.*

    Department officials stated that beginning July 2, 2007, all employees will be required to use an additional timekeeping system which is a software application entitled, "Ethics Timekeeping Work Diary." However, during the current examination period, the Department's official timekeeping system is the Central Management Services (CMS) payroll system, which tracks time using a "negative" approval. See current State compliance finding 07-6.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statement of the Security Deposit Fund – 1109 of the State of Illinois, Department of Financial and Professional Regulation was performed by Sikich LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Department's financial statement of the Security Deposit Fund – 1109.

Sikich
Professional Services & Support

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statement of the Security Deposit Fund – 1109 of the State of Illinois, Department of Financial and Professional Regulation as of June 30, 2007, as listed in the table of contents. This financial statement is the responsibility of the State of Illinois, Department of Financial and Professional Regulation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statement presents only the Security Deposit Fund – 1109 and does not purport to, and does not, present fairly the financial position of the State of Illinois, Department of Financial and Professional Regulation as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Security Deposit Fund – 1109 of the State of Illinois, Department of Financial and Professional Regulation, as of June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 13, 2008 on our consideration of the State of Illinois, Department of Financial and Professional Regulation's internal control over financial reporting of the Security Deposit Fund – 1109 and on our tests of the State of Illinois, Department of Financial and Professional Regulation's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The State of Illinois, Department of Financial and Professional Regulation has not presented a management's discussion and analysis for the Security Deposit Fund – 1109 that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Security Deposit Fund – 1109 of the State of Illinois, Department of Financial and Professional Regulation. The Statement of Changes in Assets and Liabilities for the year ended June 30, 2007 is presented for purposes of additional analysis and is not a required part of the financial statement. The Statement of Changes in Assets and Liabilities has been subjected to the auditing procedures applied in the audit of the Security Deposit Fund – 1109 financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Sikich LLP

Springfield, Illinois
May 13, 2008

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

INDIVIDUAL NONSHARED FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007
(Expressed in Thousands)

SECURITY DEPOSIT FUND - 1109

ASSETS		
Cash and cash equivalents	$	1,119
Investments		830,515
Total assets	$	831,634
LIABILITIES		
Other liabilities	$	831,634
Total liabilities	$	831,634

The accompanying notes to the financial statement are an integral part of this statement.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

INDIVIDUAL NONSHARED FIDUCIARY FUND

NOTES TO FINANCIAL STATEMENT

June 30, 2007

1. DESCRIPTION OF FUND

The State of Illinois, Department of Financial and Professional Regulation (the Department) administers the fiduciary fund described below. A nonshared fund is a fund in which a single State agency is responsible for administering substantially all financial transactions of the fund.

1109 – Security Deposit Fund – The Security Deposit Fund was created by the Illinois Insurance Code (215 ILCS 5/404.1). The Code requires companies domiciled in the State of Illinois to make and maintain, with the Director of the Division of Insurance, a deposit of securities having a fair market value of specified amounts for the protection of all creditors, policyholders, and policy obligations of the company. The amount of deposit required is determined by the classification under which a company is organized and also as required to support certain classes of reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the individual nonshared fiduciary fund administered by the Department has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statement, summarized below are the more significant accounting policies.

(a) Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

(1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

(2) Fiscal dependency on the primary government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Based upon the required criteria, the nonshared fiduciary fund does not have component units, nor is it a component unit of any other entity. However, because the nonshared fiduciary fund is not legally separate from the State of Illinois (State), it is included in the financial statements of the State as a nonshared fiduciary fund. The State of Illinois' Comprehensive Annual Financial Report may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams Street, Springfield, Illinois, 62704-1871.

The financial statement presents only the Security Deposit Fund – 1109 administered by the State of Illinois, Department of Financial and Professional Regulation and does not purport to, and does not, present fairly the financial position of the State of Illinois, Department of Financial and Professional Regulation as of June 30, 2007, and changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(b) Basis of Presentation

In government the basic accounting and reporting entity is a fund. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The individual nonshared fiduciary fund presented herein is also classified as an agency fund. An agency fund acts as a custodian for other entities. Assets in an agency fund are held for a period of time and then returned to their owners or to another party that is entitled to receive resources. Since the Department has no equity in agency funds, only a statement of fiduciary net assets has been presented.

(c) Basis of Accounting

The individual nonshared fiduciary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand, cash in banks, certificates of deposit, and money market accounts for locally held funds.

(e) Investments

Investments are reported at fair value. The Department holds investments pursuant to statutory authority for locally held funds.

(f) Use of Estimates

The preparation of the financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

3. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act (30 ILCS 235/1 et seq.) provides general guidance concerning the criteria to be met for the placement of public funds in a financial institution and the types of investment instruments permitted. Investment instruments permitted include: U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

3. DEPOSITS AND INVESTMENTS – Continued

Locally held funds, consisting of statutory reserve requirements of insurance companies conducting business in the State of Illinois, are reported in the accompanying financial statement.

a. Deposits

Custodial Credit Risk - Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Department's deposits may not be returned to it. To guard against custodial credit risk for deposits with financial institutions, the Department requires that deposits with financial institutions in excess of FDIC limits be secured by some form of collateral, by a written agreement, and held at an independent, third-party institution in the name of the Department.

b. Investments

As of June 30, 2007, the Department had the following investments:

	Fair Value (Thousands)	**Weighted Average Maturity (Years)**
Investment Type		
U.S. Treasury Bills	$ 8,640	.18
U.S. Treasury Notes	492,823	2.82
U.S. Treasury Bonds	161,687	13.93
U.S. Treasury Strips	18,571	3.72
U.S. Agency Obligations	78,523	3.38
Municipal Debt	52,803	4.73
Corporate Debt Securities	14,577	6.73
Total Fair Value	827,624	
Non-negotiable Certificates of Deposit with maturities of greater than 90 days at time of purchase	2,891	
	$ 830,515	

3. DEPOSITS AND INVESTMENTS – Continued

b. Investments - Continued

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The above listing of investments summarizes interest rate risk using the Weighted Average Maturity Method. The Weighted Average Maturity Method (WAM) expresses investment time horizons – the time when investments become due and payable – in years to reflect the dollar size of individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department does not have a formal investment policy that limits investment choices. The below table summarizes the credit rating by Moody's, a nationally recognized statistical ratings organization.

Investment Type	**Fair Value (Thousands)**	**Credit Rating (Moody's)**
U.S. Agency Obligations	$ 493	AA2
	78,030	AAA
	$ 78,523	
Municipal Debt	$ 52	AA1
	9,389	AA2
	43,362	AAA
	$ 52,803	
Corporate Debt Securities	$ 4,111	AA2
	8,033	AA3
	2,433	AAA
	$ 14,577	

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2007
(Expressed in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
SECURITY DEPOSIT FUND - 1109				
ASSETS				
Cash and cash equivalents	$ 586	$ 32,972	$ 32,439	$ 1,119
Investments	879,170	263,467	312,122	830,515
Total assets	$ 879,756	$ 296,439	$ 344,561	$ 831,634
LIABILITIES				
Other liabilities	$ 879,756	$ 296,439	$ 344,561	$ 831,634

See accompanying Independent Auditors' Report

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

  Schedule of Expenditures of Federal Awards
  Notes to the Schedule of Expenditures of Federal Awards
  Schedule of Appropriations, Expenditures and Lapsed Balances by Fund
  Schedule of Appropriations, Expenditures and Lapsed Balances by Major Object Code
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Fund
  Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances by Major Object Code
  Schedule of Receipts, Disbursements and Fund Balance (Cash Basis) – Locally Held Funds
  Schedule of Changes in State Property
  Comparative Schedule of Cash Receipts by Fund
  Comparative Schedule of Cash Receipts by Division by Revenue Category
  Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  Analysis of Significant Variations in Expenditures by Fund
  Analysis of Significant Variations in Expenditures by Major Object Code
  Analysis of Significant Variations in Receipts by Fund
  Analysis of Significant Variations in Receipts by Division by Revenue Category
  Analysis of Significant Lapse Period Spending by Major Object Code
  Analysis of Accounts Receivable

- Analysis of Operations:

  Agency Functions and Planning Program
  Average Number of Employees
  Service Efforts and Accomplishments (Not Examined)

The accountants' 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, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007
(Expressed in Thousands)

Federal Grantor:	Federal CFDA Number	Expenditures	
U.S. Department of Health and Human Services:			
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	$	502
State Planning Grants Health Care Access for the Uninsured	93.256		298
TOTAL EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007		$	800

The accompanying notes are an integral part of this schedule.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the State of Illinois, Department of Financial and Professional Regulation (Department). The Department reporting entity is defined in Note 2 of the Department's financial statement for the nonshared fund.

The Schedule of Expenditures of Federal Awards was prepared for State compliance purposes only. A separate single audit of the State of Illinois, Department of Financial and Professional Regulation was not conducted. A separate single audit of the entire State of Illinois (which includes the State of Illinois, Department of Financial and Professional Regulation) was performed and released under separate cover.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared in accordance with generally accepted accounting principles on the modified accrual basis of accounting as prescribed in pronouncements issued by the Governmental Accounting Standards Board.

3. INDIRECT COSTS

The Department does not claim indirect cost reimbursements for any of its federal award programs. Consequently, the Department does not have an indirect cost rate established for allocating indirect costs to federal award programs.

4. DESCRIPTION OF FEDERAL AWARD PROGRAMS

The following is a brief description of the programs included in the Schedule of Expenditures of Federal Awards:

<u>U.S. Department of Health and Human Services</u>:

A. <u>CFDA #93.779</u>

The grant has been used to develop the new and innovative approaches necessary to enhance the Senior Health Insurance Program (SHIP) counseling services. Primary efforts are to keep updated on the changes in Medicare and Medicare Supplement and to educate the senior population as well as SHIP volunteers on those changes, as well as to recruit more SHIP volunteers and sponsoring organizations. Revenues derived from the Department's participation in the program were accounted for in the Senior Health Insurance Program Fund – 0396.

4. DESCRIPTION OF FEDERAL AWARD PROGRAMS – Continued

B. <u>CFDA #93.256</u>

This one time grant, extended through May 31, 2007, is for the development of plans for providing uninsured citizens of Illinois access to affordable health insurance. Studies are conducted to better identify the characteristics of uninsured citizens, the data of which will determine the most effective methods to provide them with high quality, affordable health insurance similar to plans that cover government employees or other benchmark plans. Revenues derived from the Department's participation in the planning grant were accounted for in the Department of Insurance Federal Trust Fund – 0673.

5. PASS-THROUGH AND SUBRECIPIENT AWARDS

The Department receives all of its federal awards directly from the U.S. Department of Health and Human Services, and does not provide any awards to subrecipients.

6. NONCASH AWARDS

The Department does not receive any noncash awards.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007 - BY FUND

Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1 to August 31, 2007	Total Expenditures	Balances Lapsed
Public Act 094-0798					
APPROPRIATED FUNDS					
DIVISION OF FINANCIAL INSTITUTIONS					
Financial Institution Fund - 0021	$ 3,764,000	$ 3,314,448	$ 162,242	$ 3,476,690	$ 287,310
TOMA Consumer Protection Fund - 0241	20,000	-	-	-	20,000
Credit Union Fund - 0243	2,564,600	2,135,128	98,595	2,233,723	330,877
Total - Division of Financial Institutions	6,348,600	5,449,576	260,837	5,710,413	638,187
DIVISION OF INSURANCE					
Senior Health Insurance Program Fund - 0396	800,000	475,685	30,698	506,383	293,617
Illinois Workers' Compensation Commission Operations Fund - 0534	950,000	166,566	13,255	179,821	770,179
Public Pension Regulation Trust Fund - 0546	791,200	720,869	32,999	753,868	37,332
Insurance Producers' Administration Fund - 0922	8,159,100	6,435,545	424,878	6,860,423	1,298,677
Insurance Financial Regulation Fund - 0997	10,941,100	9,416,259	466,057	9,882,316	1,058,784
Total - Division of Insurance	21,641,400	17,214,924	967,887	18,182,811	3,458,589
DIVISION OF BANKING					
Savings and Residential Finance Regulatory Fund - 0244	3,917,600	3,466,821	170,682	3,637,503	280,097
Pawnbroker Regulation Fund - 0562	92,300	71,368	6,049	77,417	14,883
Bank and Trust Company Fund - 0795	13,846,500	12,414,990	624,860	13,039,850	806,650
Total - Division of Banking	17,856,400	15,953,179	801,591	16,754,770	1,101,630

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007 - BY FUND

Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1 to August 31, 2007	Total Expenditures	Balances Lapsed
DIVISION OF PROFESSIONAL REGULATION					
General Professions Dedicated Fund - 0022	$ 3,713,300	$ 3,156,593	$ 181,168	$ 3,337,761	$ 375,539
Illinois State Pharmacy Disciplinary Fund - 0057	3,131,300	2,910,174	48,361	2,958,535	172,765
Illinois State Medical Disciplinary Fund - 0093	4,416,600	3,283,048	190,256	3,473,304	943,296
Registered CPA Administration and Disciplinary Fund - 0151	473,600	209,317	13,851	223,168	250,432
Professional Regulation Evidence Fund - 0192	30,000	-	-	-	30,000
Professions Indirect Cost Fund - 0218	33,007,800	25,162,635	2,951,422	28,114,057	4,893,743
Nurse Dedicated and Professional Fund - 0258	1,983,300	1,164,456	84,635	1,249,091	734,209
Optometric Licensing and Disciplinary Committee Fund - 0259	541,900	379,160	17,167	396,327	145,573
Appraisal Administration Fund - 0386	544,300	343,642	20,947	364,589	179,711
Auction Regulation Administration Fund - 0641	216,500	87,641	3,569	91,210	125,290
Home Inspector Administration Fund - 0746	107,300	71,491	6,169	77,660	29,640
Real Estate Audit Fund - 0750	40,000	-	-	-	40,000
Illinois State Dental Disciplinary Fund - 0823	844,500	683,186	36,229	719,415	125,085
Real Estate Research and Education Fund - 0849	70,000	18,000	-	18,000	52,000
Real Estate License Administration Fund - 0850	3,153,600	2,701,588	142,751	2,844,339	309,261
Design Professional Administration and Investigation Fund - 0888	715,400	564,541	27,948	592,489	122,911
Illinois State Podiatric Disciplinary Fund - 0954	11,000	3,960	400	4,360	6,640
Total - Division of Professional Regulation	53,000,400	40,739,432	3,724,873	44,464,305	8,536,095
TOTAL - ALL APPROPRIATED FUNDS	$ 98,846,800	79,357,111	5,755,188	85,112,299	$ 13,734,501

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007 - BY FUND

Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1 to August 31, 2007	Total Expenditures	Balances Lapsed
NON-APPROPRIATED FUNDS					
DIVISION OF INSURANCE					
Insurance Premium Tax Refund Fund - 0378	N/A	$ 2,155,909	$ -	$ 2,155,909	N/A
Department of Insurance Federal Trust Fund - 0673	N/A	298,243	-	298,243	N/A
Group Self-Insurers Workers Compensation Fund - 0739	N/A	684,118	-	684,118	N/A
Total - Division of Insurance		3,138,270	-	3,138,270	
TOTAL - ALL NON-APPROPRIATED FUNDS		3,138,270	-	3,138,270	
GRAND TOTAL - ALL FUNDS		$ 82,495,381	$ 5,755,188	$ 88,250,569	

Note: All data on this schedule has been taken from State Comptroller records and reconciled to those of the Department.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007 - BY MAJOR OBJECT CODE

Fourteen Months Ended August 31, 2007

Public Act 094-0798	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1 to August 31, 2007	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS					
Personal services	$ 47,600,900	$43,438,512	$ 2,015,537	$ 45,454,049	$ 2,146,851
Retirement - employer contribution	5,494,900	5,012,490	234,033	5,246,523	248,377
Social security	3,635,800	3,112,214	147,297	3,259,511	376,289
Group insurance	11,728,200	9,591,874	423,793	10,015,667	1,712,533
Contractual services	11,140,790	6,100,174	1,381,736	7,481,910	3,658,880
Travel	2,761,610	1,582,930	218,727	1,801,657	959,953
Commodities	260,800	82,846	20,845	103,691	157,109
Printing	347,200	152,329	37,825	190,154	157,046
Equipment	314,300	52,320	148,482	200,802	113,498
Electronic data processing	4,197,900	2,800,717	478,542	3,279,259	918,641
Telecommunications	1,316,900	767,291	126,060	893,351	423,549
Operation of automotive equipment	243,300	181,844	55,959	237,803	5,497
Lump sum	7,294,200	4,224,684	459,917	4,684,601	2,609,599
Awards and grants	2,144,000	2,125,029	4,050	2,129,079	14,921
Refunds	366,000	131,857	2,385	134,242	231,758
TOTAL - APPROPRIATED FUNDS	$ 98,846,800	79,357,111	5,755,188	85,112,299	$ 13,734,501

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
APPROPRIATIONS FOR FISCAL YEAR 2007 - BY MAJOR OBJECT CODE

Fourteen Months Ended August 31, 2007

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2007	Lapse Period Expenditures July 1 to August 31, 2007	Total Expenditures	Balances Lapsed
NON-APPROPRIATED FUNDS					
Lump sum	N/A	$ 298,243	$ -	$ 298,243	N/A
Awards and grants	N/A	684,118	-	684,118	N/A
Refunds	N/A	2,155,909	-	2,155,909	N/A
TOTAL - NON-APPROPRIATED FUNDS		3,138,270	-	3,138,270	
GRAND TOTAL - ALL FUNDS		$82,495,381	$ 5,755,188	$ 88,250,569	

Note: All data on this schedule has been taken from State Comptroller records and reconciled to those of the Department.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES BY FUND

	2007			2006		
	Public Act 94-0798			Public Acts 94-0015 and 94-0798		
	Appropriations (Net After Transfers)	Total Expenditures	Balances Lapsed	Appropriations (Net After Transfers)	Total Expenditures	Balances Lapsed
APPROPRIATED FUNDS						
DIVISION OF FINANCIAL INSTITUTIONS						
Financial Institution Fund - 0021	$ 3,764,000	$ 3,476,690	$ 287,310	$ 3,723,300	$ 3,124,707	$ 598,593
TOMA Consumer Protection Fund - 0241	20,000	-	20,000	20,000	-	20,000
Credit Union Fund - 0243	2,564,600	2,233,723	330,877	2,458,500	2,125,011	333,489
Total - Division of Financial Institutions	6,348,600	5,710,413	638,187	6,201,800	5,249,718	952,082
DIVISION OF INSURANCE						
Senior Health Insurance Program Fund - 0396	800,000	506,383	293,617	800,000	778,547	21,453
Illinois Workers' Compensation Commission Operations Fund - 0534	950,000	179,821	770,179	-	-	-
Public Pension Regulation Trust Fund - 0546	791,200	753,868	37,332	779,700	723,899	55,801
Insurance Producers' Administration Fund - 0922	8,159,100	6,860,423	1,298,677	7,554,600	6,896,655	657,945
Insurance Financial Regulation Fund - 0997	10,941,100	9,882,316	1,058,784	9,978,300	9,300,922	677,378
Total - Division of Insurance	21,641,400	18,182,811	3,458,589	19,112,600	17,700,023	1,412,577
DIVISION OF BANKING						
Savings and Residential Finance Regulatory Fund - 0244	3,917,600	3,637,503	280,097	4,388,200	2,990,349	1,397,851
Pawnbroker Regulation Fund - 0562	92,300	77,417	14,883	86,600	75,030	11,570
Bank and Trust Company Fund - 0795	13,846,500	13,039,850	806,650	13,337,600	12,638,389	699,211
Total - Division of Banking	17,856,400	16,754,770	1,101,630	17,812,400	15,703,768	2,108,632
DIVISION OF PROFESSIONAL REGULATION						
General Professions Dedicated Fund - 0022	3,713,300	3,337,761	375,539	3,297,300	3,005,629	291,671
Illinois State Pharmacy Disciplinary Fund - 0057	3,131,300	2,958,535	172,765	1,915,400	1,853,324	62,076
Illinois State Medical Disciplinary Fund - 0093	4,416,600	3,473,304	943,296	3,778,000	3,205,784	572,216
Registered CPA Administration and Disciplinary Fund - 0151	473,600	223,168	250,432	473,600	294,010	179,590
Professional Regulation Evidence Fund - 0192	30,000	-	30,000	30,000	-	30,000
Professions Indirect Cost Fund - 0218	33,007,800	28,114,057	4,893,743	33,692,900	27,049,072	6,643,828
Nurse Dedicated and Professional Fund - 0258	1,983,300	1,249,091	734,209	1,309,200	1,063,220	245,980
Optometric Licensing and Disciplinary Committee Fund - 0259	541,900	396,327	145,573	460,200	339,384	120,816
Appraisal Administration Fund - 0386	544,300	364,589	179,711	741,200	595,649	145,551

(continued)

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES BY FUND

	2007			2006		
	Public Act 94-0798			Public Acts 94-0015 and 94-0798		
	Appropriations (Net After Transfers)	Total Expenditures	Balances Lapsed	Appropriations (Net After Transfers)	Total Expenditures	Balances Lapsed
DIVISION OF PROFESSIONAL REGULATION (continued)						
Auction Regulation Administration Fund - 0641	$ 216,500	$ 91,210	$ 125,290	$ 195,000	$ 116,641	$ 78,359
Home Inspector Administration Fund - 0746	107,300	77,660	29,640	86,800	60,601	26,199
Real Estate Audit Fund - 0750	40,000	-	40,000	40,000	-	40,000
Illinois State Dental Disciplinary Fund - 0823	844,500	719,415	125,085	817,000	689,041	127,959
Real Estate Research and Education Fund - 0849	70,000	18,000	52,000	70,000	19,612	50,388
Real Estate License Administration Fund - 0850	3,153,600	2,844,339	309,261	2,906,600	2,556,037	350,563
Design Professional Administration and Investigation Fund - 0888	715,400	592,489	122,911	802,700	524,659	278,041
Illinois State Podiatric Disciplinary Fund - 0954	11,000	4,360	6,640	11,000	1,925	9,075
Total - Division of Professional Regulation	53,000,400	44,464,305	8,536,095	50,626,900	41,374,588	9,252,312
TOTAL - ALL APPROPRIATED FUNDS	$ 98,846,800	85,112,299	$ 13,734,501	$ 93,753,700	80,028,097	$ 13,725,603
NON-APPROPRIATED FUNDS						
DIVISION OF INSURANCE						
Insurance Premium Tax Refund Fund - 0378	N/A	2,155,909	N/A	N/A	1,016,854	N/A
Department of Insurance Federal Trust Fund - 0673	N/A	298,243	N/A	N/A	201,276	N/A
Group Self-Insurers Workers Compensation Fund - 0739	N/A	684,118	N/A	N/A	727,434	N/A
Total - Division of Insurance		3,138,270			1,945,564	
DIVISION OF BANKING						
Real Estate Recovery Fund - 0629	N/A	-	N/A	N/A	7,820	N/A
Total - Division of Banking		-			7,820	
TOTAL - ALL NON-APPROPRIATED FUNDS		3,138,270			1,953,384	
GRAND TOTAL - ALL FUNDS		$ 88,250,569			$ 81,981,481	
APPOINTED STATE OFFICERS' SALARIES						
General Revenue Fund - 0001	$ 455,500	$ 353,300	$ 102,200	$ 437,700	$ 271,711	$ 165,989
Bank and Trust Company Fund - 0795	120,400	114,025	6,375	117,345	117,345	-
Total - State Officers' Salaries	$ 575,900	$ 467,325	$ 108,575	$ 555,045	$ 389,056	$ 165,989

(concluded)

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES BY MAJOR OBJECT CODE

	Fiscal Year	
	2007	2006
	Public Act 94-0798	Public Acts 94-0015 and 94-0798
APPROPRIATED FUNDS		
Appropriations (net of transfers)	$ 98,846,800	$ 93,753,700
Expenditures:		
Personal services	45,454,049	45,692,058
Retirement - employee contribution	-	277,185
Retirement - employer contribution	5,246,523	3,568,502
Social security	3,259,511	3,282,440
Group insurance	10,015,667	10,866,657
Contractual services	7,481,910	8,493,036
Travel	1,801,657	1,758,128
Commodities	103,691	102,628
Printing	190,154	197,657
Equipment	200,802	356,691
Electronic data processing	3,279,259	1,958,455
Telecommunications	893,351	855,826
Operation of automotive equipment	237,803	235,331
Lump sum	4,684,601	1,092,169
Awards and grants	2,129,079	1,110,746
Refunds	134,242	180,588
Total expenditures	85,112,299	80,028,097
Lapsed balances	$ 13,734,501	$ 13,725,603
NON-APPROPRIATED FUNDS		
Expenditures:		
Lump sum	$ 298,243	$ 201,276
Awards and grants	684,118	735,254
Refunds	2,155,909	1,016,854
Total expenditures - non-appropriated funds	$ 3,138,270	$ 1,953,384

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (CASH BASIS)
LOCALLY HELD FUNDS

For the Year Ended June 30, 2007

	Liquidated Currency Exchange Fund 1133	Official Advance Fund 1249	Bank Examiner's Education Fund 1296	Total
Cash Balance at July 1, 2006	$ 74,178	$ 10,363	$ 163,570	$ 248,111
Receipts	783,980	5,261	304,501	1,093,742
Disbursements	(704,637)	(5,860)	(49,742)	(760,239)
Cash Balance at June 30, 2007	$ 153,521	$ 9,764	$ 418,329	$ 581,614

The above locally held funds are held at the following institutions:

Liquidated Currency Exchange Fund	Corus Bank
Official Advance Fund	Chase Bank
Bank Examiner's Education Fund	Marine Bank

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SCHEDULE OF CHANGES IN STATE PROPERTY
For the Year Ended June 30, 2007

Property balance, July 1, 2006	$ 14,305,902
Additions:	
Purchases	620,885
Transfers in	23,497
Total Additions	644,382
Deductions:	
Deletions	(31,562)
Transfers out	(1,420,122)
Total Deductions	(1,451,684)
Property balance, June 30, 2007	$ 13,498,600

The above balances consist of equipment and capital lease equipment.

Note: The above schedule has been derived from Department records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS BY FUND

For the Years Ended June 30, 2007 and 2006

	2007	2006
Division of Financial Institutions:		
Financial Institution Fund - 0021	$ 8,680,980	$ 8,549,035
Credit Union Fund - 0243	10,081,363	63,556
Subtotal - Division of Financial Institutions	18,762,343	8,612,591
Division of Insurance:		
General Revenue Fund - 0001	311,941,274	318,424,025
Fire Prevention Fund - 0047	20,313,284	19,502,933
Department of Insurance State Trust Fund - 0382	-	16,868
Senior Health Insurance Program Fund - 0396	497,100	809,150
Protest Fund - 0401	20,252,341	11,314,454
Illinois Workers' Compensation Commission Operations Fund - 0534	13,987,935	13,582,151
Public Pension Regulation Trust Fund - 0546	1,421,813	1,449,418
Department of Insurance Federal Trust Fund - 0673	330,176	214,525
Group Self-Insurers Workers Compensation Fund - 0739	1,639,310	385,970
Insurance Producers' Administration Fund - 0922	23,071,125	22,653,163
Insurance Financial Regulation Fund - 0997	19,844,039	19,067,278
Subtotal - Division of Insurance	413,298,397	407,419,935
Division of Banking:		
General Revenue Fund - 0001	-	15,001,000
Savings and Residential Finance Regulatory Fund - 0244	11,195,431	10,794,244
Pawnbroker Regulation Fund - 0562	321,105	161,170
Bank and Trust Company Fund - 0795	28,279,577	23,058,513
Subtotal - Division of Banks and Real Estate	39,796,113	49,014,927

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS BY FUND

For the Years Ended June 30, 2007 and 2006

	2007	2006
Division of Professional Regulation:		
General Revenue Fund - 0001	$ 96	$ 178
General Professions Dedicated Fund - 0022	9,248,328	12,731,960
Illinois State Pharmacy Disciplinary Fund - 0057	2,429,268	5,117,051
Illinois State Medical Disciplinary Fund - 0093	1,498,579	4,982,256
Registered CPA Administration and Disciplinary Fund - 0151	3,204,545	479,211
Nurse Dedicated and Professional Fund - 0258	2,701,755	9,917,293
Optometric Licensing and Disciplinary Committee Fund - 0259	123,666	927,410
Paper and Print Revolving Fund - 0308	30	2,010
Appraisal Administration Fund - 0386	471,421	2,771,145
Real Estate Recovery Fund - 0629	35,247	68,014
Auction Regulation Administration Fund - 0641	43,075	624,525
Auction Recovery Fund - 0643	27,650	4,000
Home Inspector Administration Fund - 0746	1,202,853	302,096
Illinois State Dental Disciplinary Fund - 0823	4,699,224	246,186
Real Estate License Administration Fund - 0850	8,991,234	7,368,675
Design Professional Administration and Investigation Fund - 0888	1,100,220	1,314,420
Hearing Instrument Dispenser Examining and Disciplinary Fund - 0938	1,890	31,230
Illinois State Podiatric Disciplinary Fund - 0954	487,055	52,442
Subtotal - Division of Professional Regulation	36,266,136	46,940,102
Total - All Funds	$ 508,122,989	$ 511,987,555

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS
BY DIVISION BY REVENUE CATEGORY

For the Years Ended June 30, 2007 and 2006

	2007		2006	
Division of Financial Institutions:				
Licenses fees and registration:				
Credit union regulatory fees	$ 10,032,484		$ -	
Financial institution licenses and fees	4,094,202		3,816,469	
Retaliatory fees	2,299,286		2,703,728	
Financial institution examination fees	1,333,525		1,213,075	
Credit union examination fees	720		1,960	
		$ 17,760,217		$ 7,735,232
Fines, penalties or violations		1,002,126		877,359
Subtotal - Division of Financial Institutions		18,762,343		8,612,591
Division of Insurance:				
Privilege insurance tax		165,970,274		168,248,358
Retaliatory tax		106,355,671		111,952,102
Surplus line tax		37,160,595		36,164,593
Licenses fees and registration:				
Industrial Commission Operations Fund surcharges	13,987,935		13,582,151	
Insurance producer licenses and fees	21,880,262		21,372,257	
Regulatory insurance licenses and fees	19,844,039		19,067,278	
Pensions filing fees	1,421,813		1,449,418	
Insurance performance examination fees	618,294		719,724	
		57,752,343		56,190,828
Protest fees		16,666,348		11,314,454
Fire marshal tax		20,313,284		19,502,933
Federal government grant		827,276		1,023,675
Surety bonds		1,639,310		385,970
Court and anti-trust distributions		-		16,868
Fines, penalties, interest		6,612,721		2,561,865
Miscellaneous		575		58,289
Subtotal - Division of Insurance		413,298,397		407,419,935
Division of Banking:				
Licenses fees and registration:				
Bank examination fees	18,013,457		13,897,669	
Mortgage banking registrations	6,193,844		5,954,339	
Loan originator licenses and fees	2,642,972		2,833,833	
EDP examination fees	3,498,809		3,410,226	
Corporate fiduciary registrations	2,097,110		2,246,651	
International bank examination fees	4,017,694		2,819,450	
Savings and loan supervisory fees	1,004,912		1,116,861	
Corporate fiduciary receivership fees	399,998		399,599	
Thrift registration fees	1,000		52,594	
Mortgage banking examination fees	460,756		189,762	
Mortgage banking full service fees	403,350		317,250	
Savings and loan examination fees	238,848		201,863	

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION
COMPARATIVE SCHEDULE OF CASH RECEIPTS
BY DIVISION BY REVENUE CATEGORY

For the Years Ended June 30, 2007 and 2006

	2007		2006	
Miscellaneous banking fees	$ 190,776		$ 213,460	
Pawnbroker licenses and fees	320,105		160,420	
Miscellaneous international banking fees	34,400		46,300	
Miscellaneous trust company fees	22,300		16,250	
Check printer fees	2,400		2,400	
		$ 39,542,731		$ 33,878,927
Fines, penalties or violations		250,750		15,133,600
Miscellaneous		2,632		2,400
Subtotal - Division of Banking		39,796,113		49,014,927
Division of Professional Regulation:				
Licenses fees and registration:				
General professions licenses and fees	9,248,328		12,731,960	
Medical licenses and fees	1,498,579		4,982,256	
Dental licenses and fees	4,699,224		246,186	
Nursing licenses and fees	2,701,755		9,917,293	
Pharmacy licenses and fees	2,429,268		5,117,051	
Design professional licenses and fees	1,100,220		1,314,420	
Podiatric physician licenses and fees	487,055		52,442	
CPA licenses and fees	3,204,545		479,211	
Optometrics licenses and fees	123,666		927,410	
Audiologists licenses and fees	1,890		31,230	
Real estate licenses and fees	8,449,406		6,880,389	
Home inspector licenses and fees	1,202,853		302,096	
Appraisal licenses and fees	471,421		2,771,145	
Timeshare registration fees	390,475		337,550	
Land sales fees	186,600		222,750	
Auctioneer licenses and fees	43,075		624,525	
Printing fees	30		2,010	
		36,238,390		46,939,924
Fines, penalties or violations		27,650		-
Miscellaneous		96		178
Subtotal - Division of Professional Regulation		36,266,136		46,940,102
Total		$ 508,122,989		$ 511,987,555

Note: Certain reclassifications have been made to the 2006 cash receipts by category to conform to the 2007 presentation.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

For the Year Ended June 30, 2007

Fund	Receipts Per Department Records	Plus Deposits in Transit Beginning of Year	Less Deposits in Transit End of Year	Transfers/ Adjustments Other Funds	Deposits Per Comptroller Records
General Revenue Fund - 0001	$ 311,941,370	$ 731,651	$ (1,600,293)	$ (1,579,541)	$ 309,493,187
Financial Institution Fund - 0021	8,680,980	40,625	(66,267)	186	8,655,524
General Professions Dedicated Fund - 0022	9,248,328	161,655	(663,485)	(20)	8,746,478
Fire Prevention Fund - 0047	20,313,284	-	-	-	20,313,284
Illinois State Pharmacy Disciplinary Fund - 0057	2,429,268	33,920	(151,812)	40	2,311,416
Illinois State Medical Disciplinary Fund - 0093	1,498,579	21,225	(40,273)	-	1,479,531
Registered CPA Administration and Disciplinary Fund - 0151	3,204,545	42,620	(32,635)	-	3,214,530
Professions Indirect Cost Fund - 0218	-	-	-	1,731	1,731
TOMA Consumer Protection Fund - 0241	-	-	-	50,000	50,000
Credit Union Fund - 0243	10,081,363	1,875	(3,195)	-	10,080,043
Savings and Residential Finance Regulatory Fund - 0244	11,195,431	397,042	(752,970)	2,575	10,842,078
Nurse Dedicated and Professional Fund - 0258	2,701,755	62,642	(69,929)	(105)	2,694,363
Optometric Licensing and Disciplinary Committee Fund - 0259	123,666	13,375	(13,150)	-	123,891
Paper and Printing Revolving Fund - 0308	30	-	-	(2,040)	(2,010)
Insurance Premium Tax Refund Fund - 0378	-	-	-	1,579,536	1,579,536
Appraisal Administration Fund - 0386	471,421	27,875	(45,200)	25	454,121
Senior Health Insurance Program Fund - 0396	497,100	-	-	-	497,100
Protest Fund - 0401	20,252,341	9,442	-	-	20,261,783
Illinois Workers' Compensation Commission Operations Fund - 0534	13,987,935	-	-	-	13,987,935
Public Pension Regulation Trust Fund - 0546	1,421,813	117,518	(68,098)	-	1,471,233
Pawnbroker Regulation Fund - 0562	321,105	300	(149,940)	(15)	171,450
Real Estate Recovery Fund - 0629	35,247	3,932	(20,797)	-	18,382
Auction Regulation Administration Fund - 0641	43,075	2,050	(1,425)	-	43,700
Auction Recovery Fund - 0643	27,650	-	-	-	27,650
Department of Insurance Federal Trust Fund - 0673	330,176	-	-	-	330,176
Group Self-Insurers Workers Compensation Fund - 739	1,639,310	9,390	-	-	1,648,700
Home Inspector Administration Fund - 0746	1,202,853	4,850	(7,750)	-	1,199,953
Bank and Trust Company Fund - 0795	28,279,577	9,450	(3,150)	(500)	28,285,377
Illinois State Dental Disciplinary Fund - 0823	4,699,224	21,125	(38,172)	-	4,682,177
Real Estate License Administration Fund - 0850	8,991,234	231,890	(304,130)	-	8,918,994

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER

For the Year Ended June 30, 2007

Fund	Receipts Per Department Records	Plus Deposits in Transit Beginning of Year	Less Deposits in Transit End of Year	Transfers/ Adjustments Other Funds	Deposits Per Comptroller Records
Design Professional Administration and Investigation Fund - 0888	$ 1,100,220	$ 6,105	$ (19,880)	$ (740)	$ 1,085,705
Insurance Producers' Administration Fund - 0922	23,071,125	549,197	(777,219)	2,272	22,845,375
Hearing Instrument Dispenser Examining and Disciplinary Fund - 0938	1,890	135	(270)	-	1,755
Illinois State Podiatric Disciplinary Fund - 0954	487,055	305	(5,897)	(21)	481,442
Insurance Financial Regulation Fund - 0997	19,844,039	7,807,906	(5,673,182)	-	21,978,763
	$ 508,122,989	$ 10,308,100	$ (10,509,119)	$ 53,383	$ 507,975,353

Note: Transfers/Adjustments Other Funds consist primarily of receipts recorded in Department records that are paid under protest and interfund transfers that are recorded as receipts per Department records, but are not recorded on the Comptroller's Monthly Revenue Status Report.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BY FUND

The Department of Financial and Professional Regulation's (Department) analysis of significant fluctuations in expenditures as presented in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances by Fund is detailed below.

We obtained explanations from Department personnel for material fluctuations in expenditures between years. We considered fluctuations in excess of 15% and $100,000 to be significant. Explanations of material expenditure fluctuations are as follows:

Division of Financial Institutions

No significant fluctuations in expenditures by fund from 2006 to 2007.

Division of Insurance

Insurance Premium Tax Refund Fund (0378) (non-appropriated) expenditures increased $1,139,055 (112%) from fiscal year 2006 to 2007. This increase was due to the overall increase of refunds of annual premium tax collections processed for fiscal year 2007.

Senior Health Insurance Program (SHIP) Fund (0396) expenditures decreased $272,164 (35%) from fiscal year 2006 to 2007 due to extensive changes regarding Medicare coverage and increased options for prescription drug coverage. These changes required SHIP spending to increase during fiscal year 2006 for seminars and training of volunteer counselors. During fiscal year 2007, fewer funds were spent on training and media coverage.

Illinois Workers' Compensation Commission Operations Fund (0534) expenditures increased $179,821 (100%) from fiscal year 2006 to 2007. This increase was due to the establishment of the Worker's Compensation Fraud Unit in fiscal year 2007.

Division of Banking

Savings and Residential Finance Regulatory Fund (0244) expenditures increased $647,154 (22%) from fiscal year 2006 to 2007 as a result of an increase in hiring for the Predatory Lending program.

Division of Professional Regulation

Illinois State Pharmacy Disciplinary Fund (0057) expenditures increased $1,105,211 (60%) from fiscal year 2006 to 2007 as a result of additional appropriations being awarded for the continuation of pharmacy grants.

Nurse Dedicated and Professional Fund (0258) expenditures increased $185,871 (17%) from fiscal year 2006 to 2007. This increase resulted from additional personal services expenditures and expenditures related to a survey performed by the Nursing Advisory Board.

Appraisal Administration Fund (0386) expenditures decreased $231,060 (39%) from fiscal year 2006 to 2007. A majority of this decrease is due to the forwarding of appraisal fees to the federal government on a biennial cycle, which occurs during even numbered fiscal years.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BY MAJOR OBJECT CODE

The Department of Financial and Professional Regulation's (Department) analysis of significant fluctuations in expenditures as presented in the Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances by Major Object Code is detailed below.

We obtained explanations from Department personnel for material fluctuations in expenditures between years. We considered fluctuations in excess of 15% and $100,000 to be significant. Explanations of material expenditure fluctuations are as follows:

Retirement – employee contribution expenditures decreased $277,185 (100%) from fiscal year 2006 to 2007 as a result of changes in the AFSCME contract regarding union employees which eliminated the retirement costs previously paid by the Department.

Retirement – employer contribution expenditures increased $1,678,021 (47%) from fiscal year 2006 to 2007 as a result of the established pension contribution rate changing from 7.791% in fiscal year 2006 to 11.525% in fiscal year 2007.

Equipment expenditures decreased $155,889 (44%) from fiscal year 2006 to 2007 as a result of in fiscal year 2006 the Department purchased an automobile and office furniture and the same equipment expenditures did not occur in fiscal year 2007.

Electronic data processing expenditures increased $1,320,804 (67%) from fiscal year 2006 to 2007. Projects planned in fiscal year 2006 which included expenditures for the Black Pearl Department of Central Management Services (DCMS) IT Rationalization Project did not gain approval of DCMS until fiscal year 2007, which delayed expenditures until the following fiscal year.

Lump sum expenditures (appropriated) increased $3,592,432 (329%) from fiscal year 2006 to 2007 as a result of additional lump sum funds appropriated for the Shared Services Initiative.

Lump sum expenditures (non-appropriated) increased $96,967 (48%) from fiscal year 2006 to 2007 as a result of additional professional and artistic services, as well as auditing and management expenditures.

Awards and grants expenditures (appropriated) increased $1,018,333 (92%) from fiscal year 2006 to 2007 as a result of additional appropriations awarded for the continuation of pharmacy grants.

Refunds (non-appropriated) increased $1,139,055 (112%) from fiscal year 2006 to 2007 as a result of fluctuations in the amount of refunds of annual premium tax collections.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BY FUND

The Department's analysis of significant fluctuations in cash receipts as presented in the Comparative Schedule of Cash Receipts by Fund is detailed below. We considered fluctuations in excess of 20% and $250,000 to be significant.

Division of Financial Institutions

Credit Union Fund (0243) receipts increased $10,017,807 (15,762%) from fiscal year 2006 to 2007 as a result of a timing difference in the receipt of the annual Credit Union Regulatory Fee payments. The payments related to fiscal year 2006 were billed during December 2006, the middle of fiscal year 2007, while the payments related to fiscal year 2007 were billed during February 2007, also during fiscal year 2007, resulting in regulatory payments for two years being billed and received in fiscal year 2007.

Division of Insurance

Senior Health Insurance Program Fund (0396) receipts decreased $312,050 (39%) from fiscal year 2006 to 2007 as a result of the Department having received additional funding via the 2006 annual federal budget to cover the additional expenses related to conducting trainings and seminars to educate Illinois' seniors on the extensive changes to Medicare coverage in fiscal year 2006.

Protest Fund (0401) receipts increased $8,937,887 (79%) from fiscal year 2006 to 2007 as a result a large protest penalty from an insurance company due to a disagreement with the retaliatory audit finding regarding their income tax refund.

Group Self-Insurers Workers Compensation Fund (0739) receipts increased $1,253,340 (325%) from fiscal year 2006 to 2007 as a result of several large estate claims settled by the Office of the Special Deputy Receiver.

Division of Banking

General Revenue Fund (0001) receipts decreased $15,001,000 (100%) from fiscal year 2006 to 2007 as a result of a fine levied and received against a foreign bank in conjunction with the State of New York and federal government examination of said bank during fiscal year 2006.

Bank and Trust Company Fund (0795) receipts increased $5,221,064 (23%) from fiscal year 2006 to 2007 as a result of the fiscal year 2007 credit not being issued back to the banks due to the ongoing fee increase litigation.

Division of Professional Regulation

In general, variances in receipts were due to fee changes, renewal periods, changes in the number of licensees and changes in profession titles and qualifications. Professions have renewal periods of one, two or three years. Specific profession variances in receipts follow:

General Professions Dedicated Fund (0022) receipts decreased $3,483,632 (27%) from fiscal year 2006 to 2007 due to the renewal cycle of many professions, with renewals during fiscal year 2006.

Illinois State Pharmacy Disciplinary Fund (0057) receipts decreased $2,687,783 (53%) from fiscal year 2006 to 2007 due to the renewal cycle of registered pharmacists, with renewals during fiscal year 2006.

Illinois State Medical Disciplinary Fund (0093) receipts decreased $3,483,677 (70%) from fiscal year 2006 to 2007 due to the renewal cycle of the medical profession, with renewals during fiscal year 2005.

Registered CPA Administration and Disciplinary Fund (0151) receipts increased $2,725,334 (569%) from fiscal year 2006 to 2007 due to the renewal cycle of the public accountant profession, with renewals being received during fiscal year 2007 and the new registered designation required for CPA's.

Nurse Dedicated and Professional Fund (0258) receipts decreased $7,215,538 (73%) from fiscal year 2006 to 2007 due to the renewal cycles of nursing professions, with renewals during fiscal year 2006.

Optometric Licensing and Disciplinary Committee Fund (0259) receipts decreased $803,744 (87%) from fiscal year 2006 to 2007 due to the renewal cycle of the optometrist profession, with renewals during fiscal year 2006.

Appraisal Administration Fund (0386) receipts decreased $2,299,724 (83%) from fiscal year 2006 to 2007 due to the renewal cycle of the appraisal profession, with renewals during fiscal year 2006.

Auction Regulation Administration Fund (0641) receipts decreased $581,450 (93%) from fiscal year 2006 to 2007 due to the renewal cycle of the auction regulation profession, with renewals during fiscal year 2006.

Home Inspector Administration Fund (0746) receipts increased $900,757 (298%) from fiscal year 2006 to 2007 due to renewal cycle of the home inspector profession, with renewals during fiscal year 2007.

Illinois State Dental Disciplinary Fund (0823) receipts increased $4,453,038 (1,809%) from fiscal year 2006 to 2007 due to the renewal cycle of the dentist and hygienist professions, with renewals during fiscal year 2007.

Real Estate License Administration Fund (0850) receipts increased $1,622,559 (22%) from fiscal year 2006 to 2007 due to the renewal cycle of the real estate license profession. Brokers and Salespersons renew on a biennial basis, with approximately 30,000 brokers renewing during fiscal year 2006 and approximately 60,000 salespersons renewing during fiscal year 2007, resulting in more receipts being received in fiscal year 2007.

Illinois State Podiatric Disciplinary Fund (0954) receipts increased $434,613 (829%) from fiscal year 2006 to 2007 due to renewal cycles for podiatrist profession, with renewals during fiscal year 2007.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BY DIVISION BY REVENUE CATEGORY

The Department's analysis of significant fluctuations in cash receipts as presented in the Comparative Schedule of Cash Receipts by Division by Revenue Category is detailed below. We considered fluctuations in excess of 20% and $250,000 to be significant.

<u>Division of Financial Institutions</u>

Credit union regulatory fees increased $10,032,484 (100%) from fiscal year 2006 to 2007 as a result of a timing difference in the receipt of the annual Credit union regulatory fee payments. The payments related to fiscal year 2006 were billed during December 2006, the middle of fiscal year 2007, while the payments related to fiscal year 2007 were billed during February 2007, also during fiscal year 2007, resulting in regulatory payments for two years being billed in fiscal year 2007.

<u>Division of Insurance</u>

Protest fees increased $5,351,894 (47%) from fiscal year 2006 to 2007 due to a retaliatory fee paid in protest by an insurance company in disagreement with the retaliatory audit finding regarding their income tax refund.

Surety bonds increased $1,253,340 (325%) from fiscal year 2006 to 2007 due to several large estate claims settled by the Office of the Special Deputy Receiver during fiscal year 2007.

Fines, penalties, interest increased $4,050,856 (158%) from fiscal year 2006 to 2007 due to a large protest penalty from an insurance company due to a disagreement with the retaliatory audit finding regarding their income tax refund and in increase in fees assessed for producer licenses not being renewed timely in fiscal year 2007.

<u>Division of Banking</u>

Bank examination fees increased $4,115,788 (30%) from fiscal year 2006 to 2007 due to an increase in bank assets on which the fees are based.

International bank examination fees increased $1,198,244 (42%) from fiscal year 2006 to 2007 due to an increase in bank assets on which the fees are based.

Mortgage banking examination fees increased $270,994 (143%) from fiscal year 2006 to 2007 due to an increase in bank assets on which the fees are based.

Fines, penalties, or violations decreased $14,882,850 (98%) from fiscal year 2006 to fiscal year 2007 as a result of a fine levied and received, during fiscal year 2006, against a foreign bank in conjunction with the State of New York and federal government examination of said bank.

Division of Professional Regulation

General professions licenses and fees decreased $3,483,632 (27%) from fiscal year 2006 to 2007 due to the renewal cycle of many professions, with renewals during fiscal year 2006.

Medical licenses and fees decreased $3,483,677 (70%) from fiscal year 2006 to 2007 due to the renewal cycle of the medical profession, with renewals during fiscal year 2005.

Dental licenses and fees increased $4,453,038 (1,809%) from fiscal year 2006 to 2007 due to the renewal cycle of the dentist and hygienist professions, with renewals during fiscal year 2007.

Nursing licenses and fees decreased $7,215,538 (73%) from fiscal year 2006 to 2007 due to the renewal cycles of nursing professions, with renewals during fiscal year 2006.

Pharmacy licenses and fees decreased $2,687,783 (53%) from fiscal year 2006 to 2007 due to the renewal cycle of registered pharmacists, with renewals during fiscal year 2006.

Podiatric physician licenses and fees increased $434,613 (829%) from fiscal year 2006 to 2007 due to renewal cycles for podiatrist profession, with renewals during fiscal year 2007.

CPA licenses and fees increased $2,725,334 (569%) from fiscal year 2006 to 2007 due to the renewal cycle of the public accountant profession, with renewals during fiscal year 2007 and the new registered designation required for CPA's.

Optometrics licenses and fees decreased $803,744 (87%) from fiscal year 2006 to 2007 due to the renewal cycle of the optometrist profession, with renewals during fiscal year 2006.

Real estate licenses and fees increased $1,569,017 (23%) from fiscal year 2006 to 2007 due to the renewal cycle of the real estate license profession, with approximately 30,000 brokers renewing during fiscal year 2006 and approximately 60,000 salespersons renewing during fiscal year 2007.

Home inspector licenses and fees increased $900,757 (298%) from fiscal year 2006 to 2007 due to the renewal cycle of the profession, with renewals during fiscal year 2007.

Appraisal licenses and fees decreased $2,299,724 (83%) from fiscal year 2006 to 2007 due to the renewal cycle of the profession, with renewals during fiscal year 2006.

Auctioneer licenses and fees decreased $581,450 (93%) from fiscal year 2006 to 2007 due to the renewal cycle of the profession, with renewals during fiscal year 2006.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
BY MAJOR OBJECT CODE

The Department of Financial and Professional Regulation's (Department) analysis of significant lapse period spending, as presented in the Schedule of Appropriations, Expenditures and Lapsed Balances by Major Object Code, for fiscal year 2007 for lapse period expenditures exceeding 20% and $15,000 of total expenditures are detailed below.

Commodities expenditures of $20,845 (20%) during the lapse period resulted from various commodity vouchers which were in-transit from June, with a small amount of the lapse period expenditures being name plates and mounting frames for the Chicago offices. All commodity expenditures were procured prior to the end of the fiscal year.

Equipment expenditures of $148,482 (74%) during the lapse period resulted from invoice payments for several vehicles, copiers, and legal texts ordered prior to June 30 and paid during the lapse period.

Operation of automotive equipment expenditures of $55,959 (24%) during the lapse period resulted from repairs and other related expenses, including gasoline, incurred prior to June 30 and paid during the lapse period.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF ACCOUNTS RECEIVABLE

An aging schedule of the Department's accounts receivable (expressed in thousands) at June 30, 2007 is presented below:

Aging Schedule	General Revenue Fund 0001	Financial Institution Fund 0021	General Professions Dedicated Fund 0022	Fire Prevention Fund 0047	Illinois State Pharmacy Disciplinary Fund 0057	Illinois State Medical Disciplinary Fund 093	Registered CPA Administration and Disciplinary Fund 0151
Current	$ 745	$ 123	$ 20	$ -	$ 144	$ 36	$ 3
31-60	197	34	1	3	1	1	-
61-120	616	7	1	-	1	-	-
121-180	134	143	8	-	1	45	-
181-365	1,766	100	12	-	1	5	-
Over 365	12,111	27	43	-	1	22	-
Accounts Receivable Gross Balance	15,569	434	85	3	149	109	3
Less: Estimated Uncollectibles	(4,839)	-	-	-	-	-	-
Accounts Receivable Net Balance	$ 10,730	$ 434	$ 85	$ 3	$ 149	$ 109	$ 3

NOTE: The Department uses private collection services and the offset system in its efforts to collect past due receivables.

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF ACCOUNTS RECEIVABLE

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Aging Schedule	Credit Union Fund 0243	Savings and Residential Finance Regulatory Fund 0244	Nurse Dedicated and Professional Fund 0258	Appraisal Administration Fund 0386	Public Pension Regulation Trust Fund 0546	Real Estate Recovery Fund 0629	Auction Recovery Fund 0643
Current	$ 5	$ 319	$ 11	$ -	$ -	$ -	$ 6
31-60	-	11	1	-	306	11	-
61-120	-	24	-	-	-	-	3
121-180	-	40	2	-	-	1	-
181-365	-	29	-	-	-	3	-
Over 365	-	105	6	33	-	1,283	13
Accounts Receivable Gross Balance	5	528	20	33	306	1,298	22
Less: Estimated Uncollectibles	-	-	-	(15)	-	(1,110)	-
Accounts Receivable Net Balance	$ 5	$ 528	$ 20	$ 18	$ 306	$ 188	$ 22

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

ANALYSIS OF ACCOUNTS RECEIVABLE

Aging Schedule	Home Inspector Administration Fund 0746	Bank and Trust Company Fund 0795	Illinois State Dental Disciplinary Fund 0823	Design Professional Administration and Investigation Fund 0888	Insurance Producers' Administration Fund 0922	Insurance Financial Regulation Fund 0997	Total
Current	$ -	$ 7,120	$ 43	$ 137	$ 120	$ 11,850	$ 20,682
31-60	-	-	-	-	6	1	573
61-120	-	-	-	-	3	6	661
121-180	-	-	40	-	-	5	419
181-365	-	1	10	-	1	4	1,932
Over 365	15	7	58	-	1	110	13,835
Accounts Receivable Gross Balance	15	7,128	151	137	131	11,976	38,102
Less: Estimated Uncollectibles	-	-	-	-	(3)	(117)	(6,084)
Accounts Receivable Net Balance	$ 15	$ 7,128	$ 151	$ 137	$ 128	$ 11,859	$ 32,018

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

AGENCY FUNCTIONS AND PLANNING PROGRAM

For the Year Ended June 30, 2007

AGENCY FUNCTIONS

The Department of Financial and Professional Regulation (IDFPR) oversees the regulation and licensure of banks and financial institutions, real estate businesses and professionals, insurance companies and various licensed professions, enforces standards of professional practice and protects the rights of Illinois residents in their transactions with regulated industries.

The mission of the Department is to protect consumers of financial and professional services by ensuring the integrity and standards of regulated industries and professionals through an efficiently consolidated supervisory and enforcement function. Strategic priorities include:

- Maintain safety and soundness of financial services businesses
- Enhance responsiveness of regulatory enforcement
- Improve efficiency and effectiveness of licensure and enforcement functions
- Educate consumers and the public about legal rights and remedies
- Promote economic activity throughout Illinois.

The Department's current initiatives are as follows:

- Continue to consolidate the four predecessor agencies and programs to streamline regulatory bureaucracy and reduce costs by eliminating duplicative functions while at the same time increasing consumer and industry services.

- Create and implement a consolidated, department-wide consumer call center to ensure a more timely response to consumer complaints.

- Improve public knowledge of complaint resolution resources and other consumer protection functions.

- Identify refinements to regulatory statutes and rules to improve efficiency and compliance.

DEPARTMENT PROGRAMS

Evaluation and Licensing:

The Department evaluates and acts upon license applications from regulated industries. IDFPR protects consumers by evaluating the safety, soundness and professional integrity of license applicants.

Investigation and Enforcement:

The Department safeguards the health and welfare of consumers and the public by investigating illegal activities and consumer complaints and taking enforcement actions when warranted. The Department also adjudicates complaints relating to violations of professional standards of practice.

Regulation and Supervision:

The Department conducts ongoing regulatory and supervisory functions of financial services businesses and other professions. IDFPR examiners perform regular examinations and audits of regulated entities and ensure compliance with statutory requirements. Additionally, the Department educates and informs consumers about industries and individuals under its jurisdiction, and receives complaints and inquiries regarding licensees.

Administration:

Legal

The Legal Unit provides a variety of legal services to the regulatory units of the Department. The Unit arranges and conducts formal hearings, conducts the rule making process, drafts contracts, and advises other areas of the Department on legal issues which arise in the course of their work.

The Legal Unit staff normally does not represent the agency in matters before the courts, but act as liaison with the Attorney Generals' staff and outside counsel on litigation in which the Department has an interest. The Legal Division responds to external inquiries from the Office of the Special Deputy Receiver, other agencies of government and the general public as needed.

Personnel Management/Human Resources

The Unit administers the Department's personnel transactions and payroll and maintains employee salary records.

Electronic Data Processing/Information Technology

This unit provides data processing support for the Department including systems analysis, telecommunications networking, programming, microcomputer support, and user training.

Legislative Affairs

This Unit develops the Department's legislative agenda; coordinates IDFPR comments on legislation and develops issue papers, fact sheets and bill reviews; monitors legislation effecting the Department and its regulated industries/entities; negotiates controversial legislation with legislators, Governor's staff and special interest groups; and handles constituent inquiries referred by legislators, legislative staff and the Governor's offices.

Administrative Services

This Unit provides general clerical support as needed for IDFPR staff, coordinates activities related to physical facilities and moves, including coordinating and assigning office space allocations, manages telecommunications, delivers materials to staff, sorts, files and distributes internal and external mail, develops, implements and administers policies and procedures for records/document management, monitors supply levels and processes/fills supply orders, manages and administers the vehicle fleet assets and identifies, classifies and processes forms used within the agency through management of the print shop.

Fiscal Operations

This Unit is responsible for preparing, implementing and monitoring the Department's annual budget. This Unit serves as the centralized accounting area of the agency. This Unit is responsible for all revenue collections, all appropriation expenditures, the accounts receivable reporting, accounts payable, travel and budget preparation. This Section prepares all financial statements for the Department on a GAAP and statutory accounting basis, maintains an automated cash receipts subsystem, statutory deposit subsystem, and the examiner billing data base. Also, this Section implements all the accounting changes required by GASB, updates the Travel Control Board changes, and adjusts the automated cash receipts subsystem to comply with the Comptroller updates.

DIVISION OF INSURANCE

The Division of Insurance is charged with monitoring, regulating and protecting the lawful rights of insurance buyers though enforcement of the Illinois Insurance Code and related laws for the regulation of all insurance companies licensed to transact business in Illinois.

The Division of Insurance is also charged with protecting the rights of Illinois citizens in their insurance transactions and monitoring the financial solvency of all regulated entities through effective administration and enforcement of the Illinois Insurance Code (215 ILCS 5/1 through 5/1312), the Illinois Pension Code (40 ILCS 5/1-101 through 5/21-109) and related laws and regulations (Title 50, Illinois Administrative Code).

The Division's mission is to protect consumers by providing assistance and information, by efficiently regulating the insurance industry's market behavior and financial solvency, and by fostering a competitive insurance marketplace.

The responsibilities of the Division are allocated between the Consumer-Market Section and the Financial-Corporate Regulatory Section.

DIVISION OF PROFESSIONAL REGULATION

The Division of Professional Regulation is responsible for maintaining proper standards of competence for the license holder and to protect the public from those who abuse their licenses. This responsibility encompasses licensing individuals either through issuance of an initial license or by license renewal, administering examinations as a requisite to licensure in certain professions, establishing rules for the proper conduct of licensees, performing investigations into complaints filed against licensees, and taking disciplinary action against licensees determined to have violated the laws or rules governing their profession.

The Division's mission is to serve, safeguard, and promote the public welfare by ensuring that licensure qualifications and standards for professional practice are properly evaluated, accurately applied and vigorously enforced.

The responsibilities of the Division are allocated between the Licensing and Testing Section and the Enforcement Section.

DIVISION OF FINANCIAL INSTITUTIONS

The Division of Financial Institutions is authorized by the Financial Institutions Code (20 ILCS 1205/1) to investigate, examine, license and regulate financial institutions in the State of Illinois including currency exchanges, credit unions, title insurance companies, foreign exchanges and businesses making loans of $25,000 or less.

The Division's mission is to administer and enforce the laws and regulations pertaining to those financial institutions under its jurisdiction and to protect the interests of Illinoisans in their dealings with those industries regulated by the Division of Financial Institutions.

The responsibilities of the Division are allocated among the Consumer Credit Section, the Credit Union Section, and the Currency Exchange Section.

DIVISION OF BANKING

The Division of Banking oversees the regulation and licensure of State chartered banks, trust companies, ATMs not owned by financial institutions, check printers, pawnbrokers, savings banks and savings and loan associations, mortgage bankers and brokers, auctioneers, home inspectors, leasing agents and time share companies.

The Division's mission is to protect and educate the public and promote confidence in the regulated industries through administration of statutory responsibilities in an efficient, professional, responsive and innovative manner.

The responsibilities of the Division are allocated among the Bureau of Banks and Trust Companies and the Bureau of Residential Finance.

PLANNING PROGRAM

Department of Financial and Professional Regulation has established a Strategic Plan. The plan includes a summary of the Department's priorities and initiatives. The Divisions' performance metrics are incorporated into the IDFPR Performance Metric Summary, which includes target dates/periods and descriptions of criteria to help the Department and the four Divisions to evaluate their priorities and initiatives. The Department examines key performance metrics quarterly in their Quarterly Management Report to the Governor's Office of Management and Budget (OMB).

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

AVERAGE NUMBER OF EMPLOYEES

For the Years Ended June 30, 2007 and 2006

The following table, prepared from Department records, presents the average number of employees for the fiscal years ended June 30:

Division/Unit	2007	2006
Division of Insurance	217	231
Division of Banking	170	157
Division of Professional Regulation	217	211
Division of Financial Institutions	61	63
Executive Office	4	6
Fiscal and Accounting Unit	28	29
Information Technology Unit	33	34
Human Resources Unit	12	13
Legal Unit	29	29
Legislative Affairs Unit	6	6
Administrative Services Unit	27	25
TOTAL	804	804

STATE OF ILLINOIS
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

SERVICE EFFORTS AND ACCOMPLISHMENTS
(Not Examined)
For the Year Ended June 30, 2007

The State of Illinois, Department of Financial and Professional Regulation is a state regulatory agency that's mission is to protect consumers of financial and professional services by ensuring the integrity and standards of regulated industries and professionals through an efficiently consolidated supervisory and enforcement function.

The Illinois Department of Financial and Professional Regulation oversees the regulation and licensure of banks and financial institutions, real estate businesses and professionals, insurance companies and various licensed professionals, enforces standards of professional practice and protects the rights of Illinois residents in their transactions with regulated industries.

Evaluating and Licensing

The Department evaluates and acts upon license applications from regulated industries. The Department protects consumers by evaluating the safety, soundness and professional integrity of license applicants.

Investigation and Enforcement

The Department safeguards the health and welfare of consumers and the public by investigating illegal activities and consumer complaints and taking enforcement actions when warranted. The Department also adjudicates complaints relating to violations of professional standards of practice.

Regulation and Supervision

The Department conducts ongoing regulatory and supervisory functions of financial service businesses and other professions. The Department's examiners perform regular examinations and audits of regulated entities and ensure compliance with statutory requirements. Additionally, the Department educates and informs consumers about industries and individuals under its jurisdiction, and receives complaints and inquiries regarding licensees.

Division of Financial Institutions

The Consumer Credit Division protects consumers and ensures that the entities regulated are in compliance with State and Federal statutes.

The Currency Exchange Division ensures that currency exchange services are delivered fairly and, by regulating the industry that provides those services, the public is provided with the protection intended by State law.

The Credit Union Division administers and enforces the laws and regulations pertaining to Illinois State-chartered credit unions and ensures the safety and soundness of these financial institutions; thereby protecting the interest of their members.

ACTIVITIES AND PERFORMANCE

	FY07 Actual	FY06 Actual	FY05 Actual
Consumer Credit Division			
Number of licensees	2,262	2,212	2,017
Number of exams completed	2,213	2,249	1,830
Currency Exchange Division			
Number of licensed exchanges	816	830	865
Number of exams completed	681	719	655
Credit Union Division			
Number of licensees	343	347	367
Number of exams completed	243	242	313

Division of Insurance

The Financial/Corporate and the Consumer Market Divisions protect consumers by providing assistance and information, by efficiently regulating the insurance industry’s market behavior and financial solvency, and by fostering a competitive insurance marketplace.

ACTIVITIES AND PERFORMANCE

	FY07 Actual	FY06 Actual	FY05 Actual
Financial/Corporate Division			
Financial Statement Analysis Annual	440	425	437
Field Financial Examinations	57	86	92
Pension Fund Examinations completed	47	60	56
Consumer Services Division			
New/Renewal Licenses Processed	55,110	64,810	66,823
Market Conduct Examinations completed	28	22	32
Closed Consumer Complaint Files	10,880	11,397	12,696

Division of Banking

The Bureau of Banks and Trust Companies serves and protects the public by chartering, authorizing, and supervising State-chartered commercial banks, foreign bank offices, and corporate fiduciaries in order to assure the safety and soundness of such institutions in compliance with applicable laws and regulations for the benefit of the public. The Bureau also registers check printers, non-financial institution deployers of ATMs, and licenses pawnbrokers that operate in Illinois.

The Bureau of Residential Finance administers the laws and regulations under its jurisdiction and provides effective and efficient supervision in order to protect the interests of the citizens of the State in their dealings with those industries regulated by the Bureau.

ACTIVITIES AND PERFORMANCE

	FY07 Actual	FY06 Actual	FY05 Actual
Bureau of Banks and Trust Companies			
Number of Domestic Commercial Banks	446	464	470
Number of Foreign Bank Offices	12	13	15
Number of Domestic Corporate Fiduciaries	194	196	197
Number of Financial Information Systems Entities	487	513	522
Number of Pawnbroker Licensees	209	202	207
Number of Examinations Performed	515	489	542
Number of Applications Reviewed	335	306	336
Percentage of Newly Chartered Banks That Chose a State vs. National Charter	100%	78%	100%
Percentage of Pawnshop Complaints Investigated Within Established Time Frames	100%	100%	100%
Bureau of Residential Finance			
Number of Residential Mortgage Licensees	2,281	2,168	1,899
Number of Savings and Loans	3	4	5
Number of Savings Banks	41	40	46
Number of Service Corporations	24	24	35
Number of Thrift Examinations	30	34	29
Number of Mortgage Examinations	465	157	422
Number of License Applications Processed	216	288	367

Division of Professional Regulation

The Division of Licensing and Testing completes all licensing services expeditiously and professionally while providing the highest degree of quality and customer service.

The Division of Enforcement provides prompt, efficient, and fair enforcement of the statutes governing licensees for the betterment of all professions and protection of the people of Illinois.

ACTIVITIES AND PERFORMANCE

	FY07 Actual	FY06 Actual	FY05 Actual
Division of Licensing and Testing			
Phone Calls Received by Call Center	195,172	252,263	248,126
New Licenses Issued	89,426	88,721	54,598
License Renewals Received	233,495	335,781	276,535
Initial Applications Received	94,055	160,327	62,469
Average Call Center Waiting Time (minutes)	12.5	8.2	8.3
Percentage of Mail-In Renewals Processed	48.9%	55.0%	74.8%
Percentage of E-Batch Renewals Processed	1.6%	5.5%	2.2%
Percentage of Touch Tone Renewals Processed	10.8%	6.5%	7.5%
Percentage of Internet Credit Card Renewals Processed	38.7%	33.0%	15.5%
Division of Enforcement			
Complaints Received	9,498	9,682	9,195
Complaints Closed	9,311	9,381	9,548
Cases Closed at Investigations	3,361	4,937	431
Cases Referred to Prosecutions	4,207	2,029	3,590
Cases Closed at Prosecutions	1,311	1,214	1,293
Licensees Placed on Probation	344	419	488
Percentage of Complaints Closed	98.0%	104.0%	104.0%
Percentage of Complaints to Investigations	98.0%	95.0%	95.0%
Percentage of Cases Referred to Closure in Prosecutions	14.0%	22.0%	39.0%
Percentage of Child Support Cases Processed	2.3%	1.1%	3.0%
Percentage of Illinois Student Assistance Commission Cases Processed	5.0%	2.8%	5.0%
Percentage of Revenue Cases Processed	0.3%	2.0%	1.0%