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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

REPORT DIGEST

5-94-44400-10

DEPARTMENT OF FINANCIAL INSTITUTIONS
FINANCIAL AND COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1994

SYNOPSIS

- Checks received were not always properly safeguarded and expedited for deposit into the State Treasury.
- The Department did not comply with the provisions of the Fiscal Control and Internal Auditing Act.
- The Department did not advertise sales of abandoned property at least three weeks prior to sales, as required by statute.
- The Department did not maintain adequate controls over unclaimed property.

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

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RECYCLED PAPER · SOYBEAN INKS

DEPARTMENT OF FINANCIAL INSTITUTIONS
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1994

EXPENDITURE STATISTICS	FY 1994	FY 1993	FY 1992
● Total Expenditures	\$11,183,892	\$10,114,192	\$8,839,068
<u>OPERATIONS TOTAL</u>	\$11,183,892	\$10,114,192	\$8,839,068
% of Total Expenditures	100%	100%	100%
Personal Services	\$5,050,777	\$4,574,307	\$4,468,032
% of Operations Expenditures	45%	45%	51%
Average No. of Employees	148	149	147
Other Payroll Costs (FICA, Retirement)	\$1,413,336	\$1,243,400	\$901,754
% of Operations Expenditures	13%	12%	10%
Contractual Services	\$2,286,206	\$2,973,525	\$2,602,173
% of Operations Expenditures	20%	30%	29%
Insurance Reserve	\$0	\$0	\$217,589
% of Operations Expenditures	0%	0%	3%
All Other Operations Items	\$2,433,573	\$1,322,960	\$649,520
% of Operations Expenditures	22%	13%	7%
● Cost of Property and Equipment	\$1,627,906	\$1,451,461	\$1,305,615

SELECTED ACTIVITY MEASURES	FY 1994	FY 1993
● CONSUMER CREDIT DIVISION		
Number of licenses	844	811
Number of exams performed	799	807
● CURRENCY EXCHANGE DIVISION		
Number of licenses	708	706
Number of ambulatory currency exchange licenses	430	430
Number of exams performed	713	650
● CREDIT UNION DIVISION		
Number of state chartered credit unions	551	581
Number of exams performed	590	554
● UNCLAIMED PROPERTY DIVISION		
Number of inquiries processed	49,216	28,452
Number of claims paid	15,248	7,972
Number of exams performed	197	253

AGENCY DIRECTOR(S)
During Audit Period: Gilbert Ruiz (until 3/94), Michael Goldman (Acting 4/94 to 5/94), Frank Casillas (effective 5/94)
Currently: Frank Casillas

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE SAFEGUARDS OVER CHECKS

During our fieldwork, we observed unprotected checks on desks for time periods in excess of one day. For example, on one occasion, we observed six checks totalling approximately \$100,000 on the desks of accounting department employees who were absent. The accounting department door was not locked so the checks were unprotected. Failure to safeguard checks received could result in loss from theft or misuse. (Finding 13, page 25)

The Department responded it has installed an electronic code lock on the accounting department door for additional security and procedures have been implemented to ensure the accounting office door is closed and locked when no one is present in the outer office.

FISCAL CONTROL AND INTERNAL AUDITING ACT

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

- Audits of all major systems of accounting and administrative control were not conducted during the two years under audit. Only five of the 13 major systems were reviewed.
- The chief internal auditor was not free from all operational duties during the audit period.
- Formal reviews of the design of major new electronic data processing systems and major modifications to the system were not performed.
- An annual internal audit plan to be approved by the Director was not prepared. In addition, a written report of the internal auditing results was not prepared.

The Fiscal Control and Internal Auditing Act requires all major systems to be reviewed every two years; the chief internal auditor be free of all operational duties; the internal auditing program include reviews of the design of major new electronic data processing systems and major modifications prior to installation; a two-year audit plan be approved by the Director before the beginning of each fiscal year; and an annual report of the internal auditing results be prepared. (Finding 2, page 11)

The Department responded it will take the necessary action to comply with the Fiscal Control and Internal Auditing Act.

NOTIFICATION OF SALE OF ABANDONED PROPERTY

The Department did not advertise sales of abandoned property at least three weeks prior to such sales, as required by statute. The Department could not provide documentation that sales were publicized for 9 of the 11 sales held during the audit period. The notification for the two

publicized sales were 6 and 7 days prior to the sale.

The Uniform Disposition of Unclaimed Property Act (765 ILCS 1025/17) requires the Department to publicize the sale of abandoned property at least three weeks prior to the sale of such property. (Finding 10, page 22)

The Department responded it has included language in auction contracts requiring the three-week notification of sale and it will implement procedures to check compliance with the contractual agreement.

CONTROLS OVER UNCLAIMED PROPERTY

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

- Unclaimed property records were not accurate. The unclaimed property records listed 3 of 25 (12%) boxes selected for testing as "Stored for Inventory" when some of the contents had been destroyed. The system listed 1 of 25 (4%) boxes tested as "Selected for Destruction" when the contents had been destroyed.
- Procedures to safeguard unclaimed property were not adequate. One employee had access to both the unclaimed property storage room and to property within the room which was not locked in cabinets.
- Segregation of duties regarding property sent and returned from auction was not adequate. Specifically, the same person who prepared the listing of property to be sold at auction was also responsible for reconciling the listing to unsold property returned from auction. (Finding 16, page 28)

The Department responded it will correct recordkeeping deficiencies, remodel the unclaimed property storage area to limit access over unclaimed property, and improve controls over property sent and returned from auction.

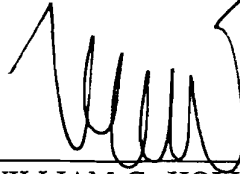
OTHER FINDINGS

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

Mr. Frank Casillas, Director, provided the Department's responses to our findings and recommendations.

AUDITORS' OPINION

Our auditors have stated the Department's financial statements for its nonshared and locally held funds as of and for the years ended June 30, 1994 and 1993 are fairly stated in all material respects.



WILLIAM G. HOLLAND, Auditor General

WGH:GSS:jr
May 2, 1995

SUMMARY OF AUDIT FINDINGS

	<u>This Audit</u>	<u>Prior Audit</u>
Number of Audit Findings	20	15
Recommendations Repeated	5	3
Recommendations Not Repeated	10	1

SPECIAL ASSISTANT AUDITORS

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