

REPORT DIGEST

**OFFICE OF THE SECRETARY OF STATE
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1995
AND
COMPLIANCE AUDIT
(In accordance with the Single Audit Act of 1984
and OMB Circular A-128)
FOR THE TWO YEARS ENDED JUNE 30, 1995**

SYNOPSIS

- The Office of the Secretary of State needs to improve controls over telecommunications. During our audit, we noted that a credit card number had been obtained by an unauthorized user. Also, telephone calls were made to foreign countries, were unusually long in nature, or were made outside of normal work hours.
- The fund balance of the Corporate Franchise Tax Refund Fund had a deficit balance at the end of the fiscal year because there is no provision made for liabilities for future refunds.
- The General Assembly may wish to consider adopting a uniform Municipal Code for traffic violations so the various municipal codes and the Illinois Vehicle Code numbering systems would be compatible.

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

INTRODUCTION

The audit of the Secretary of State is issued in two reports. The financial report contains our opinion on the financial statements for the year ended June 30, 1995. The compliance report contains supplementary information, findings, conclusions, and recommendations for the two years ended June 30, 1995.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE TELECOMMUNICATIONS CONTROL PROCEDURES

The Office of the Secretary of State needs to improve controls over telecommunications. During our audit, we noted a credit card number had been improperly obtained and numerous unauthorized calls were made and billed to the State. In other instances, we noted that several calls were made to foreign countries, were unusually long in nature, or were placed outside of normal work hours.

We recommended that phone bills be reviewed promptly upon receipt, that unusual calls be investigated, and that credit cards and numbers be safeguarded. (Finding #1, page 14)

The recommendations were accepted and the response indicates policies are in place.

CORPORATE FRANCHISE TAX REFUND FUND DEFICIT

The fund balance of the Corporate Franchise Tax Refund Fund had a deficit balance at the end of fiscal year 1995. The authorizing Act (805 ILCS 5/15.97) requires that the excess of deposits made during the year over refunds paid be transferred to the General Revenue Fund at year end. Thus, the fund operates at a deficit at year end due to the liabilities for future refunds.

We recommended the Secretary of State seek a revision of the statute to allow the fund to keep a balance sufficient to cover the expected future refunds at year's end. (Finding #4, page 18)

The Office of the Secretary of State has accepted this recommendation and has proposed a statutory amendment.

MATTER FOR CONSIDERATION BY THE GENERAL ASSEMBLY - UNIFORM TRAFFIC ORDINANCE NUMBERING SYSTEM

The State's traffic ordinance numbering system and Municipal systems are not uniform and cause inefficiencies in recordkeeping and conversion. Municipalities have unique codes for traffic violations that must be transcribed and converted to the comparable Illinois Vehicle Code (IVC) numbering system by the Secretary of State before it can be used by State authorities such as the Secretary of State Police. Also, court proceedings and state recordkeeping time would be decreased and law enforcement training would be lessened because municipal police officers already receive IVC training.

The General Assembly may wish to consider adopting a uniform Municipal Code, consisting of the

Illinois Vehicle Code and a prefix or suffix to indicate the corresponding municipality. (Matter for Consideration, page 22).

OTHER FINDINGS

The remaining two findings, dealing with fund transfers and audit fee requirements are less significant and are being given attention by Secretary of State officials. We will review progress toward the implementation of our recommendations in our next compliance audit.

Mr. John Cain, Chief Internal Auditor, provided the Secretary of State's responses.

AUDITORS' OPINION

Our auditors state the June 30, 1995 financial statements of the Office of the Secretary of State are presented fairly.

WILLIAM G. HOLLAND, Auditor General

WGH:KMC:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Findings 49 Repeat Findings 00
Prior Recommendations Implemented
or not Repeated 99

SPECIAL ASSISTANT AUDITORS

Kerber, Eck & Braeckel LLP were our special assistant auditors on this audit.

SECRETARY OF STATE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1995

RECEIPT/EXPENDITURE STATISTICS	FY 1995	FY 1994	FY 1993
● Total Cash Receipts (All Funds)	\$1,010,888,742	\$952,561,708	\$909,097,769
● Total Expenditures (All Funds)	\$403,869,580	\$376,167,049	\$357,437,083
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$192,708,288 48%	\$194,844,889 52%	\$181,382,237 51%
Personal Services % of Operations Expenditures Average No. of Employees	\$119,638,420 62%	\$115,028,310 59%	\$106,802,402 59%
Regular Positions Extra Help	3,799 366	3,810 368	3,778 350
Other Payroll Costs (FICA, Retirement) % of Operations Expenditures	\$18,110,382 9%	\$17,341,204 9%	\$16,219,448 9%
Contractual Services % of Operations Expenditures	\$28,066,507 15%	\$28,082,468 14%	\$28,096,720 15%
All Other Operations Items % of Operations Expenditures	\$26,892,979 14%	\$34,392,907 18%	\$30,263,667 17%
<u>AWARDS AND GRANTS TOTAL</u> % of Total Expenditures	\$207,324,370 51%	\$175,415,667 47%	\$171,073,748 48%
<u>REFUNDS & PERMANENT IMPROVEMENTS - TOTAL</u> % of Total Expenditures	\$3,836,922 1%	\$5,906,493 1%	\$4,981,098 1%
● Cost of Property and Equipment	\$314,873,302	\$311,164,491	\$307,570,408

SELECTED ACTIVITY MEASURES	CALENDAR YEAR		
	1994	1993	1992
●Passenger Car Plates	6,976,016	7,098,339	6,765,836
●Truck and Bus Plates	1,326,868	1,098,930	1,300,226
●Driver's Licenses	2,943,107	3,611,461	1,875,985
●Driver's Histories	4,603,505	4,508,647	4,660,519
●Registered Corporations	275,380	263,901	254,819
●Equity Securities Registered (billions)	\$54.9	\$55.3	\$42.3

AGENCY HEAD(S)
During Audit Period: Honorable George H. Ryan Currently: Honorable George H. Ryan